

DATE IN 7/11	SUSPENSE	ENGINEER WST	LOGGED IN 7/11	TYPE DHC 426	APPROVAL PIV 1119258930
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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

[Signature]
 Signature

Regulatory Analyst
 Title

7/8/11
 Date

Matt.Ogden@nmtenergy.com
 e-mail Address

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

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-4426

Merit Energy Company 13727 Noel Rd Ste 500 Dallas, TX 7240
Operator Address
State A A/C 1 69 P-3-23S-36E Lea
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14591 Property Code API No. 30-025-09229 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Jalmat Tansil Yates 7-Rivers		Eunice 7 Rivers Queen South
Pool Code	79240		24130
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2875'-3566'		3638'-3675'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
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)	NA		NA
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1.3174		33.6 API/1.2088 BTU
Producing, Shut-In or New Zone	Producing		New Zone
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: 07/05/2011 Rates: 32 mcf/0 BO	Date: Rates:	Date: Rates: 10 mcf/2 BO
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 0 % 75 %	Oil Gas % %	Oil Gas 100 % 25 %

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 07/07/2011
TYPE OR PRINT NAME Matt Ogden TELEPHONE NO. () (972)628-1603
E-MAIL ADDRESS matt.ogden@meritenergy.com

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

¹ API Number 30-025-09229	² Pool Code 24130	³ Pool Name Eunice 7 Rivers Queen South
⁴ Property Code State A A/C 1	⁵ Property Name	⁶ Well Number 69
⁷ OGRID No. 14591	⁸ Operator Name Merit Energy Company	⁹ Elevation

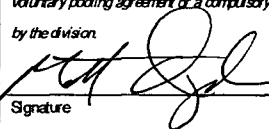
¹⁰ Surface Location

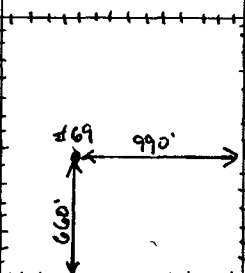
UL or lot no. P	Section 3	Township 23S	Range 36E	Lot Idn	Feet from the 660	North/South line South	Feet from the 990	East/West line East	County Lea
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

16				<p>¹⁷ OPERATOR CERTIFICATION</p> <p>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.</p> <p> 07/07/2011</p> <p>Signature Date</p> <p>Matt Ogden</p> <p>Printed Name</p> <p>matt.ogden@meritenergy.com</p> <p>E-mail Address</p> <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>



District IV
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

API Number 30-025- 09229	2 Pool Code 79240	3 Pool Name Jalmat; Tan-Yates-7 rvrs (Pro Gas)
4 Property Code 24669	5 Property Name State "A" A/C I	6 Well Number 69
7 OGRID No. 162791	8 Operator Name Raptor Resources	9 Elevation

UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
P	3	23S	36E		660	South	990	East	Lea

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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12 Dedicated Acres 280	13 Joint or Infill	14 Consolidation Code	15 Order No. NSP-1809 <L><SD>
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NSP-1809 <L><SD>

**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**

[illegible]

Wellbore Diagram

Lease & Well No. **State A A/C 1 # 69**
Field Name **Jalmat**
Location **Unit P, Sec. 3, T23S, R36E**

Status **Active**
County & State **Lea County, NM**
API No. **30-025-09229**
Pool Name **Jalmat: Tansill Yates Seven Rivers**

Well Information

Spud: **10/9/1959** Ground Elevation: **3,638'** D.F. Elevation: _____
Completed: _____ KB Elevation: _____ Total Depth: **3,675'**

