

| | | | | | |
|-----------------|----------|--------------|-------------------|------------------|--------------------|
| DATE IN 3.23.12 | SUSPENSE | ENGINEER WVT | LOGGED IN 3.23.12 | TYPE DHC A544 | APP NO. 1208356733 |
|-----------------|----------|--------------|-------------------|------------------|--------------------|

PTG-W

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Merit 14591

State A A/C1 #71
 30-025-09347

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

M-13-235-36E

2012 MAR 22 P 3:42
 RECEIVED OGD

[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 3/21/12
 Title Date

matt.ogden@meritenergy.com
 e-mail Address

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

District II
811 S. First St., 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 August 1, 2011

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

Merit Energy Company
Operator

13727 Noel Rd Ste 500 Dallas, TX 75240
Address

State A A/C 1 71 M-13-23S-36E Lea
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 14591 Property Code API No. 30-025-09347 Lease Type: Federal State Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---|---|-------------------|-----------------------------|
| Pool Name | Jalmat Tansil Yates 7-Rivers | | Eunice 7 Rivers Queen Se |
| Pool Code | 79240 | | 24130 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 2917'-3113' | | 3426'-3515' |
| 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: 02/26/2012 Rates: 0 BO; 55 MCF | Date: Rates: | Date: Rates: 1 BO; 25MCF |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil 0 % Gas 70 % | Oil % Gas % | Oil 100 % Gas 30 % |

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:

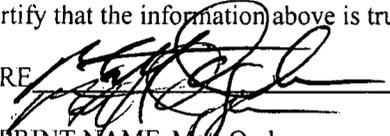
- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation 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:

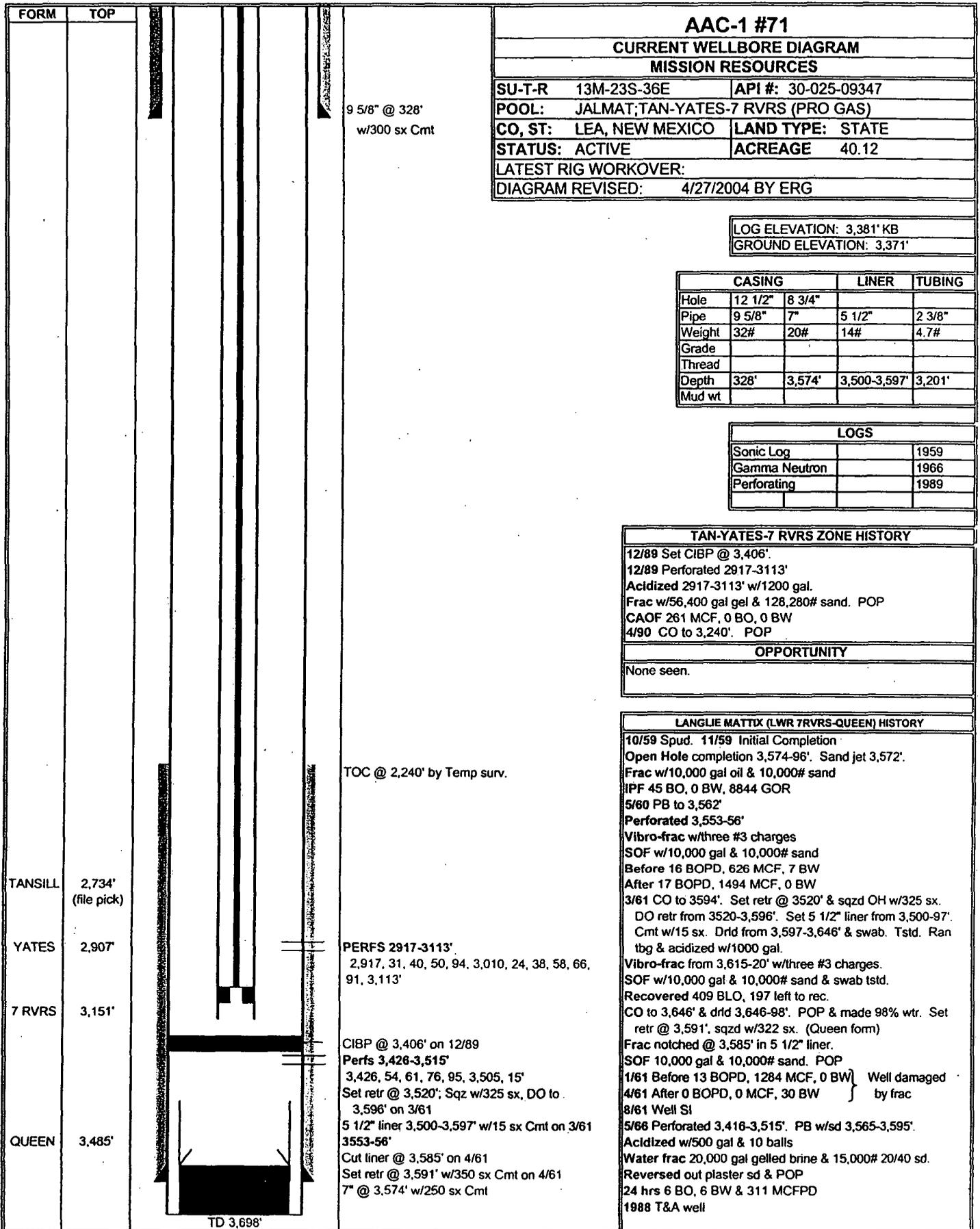
- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE  TITLE Regulatory Analyst DATE 02/28/2012

