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PSEM 0412034483

District I

1625 N. French Drive, Hobbs, NM 88240

RECEIVED

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A

Revised June 10, 2003

District II

1301 W. Grand Avenue, Artesia, NM 88210

APR 28 2004

Oil Conservation Division

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

APPLICATION TYPE

Single Well

District III

1000 Rio Brazos Road, Aztec, NM 87410

OIL CONSERVATION

District IV

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

DIVISION

APPLICATION FOR DOWNHOLE COMMINGLING

Establish Pre-Approved Pools

EXISTING WELLBORE

Yes No

Merit Energy Company

Operator

13727 Noel Road, Suite 500, Dallas, Texas 75240

Address

State O Com

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L Sec. 34-T21S-R26E

Eddy

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 014591 Property Code 007722 API No. 30-015-20813 Lease Type: X Federal X State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Happy Valley (Strawn) 602		Happy Valley (Morrow) 6202
Pool Code	78070		78060
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	9,923' - 10,146'		11,035' - 11,244'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (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)	Current: 1,124 psi Original: 4,382 psi		Last Production Point: 1,210 psi Original: 4,523 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	54.1 oil 1103 gas		1050 gas
Producing, Shut-In or New Zone	Producing		Shut-in
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 9/30/2003 Rates: 237 mcf/d, 2 bopd 0 bwpd	Date: Rates:	Date: 3/28/94 Rates: 70 mcf/d, 0 bopd, 0 bwpd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas % Supply Later To Santa Fe & ARTESIA	Oil Gas	Oil Gas

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes X No  
Yes No

Are all produced fluids from all commingled zones compatible with each other?

Yes X No

Will commingling decrease the value of production?

Yes No X

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 X 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 [Signature] TITLE Exploitation Engineer DATE 04/21/2004

TYPE OR PRINT NAME Daniel J. Tomley TELEPHONE NO. ( 972 ) 628-1697

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