

|                 |          |              |                   |          |                   |
|-----------------|----------|--------------|-------------------|----------|-------------------|
| DATE IN 5/16/11 | SUSPENSE | ENGINEER WVT | LOGGED IN 5/16/11 | TYPE DHC | APP NO 1113655857 |
|-----------------|----------|--------------|-------------------|----------|-------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



PTG-WW  
 Morit, 14591

State AAK2 #46  
 30-025-08800

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication  
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement  
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify \_\_\_\_\_

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☐ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☒ Notification and/or Concurrent Approval by BLM or SLO  
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Matt Ogden  
 Print or Type Name

Matt Ogden  
 Signature

Regulatory Analyst  
 Title

5/12/11  
 Date

Matt.Ogden@meritenergy.com  
 e-mail Address

District I  
1625 N. French Drive, Hobbs, NM 88240

District II  
1301 W. Grand Avenue, Artesia, NM 88210

District III  
1000 Rio Brazos Road, Aztec, NM 87410

District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

APPLICATION TYPE  
☒ Single Well  
☐ Establish Pre-Approved Pools  
EXISTING WELLBORE  
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-4398

Merit Energy Company

13727 Noel Rd Ste 500 Dallas, TX 75240

Operator

Address

State A A/C 2

46

Unit N - Sect. 5N - T22S - R36E

Lea

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 14591 Property Code 24671 API No. 30-025-08800 Lease Type: ☐ Federal ☒ State ☐ Fee

| DATA ELEMENT  | UPPER ZONE  | INTERMEDIATE ZONE                                | LOWER ZONE  |
|---|---|--|---|
| Pool Name   | Jalmat - Tan Yates 7 Rivers   |  | <del>Langlie Mattix - Queen</del> <b>Si, Evince 7 RYRS QN</b>                             |
| Pool Code   | 79240   |  | <del>24130</del>  |
| Top and Bottom of Pay Section<br>(Perforated or Open-Hole Interval)   | 3147'-33342'  |  | 3563'-3854'   |
| Method of Production<br>(Flowing or Artificial Lift)  | Artificial Lift   |  | Artificial Lift   |
| Bottomhole Pressure<br>(Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)    | NA  |  | NA  |
| Oil Gravity or Gas BTU<br>(Degree API or Gas BTU)   | 1.3174 BTU  |  | 33.6 API / 1.2088 BTU   |
| Producing, Shut-In or New Zone  | Producing   |  | SI  |
| Date and Oil/Gas/Water Rates of Last Production.<br>(Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.) | Date: 03/12/2011<br>Rates: 8mcf/1bwpd   | Date:<br>Rates:                                  | Date:<br>Rates: 1bopd/12mcf   |
| Fixed Allocation Percentage<br>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)                  | Oil                  Gas<br>0                  %                  50                  % | Oil                  Gas<br>%                  % | Oil                  Gas<br>100                  %                  50                  % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐  
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐  
Will commingling decrease the value of production? Yes ☐ No ☒  
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐  
NMOCD Reference Case No. applicable to this well: \_\_\_\_\_

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools  
List of all operators within the proposed Pre-Approved Pools  
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.  
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Matt Ogden TITLE Regulatory Analyst DATE 05/12/2011