Pipe Data

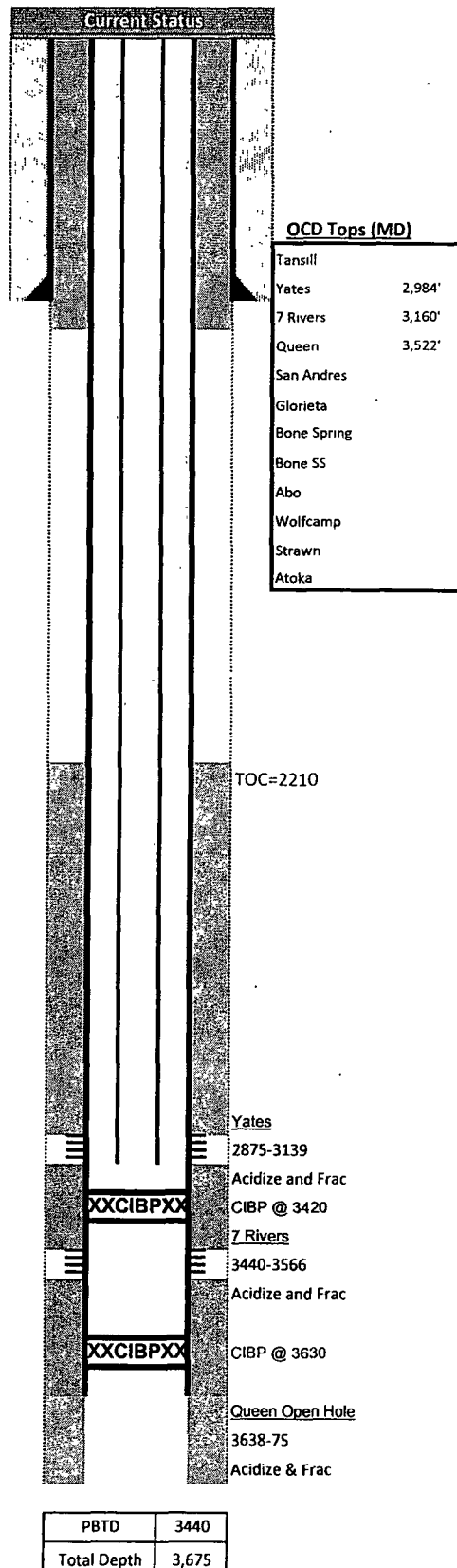
Surface						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
12-1/4"	326'	9-5/8"	36 0#		300 sx	
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
8-3/4"	3,638'	7"	20.0#		250 sx	TOC=2210
Downhole Tubulars (Top to Btm)						
106 Jts 2 3/8" SN 2-7/8" BPMJ (31' Long) / EOT=3327'						
36-7/8" 82-3/4" 12-7/8" rods, 2"x1 1/2"x12'						

Well History

- 11/1/1959** Complete Queen Open Hole: 3638-75 with 10000 gals oil and 10000# sand
IP: 36 BO
- 9/16/1970** Set CIBP @ 3630' / Perf 3440,45,52,58,68,79,86,92,3507,15,25,34,41,47,55,66
- 9/19/1970** Acidize and Frac with 20000 gals gel BR 30000# 20/40 22 bpm @ 1400 psig, ISIP 0 / POP
IP: 3 BO 612 MCF // Prior to W/O 4 BOPD 23 MCFD 210 BWPD
- 7/30/1990** RIH with B&S to 3606' / Set CIBP @ 3420' / Perf Yates 2875,2914,68,87,99,3010,27,34,45,73,78,86,3133,39
Ribble Serv Pickle Tbg; Circ hole clean with Pkr fluid / Acidize with 22 bbls
Frac well with 1474 bbls and 144207 lbs 12/20 25 bpm @ 2700 psig / CO Fill to 3161'
- 1/27/2005** Tag Fill @ 3181' / CO Fill to 3412' / Perf 7 Rvrs: 3394,70,41,25,3280,78,62,60,38,30
- 2/2/2005** Acidize Perfs with PPI Tool / Found HIC 427-457' Squeeze with 200 sks Class C Cmmt returns to surface
DO Cmmt / RIH with 4-1/2" frac string, set pkr @ 2793' / Frac down 4-1/2" with 70Q CO2 510 sks 20/40 2500 sks 12/20
65 bpm @ 2310 psig / CO Fill with Air unit to 3420'
PU 52" Stroke 10 spm
- 2/27/2006** CO Fill to 3420 with sand bailer,

