



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary

Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



November 16, 2010

Administrative Order DHC-4333
Application Reference Number: pTGW1031639968

Merit Energy Company
Attn: Cindy Chavez
13727 Noel Rd, Suite 500
Dallas, TX 75240

Re: West Shugart 19 Federal Well No.1
API No. 30-015-30149

Pools: North Shugart Bone Spring (56405)
Shugart Wolfcamp (56427)

Dear Ms Chavez:

Reference is made to your application for an exception to Division Rule 12.9.A to permit down hole commingling of production from the subject pools within the above-described wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 12.11.A., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described.

In accordance with Division Rule 12.11.A(6), the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

Assignment of allowable and allocation of production from the well shall be as follows:

Pool: North Shugart Bone Spring	Pct Gas: To be supplied	Pct Oil: To be supplied
Pool: Shugart Wolfcamp	Pct Gas: To be supplied	Pct Oil: To be supplied



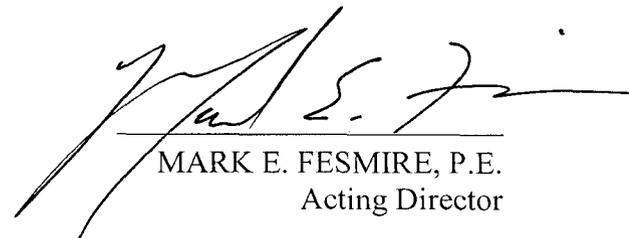
It is our understanding that allocation percentages will be determined by the subtraction method after the Wolfcamp completion has been added. The production allocation percentages of oil and gas between these pools shall be reported to the Division's Santa Fe office within 60 days following completion of this well in the Wolfcamp.

It is also understood that ownership of all interest in the pools from which production is being commingled is identical.

This approval is conditional upon approval by the United States Bureau of Land Management prior to commencement of commingling.

The operator shall notify the Division's Artesia district office upon implementation of commingling operations.

Pursuant to Rule 12.11B, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



MARK E. FESMIRE, P.E.
Acting Director

MEF/db

cc: Oil Conservation Division – Artesia
United States Bureau of Land Management