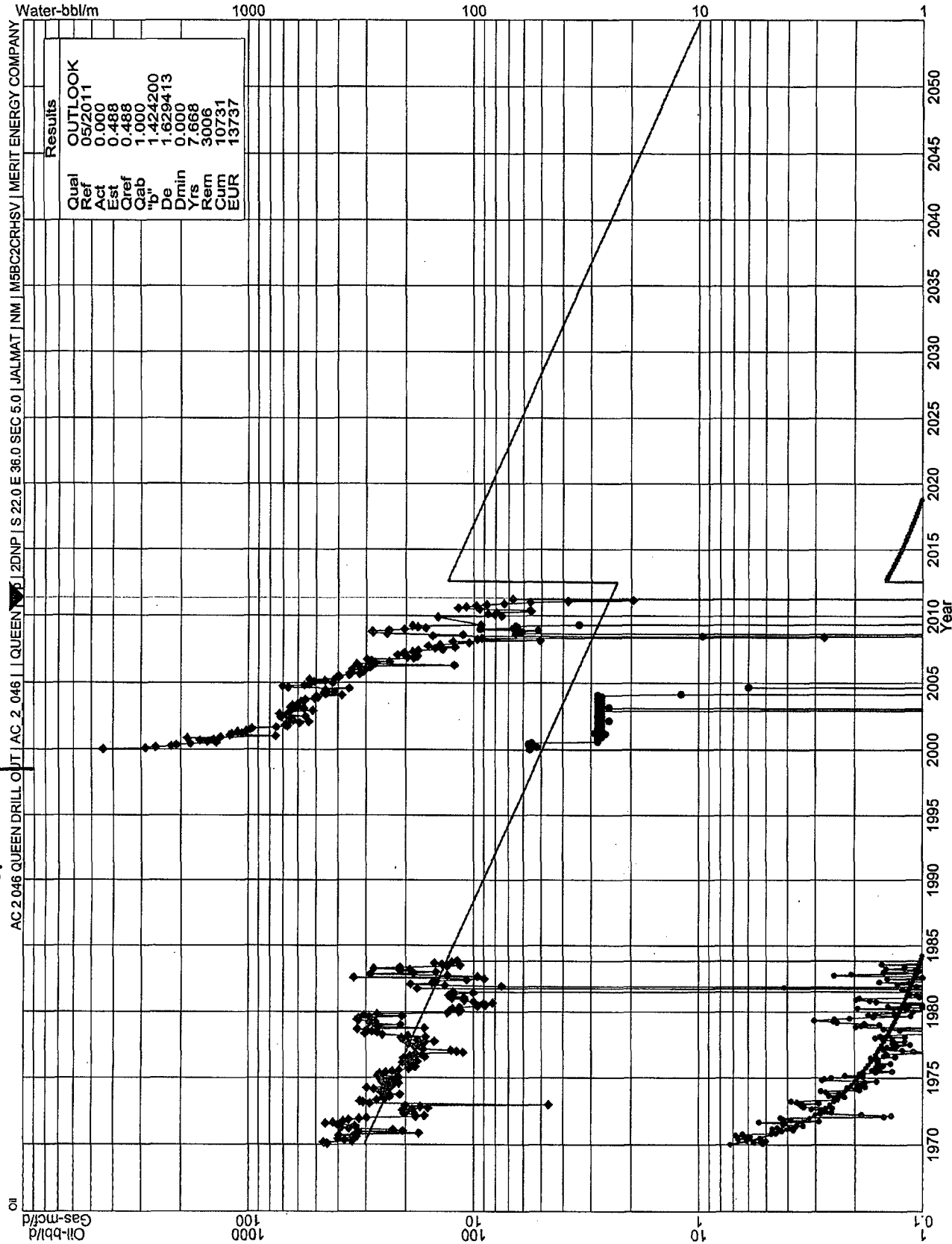
TYPE OR PRINT NAME Matt Ogden TELEPHONE NO. ( ) (972)628-1603