Procedures

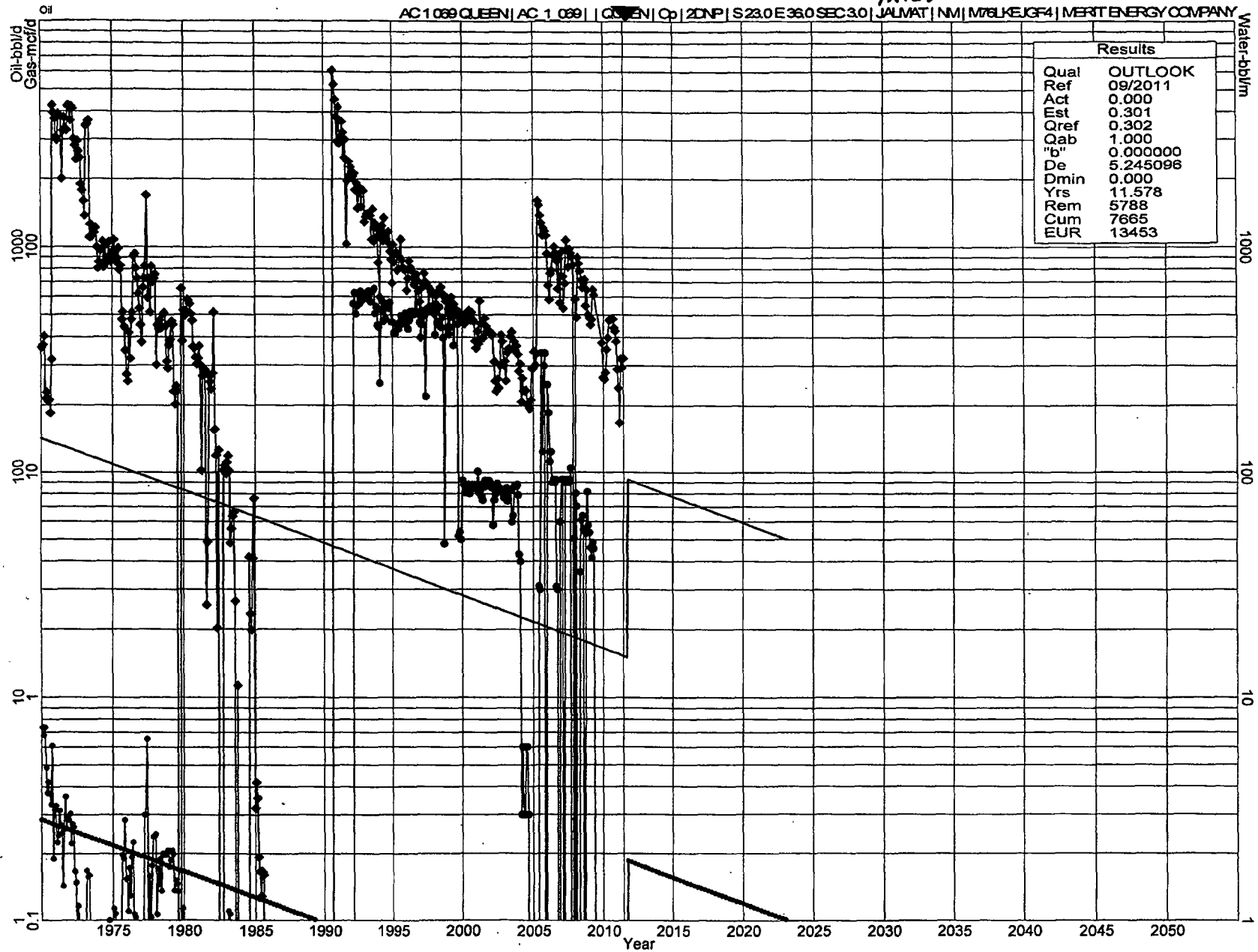
Collect Oil & Wtr Samples Submit to X-Chem / MIRU W/O Rig. RU H2S Equipment - Pre-job sfty mtg / Disc Pwr supply Lock/out Tag/out
ND HH; RU Rod Equipment; Unseat Pump and TOH with Rods / ND WH, NU BOPs and Test / Rack Back Tubing
NU 6 1/8" Varel Bit, 6 DCs, Tally Tbg in Hole, Tag CIBP or Fill / RU Air Foam Unit w/Mist Pump / Spot 500 bbl frac tank and fill w/2% KCL
RU Flowlines from each csg port to gas buster tank Eliminate excessive bends or 90's - sand will cut out valves and flowlines
Circ well w/Air & Mist Pump to 3420' / DO CIBP / RIH to 3630' - CO Fill and DO CIBP / RIH to 3675'
CO Fill; Cir well with Air for minimum 2 hrs
Rack back tubing / NU BP, MJ, Perf Sub; Seat Nipple, and RIH w/ TBG
and Tbg SN @ 3640' / ND BOPs NU Tubing Head / RU Rod Equipment
PU 12' GA, 40 Ring PA Plunger Pump, On/Off Tool, RIH w/rods, N
Clean Location; RDMO W/O Rig
Production will be commingled and allocated based on subtraction method
Yates / 7 Rivers: Avg Production:
Queen Projected Production:

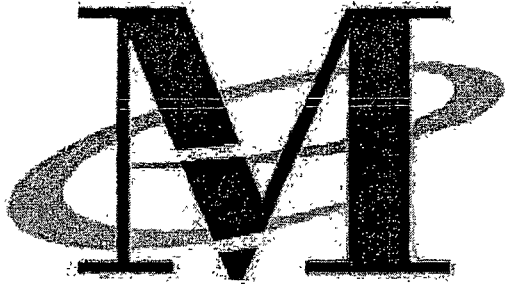


Current
32 mcf
Ø oil

Allocation
Oil 100% QUEEN
Gas 25% QUEEN
75% YATES-7Hrs

Future
42 mcf
2 o.i.





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

Date: July 8, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
**RE. Jalmat Field: 2 Commingling Applications
Lea County, New Mexico**

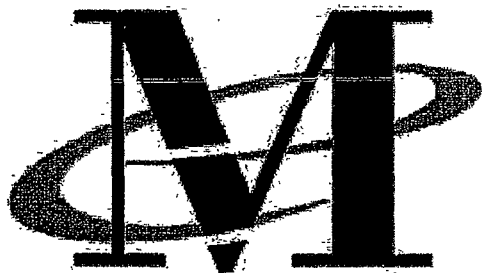
Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

Commingling the Jalmat Pool with the Langlie Mattix Pool in P 3 T23S R36E and C 10 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 2 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
Phone: 972-628-1592
Fax: 972-682-1892



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

Date: June 27, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. Jalmat Field: State AAC-1 #69, & 81
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
Phone: 972-628-1557
Fax: 972-682-1857