E-MAIL ADDRESS matt.ogden@meritenergy.com

| FORM  | TOP     |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
|---|---------|--|--|-------------------------------|--|---|--------|-------------|---------|------------------------|--|--------------------|--------|--|--------|--------|-----|-----|--|-------|------|--|--|--------|--|--|--|-------|------|--------|--------|--------|--|--|--|
|   |         | <b>AAC-2 #46</b><br><b>CURRENT WELLBORE DIAGRAM</b><br><b>MISSION RESOURCES INC</b>  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
|   |         | <b>SU-T-R</b> 5N-22S-36E<br><b>POOL:</b> JALMAT; TAN-YATES-7 RVRS (PRO GAS)<br><b>CO, ST:</b> LEA, NEW MEXICO<br><b>STATUS:</b> ACTIVE<br><b>LATEST RIG WORKOVER:</b><br><b>DIAGRAM REVISED:</b> 1/9/2004 BY SJP   | <b>API #:</b> 30-025-08800-0000<br><b>LAND TYPE:</b> STATE<br><b>ACREAGE</b> 40.12 |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
|   |         | 9 5/8" @ 319'<br>w/ 300 sx Cmt   |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
|   |         | <b>Cores 3750-3854'</b>  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
|   |         | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2">CASING</th> <th>LINER</th> <th>TUBING</th> </tr> <tr> <td>Hole</td> <td>13 3/4"</td> <td>8 3/4"</td> <td></td> </tr> <tr> <td>Pipe</td> <td>9 5/8"</td> <td>7"</td> <td>2 3/8"</td> </tr> <tr> <td>Weight</td> <td>32#</td> <td>20#</td> <td></td> </tr> <tr> <td>Grade</td> <td>H-40</td> <td></td> <td></td> </tr> <tr> <td>Thread</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Depth</td> <td>319'</td> <td>3,756'</td> <td>3,140'</td> </tr> <tr> <td>Mud wt</td> <td></td> <td></td> <td></td> </tr> </table>  |  | CASING                        |  | LINER   | TUBING | Hole        | 13 3/4" | 8 3/4"                 |  | Pipe               | 9 5/8" | 7"   | 2 3/8" | Weight | 32# | 20# |  | Grade | H-40 |  |  | Thread |  |  |  | Depth | 319' | 3,756' | 3,140' | Mud wt |  |  |  |
| CASING  |         | LINER  | TUBING   |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Hole  | 13 3/4" | 8 3/4"   |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Pipe  | 9 5/8"  | 7"   | 2 3/8"   |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Weight  | 32#     | 20#  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Grade   | H-40    |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Thread  |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Depth   | 319'    | 3,756'   | 3,140'   |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| Mud wt  |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
|   |         | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2">TAN-YATES-7 RVRS ZONE HISTORY</th> </tr> <tr> <td colspan="2">           11/99 Recompleted from Queen.<br/>           11/99 Drld out cmt retr &amp; cmt &amp; tag CIBP @ 3,687'.<br/>           Perforated 54 holes (2 SPF) 3,563-3,654', 7 Rvrs<br/>           Acidized w/3000 gal 7-1/2% &amp; 100 BS.<br/>           Frac w/26,000 gal gel foamed to 70% quality w/ CO<sub>2</sub><br/>           &amp; N<sub>2</sub> &amp; 71,000# 12/20 sand. Screened out late in job.<br/>           Flow back. Too weak to flow into sale line.<br/>           Set CIBP @ 3,500'<br/>           Perforated select 56 holes (2 SPF) 3,147-3,342',<br/>           Yates<br/>           Pulled out of rope socket &amp; dropped 10' perf gun<br/>           to PBTD. Tried to fish several times - unsuccessful.<br/>           Acidized w/ 2000 gal 15% &amp; 100 BS.<br/>           Frac w/ 22,650 gal gel foamed to 70% qual w/CO<sub>2</sub><br/>           &amp; N<sub>2</sub> &amp; 179,500# 12/20 sand. POP<br/>           IP 0 BOPD 3 BWPD 584 MCFD<br/>           NOTE: No pulling reports in file since 1999.         </td> </tr> <tr> <th colspan="2">OPPORTUNITY</th> </tr> <tr> <td colspan="2">           None seen. SJP 1/19/04         </td> </tr> <tr> <th colspan="2">QUEEN ZONE HISTORY</th> </tr> <tr> <td colspan="2">           6/4/60 Spud. 6/22/60 Initial Completion<br/>           Pool EUNICE; SEVEN RIVERS-QUEEN, SOUTH<br/>           6/22/60 Cored 3,750-3,854' dolo &amp; sand w/scattered<br/>           pay.<br/>           Vibro-Fraced OH w/ 3 #3 charges. Treated<br/>           w/20,000 gal oil &amp; 20,000# sand.<br/>           Flowed 65 BO, 5 BW in 8 hrs on 18/64" ck.<br/>           IP 250,308 MCFPD.<br/>           10/65 pump in; tracer run<br/>           10/68 clean out 14' frac sand<br/>           12/72 Dump 500 gal 15% down backside<br/>           10/84 SI<br/>           10/86 Attempt to repair csg leak. Rods &amp; tbg stuck.<br/>           Paraffin inside tbg &amp; scale outside tbg. Rec all fish.<br/>           Clean out w/ bit to 3,721'. Found csg leak<br/>           @ 3,512-42'.<br/>           Set CIBP @ 3,687' &amp; ret 2,478'; sqz w/80 sx.<br/>           Well T&amp;A'd - not drld out.         </td> </tr> </table> |  | TAN-YATES-7 RVRS ZONE HISTORY |  | 11/99 Recompleted from Queen.<br>11/99 Drld out cmt retr & cmt & tag CIBP @ 3,687'.<br>Perforated 54 holes (2 SPF) 3,563-3,654', 7 Rvrs<br>Acidized w/3000 gal 7-1/2% & 100 BS.<br>Frac w/26,000 gal gel foamed to 70% quality w/ CO <sub>2</sub><br>& N <sub>2</sub> & 71,000# 12/20 sand. Screened out late in job.<br>Flow back. Too weak to flow into sale line.<br>Set CIBP @ 3,500'<br>Perforated select 56 holes (2 SPF) 3,147-3,342',<br>Yates<br>Pulled out of rope socket & dropped 10' perf gun<br>to PBTD. Tried to fish several times - unsuccessful.<br>Acidized w/ 2000 gal 15% & 100 BS.<br>Frac w/ 22,650 gal gel foamed to 70% qual w/CO <sub>2</sub><br>& N <sub>2</sub> & 179,500# 12/20 sand. POP<br>IP 0 BOPD 3 BWPD 584 MCFD<br>NOTE: No pulling reports in file since 1999. |        | OPPORTUNITY |         | None seen. SJP 1/19/04 |  | QUEEN ZONE HISTORY |        | 6/4/60 Spud. 6/22/60 Initial Completion<br>Pool EUNICE; SEVEN RIVERS-QUEEN, SOUTH<br>6/22/60 Cored 3,750-3,854' dolo & sand w/scattered<br>pay.<br>Vibro-Fraced OH w/ 3 #3 charges. Treated<br>w/20,000 gal oil & 20,000# sand.<br>Flowed 65 BO, 5 BW in 8 hrs on 18/64" ck.<br>IP 250,308 MCFPD.<br>10/65 pump in; tracer run<br>10/68 clean out 14' frac sand<br>12/72 Dump 500 gal 15% down backside<br>10/84 SI<br>10/86 Attempt to repair csg leak. Rods & tbg stuck.<br>Paraffin inside tbg & scale outside tbg. Rec all fish.<br>Clean out w/ bit to 3,721'. Found csg leak<br>@ 3,512-42'.<br>Set CIBP @ 3,687' & ret 2,478'; sqz w/80 sx.<br>Well T&A'd - not drld out. |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| TAN-YATES-7 RVRS ZONE HISTORY   |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| 11/99 Recompleted from Queen.<br>11/99 Drld out cmt retr & cmt & tag CIBP @ 3,687'.<br>Perforated 54 holes (2 SPF) 3,563-3,654', 7 Rvrs<br>Acidized w/3000 gal 7-1/2% & 100 BS.<br>Frac w/26,000 gal gel foamed to 70% quality w/ CO <sub>2</sub><br>& N <sub>2</sub> & 71,000# 12/20 sand. Screened out late in job.<br>Flow back. Too weak to flow into sale line.<br>Set CIBP @ 3,500'<br>Perforated select 56 holes (2 SPF) 3,147-3,342',<br>Yates<br>Pulled out of rope socket & dropped 10' perf gun<br>to PBTD. Tried to fish several times - unsuccessful.<br>Acidized w/ 2000 gal 15% & 100 BS.<br>Frac w/ 22,650 gal gel foamed to 70% qual w/CO <sub>2</sub><br>& N <sub>2</sub> & 179,500# 12/20 sand. POP<br>IP 0 BOPD 3 BWPD 584 MCFD<br>NOTE: No pulling reports in file since 1999. |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| OPPORTUNITY   |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| None seen. SJP 1/19/04  |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| QUEEN ZONE HISTORY  |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |
| 6/4/60 Spud. 6/22/60 Initial Completion<br>Pool EUNICE; SEVEN RIVERS-QUEEN, SOUTH<br>6/22/60 Cored 3,750-3,854' dolo & sand w/scattered<br>pay.<br>Vibro-Fraced OH w/ 3 #3 charges. Treated<br>w/20,000 gal oil & 20,000# sand.<br>Flowed 65 BO, 5 BW in 8 hrs on 18/64" ck.<br>IP 250,308 MCFPD.<br>10/65 pump in; tracer run<br>10/68 clean out 14' frac sand<br>12/72 Dump 500 gal 15% down backside<br>10/84 SI<br>10/86 Attempt to repair csg leak. Rods & tbg stuck.<br>Paraffin inside tbg & scale outside tbg. Rec all fish.<br>Clean out w/ bit to 3,721'. Found csg leak<br>@ 3,512-42'.<br>Set CIBP @ 3,687' & ret 2,478'; sqz w/80 sx.<br>Well T&A'd - not drld out.  |         |  |  |                               |  |   |        |             |         |                        |  |                    |        |  |        |        |     |     |  |       |      |  |  |        |  |  |  |       |      |        |        |        |  |  |  |

Current Prod  
8 MCFD  
Est Queen  
1.5 BBO  
12 MCFD

QUEEN → 70% - 75%  
 → 70% - 75%



OIL 100% QUEEN  
 GAS 50% QUEEN  
 50% TANKS - YATES

17 **OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division

Ed. [Signature] 02/13/2008

Signature Date

Edgar [Signature]

RECEIVED

Printed Name

FEB 27 2008

18 **SURVEYOR CERTIFICATION**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief

Date of Survey

Signature and Seal of Professional Surveyor

Certificate Number

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised July 16, 2010  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

|   |  |  |  |  |                                 |
|---|--|--|--|--|---------------------------------|
| <sup>1</sup> API Number<br>30-025-08800 |  | <sup>2</sup> Pool Code<br>24130                    |  | <sup>3</sup> Pool Name<br>Eunice 7 Rivers Queen, South |                                 |
| <sup>4</sup> Property Code<br>302433    |  | <sup>5</sup> Property Name<br>State A A/C 2        |  |  | <sup>6</sup> Well Number<br>46  |
| <sup>7</sup> OGRID No.<br>14591         |  | <sup>8</sup> Operator Name<br>Merit Energy Company |  |  | <sup>9</sup> Elevation<br>3603' |

<sup>10</sup> Surface Location

| UL or lot no. | Section | Township | Range | Lot 1dn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| N             | 5       | 22S      | 36E   |         | 660           | S                | 1980          | W              | Lea    |

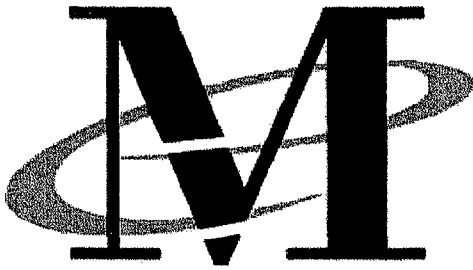
<sup>11</sup> Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot 1dn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
|               |         |          |       |         |               |                  |               |                |        |

|                                     |                               |                                  |                         |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| <sup>12</sup> Dedicated Acres<br>40 | <sup>13</sup> Joint or Infill | <sup>14</sup> Consolidation Code | <sup>15</sup> Order No. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

|   |  |  |
|---|--|--|
| <div style="text-align: center;">16</div> | <div style="text-align: center;">17 OPERATOR CERTIFICATION</div> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p style="text-align: right;">  05/24/2011<br/>       Signature Date<br/>       Matt Ogden<br/>       Printed Name<br/>       matt.ogden@meritenergy.com<br/>       E-mail Address     </p> |  |
|   | <div style="text-align: center;">18 SURVEYOR CERTIFICATION</div> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p>   |  |
|   | Date of Survey<br>Signature and Seal of Professional Surveyor:   |  |
|   | Certificate Number   |  |



*Merit Energy Company  
13727 Noel Road, Suite 500  
Dallas, TX 75240*

Date: May 12, 2011  
To: New Mexico Oil Conservation Division  
Attention: William V Jones P.E.  
RE. Jalmat Field: State 157 G#2 & G#4, State A A/C 2 #1, State AAC-2 #2, #4, #7, #31,  
#34, #46, #47, & #70 Yates-Queen Commingling  
Lea County, New Mexico

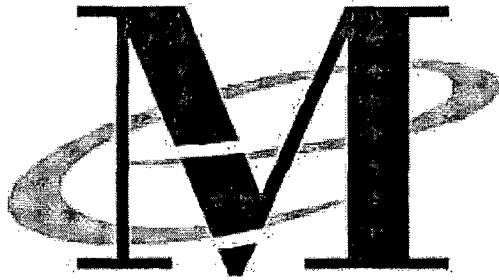
Merit Energy Company has requested approval to commingle the Yates formation ( Jalmat Pool) with the Queen formation (Langlie-Mattix) .

This well that we are asking to commingle does have "identically owned" (working/royalty/orri) interest from the surface to the base of the queen formation.

Please let me know if you have any questions

Sincerely,

Matt Van Eaton  
Associate Landman  
[matt.vaneaton@meritenergy.com](mailto:matt.vaneaton@meritenergy.com)  
Phone: 972-628-1557  
Fax: 972-682-1857



*Merit Energy Company  
13727 Noel Road, Suite 500  
Dallas, TX 75240*

Date: May 12, 2011  
To: New Mexico Oil Conservation Division  
Attention: William V Jones P.E.  
**RE. Jalmat Field: 12 Commingling Applications  
Lea County, New Mexico**

Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

Commingling the Jalmat Pool with the Langlie Mattix Pool in S 5-9 T22S R36E in Lea County is in the interest of both royalty owners and the conservation. Commingling will extend the life of each well and optimize recovery from Both Pools. The 12 well's commercial value will be extended 30 years based on estimated reserves from the Queen formation, and will ultimately allow uncommercial Jalmat Pool reserves to be recovered via production from the Queen. The Queen Completions are uneconomic if it is required by the NMOCD to seal off the Jalmat Pool from the Langlie Mattix Pool. Operationally, fluid samples will be collected before and after commingling. Scale inhibitors will be continuously pumped during operations. The fluid level will be maintained below the Jalmat pool both to optimize production and reduce any scaling tendencies.

Please let me know if you have any questions

Sincerely,

Brett Keener  
Operations Engineer  
[brett.keener@meritenergy.com](mailto:brett.keener@meritenergy.com)  
Phone: 972-628-1592  
Fax: 972-682-1892