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

E-MAIL ADDRESS matt.ogden@meritenergy.com



AAC-1 #71

CURRENT WELLBORE DIAGRAM

MISSION RESOURCES

| | | | |
|-----------------------------------|------------------------------------|------------|--------------|
| SU-T-R | 13M-23S-36E | API #: | 30-025-09347 |
| POOL: | JALMAT; TAN-YATES-7 RVRs (PRO GAS) | | |
| CO, ST: | LEA, NEW MEXICO | LAND TYPE: | STATE |
| STATUS: | ACTIVE | ACREAGE | 40.12 |
| LATEST RIG WORKOVER: | | | |
| DIAGRAM REVISED: 4/27/2004 BY ERG | | | |

LOG ELEVATION: 3,381' KB
GROUND ELEVATION: 3,371'

| | CASING | | LINER | TUBING |
|--------|---------|--------|--------------|--------|
| Hole | 12 1/2" | 8 3/4" | | |
| Pipe | 9 5/8" | 7" | 5 1/2" | 2 3/8" |
| Weight | 32# | 20# | 14# | 4.7# |
| Grade | | | | |
| Thread | | | | |
| Depth | 328' | 3,574' | 3,500-3,597' | 3,201' |
| Mud wt | | | | |

| LOGS | | |
|---------------|--|------|
| Sonic Log | | 1959 |
| Gamma Neutron | | 1966 |
| Perforating | | 1989 |
| | | |

TAN-YATES-7 RVRs ZONE HISTORY

12/89 Set CIBP @ 3,406'
12/89 Perforated 2917-3113'
Acidized 2917-3113' w/1200 gal.
Frac w/56,400 gal gel & 128,280# sand. POP
CAOF 261 MCF, 0 BO, 0 BW
4/90 CO to 3,240'. POP

OPPORTUNITY

None seen.

LANGLIE MATTIX (LWR 7RVRs-QUEEN) HISTORY

10/59 Spud. 11/59 Initial Completion
Open Hole completion 3,574-96'. Sand jet 3,572'.
Frac w/10,000 gal oil & 10,000# sand
IPF 45 BO, 0 BW, 8844 GOR
5/60 PB to 3,562'
Perforated 3,553-56'
Vibro-frac w/three #3 charges
SOF w/10,000 gal & 10,000# sand
Before 16 BOPD, 626 MCF, 7 BW
After 17 BOPD, 1494 MCF, 0 BW
3/61 CO to 3594'. Set retr @ 3520' & sqzd OH w/325 sx.
DO retr from 3520-3,596'. Set 5 1/2" liner from 3,500-97'.
Cmt w/15 sx. Drld from 3,597-3,646' & swab. Tstd. Ran
tbg & acidized w/1000 gal.
Vibro-frac from 3,615-20' w/three #3 charges.
SOF w/10,000 gal & 10,000# sand & swab tstd.
Recovered 409 BLO, 197 left to rec.
CO to 3,646' & drld 3,646-98'. POP & made 98% wtr. Set
retr @ 3,591', sqzd w/322 sx. (Queen form)
Frac notched @ 3,585' in 5 1/2" liner.
SOF 10,000 gal & 10,000# sand. POP
1/61 Before 13 BOPD, 1284 MCF, 0 BW } Well damaged
4/61 After 0 BOPD, 0 MCF, 30 BW } by frac
8/61 Well SI
5/66 Perforated 3,416-3,515'. PB w/sd 3,565-3,595'.
Acidized w/500 gal & 10 balls
Water frac 20,000 gal gelled brine & 15,000# 20/40 sd.
Reversed out plaster sd & POP
24 hrs 6 BO, 6 BW & 311 MCFPD
1988 T&A well

9 5/8" @ 328'
w/300 sx Cmt

TOC @ 2,240' by Temp surv.

PERFS 2917-3113'
2,917, 31, 40, 50, 94, 3,010, 24, 38, 58, 66,
91, 3,113'

CIBP @ 3,406' on 12/89
Perfs 3,426-3,515'
3,426, 54, 61, 76, 95, 3,505, 15'
Set retr @ 3,520'. Sqz w/325 sx, DO to
3,596' on 3/61
5 1/2" liner 3,500-3,597' w/15 sx Cmt on 3/61
3553-56'
Cut liner @ 3,585' on 4/61
Set retr @ 3,591' w/350 sx Cmt on 4/61
7" @ 3,574' w/250 sx Cmt

TD 3,698'

TANSILL 2,734'
(file pick)

YATES 2,907'

7 RVRs 3,151'

QUEEN 3,485'

Well File

OCD File

25 MCFD
1/2 BOPD

55 MCFD

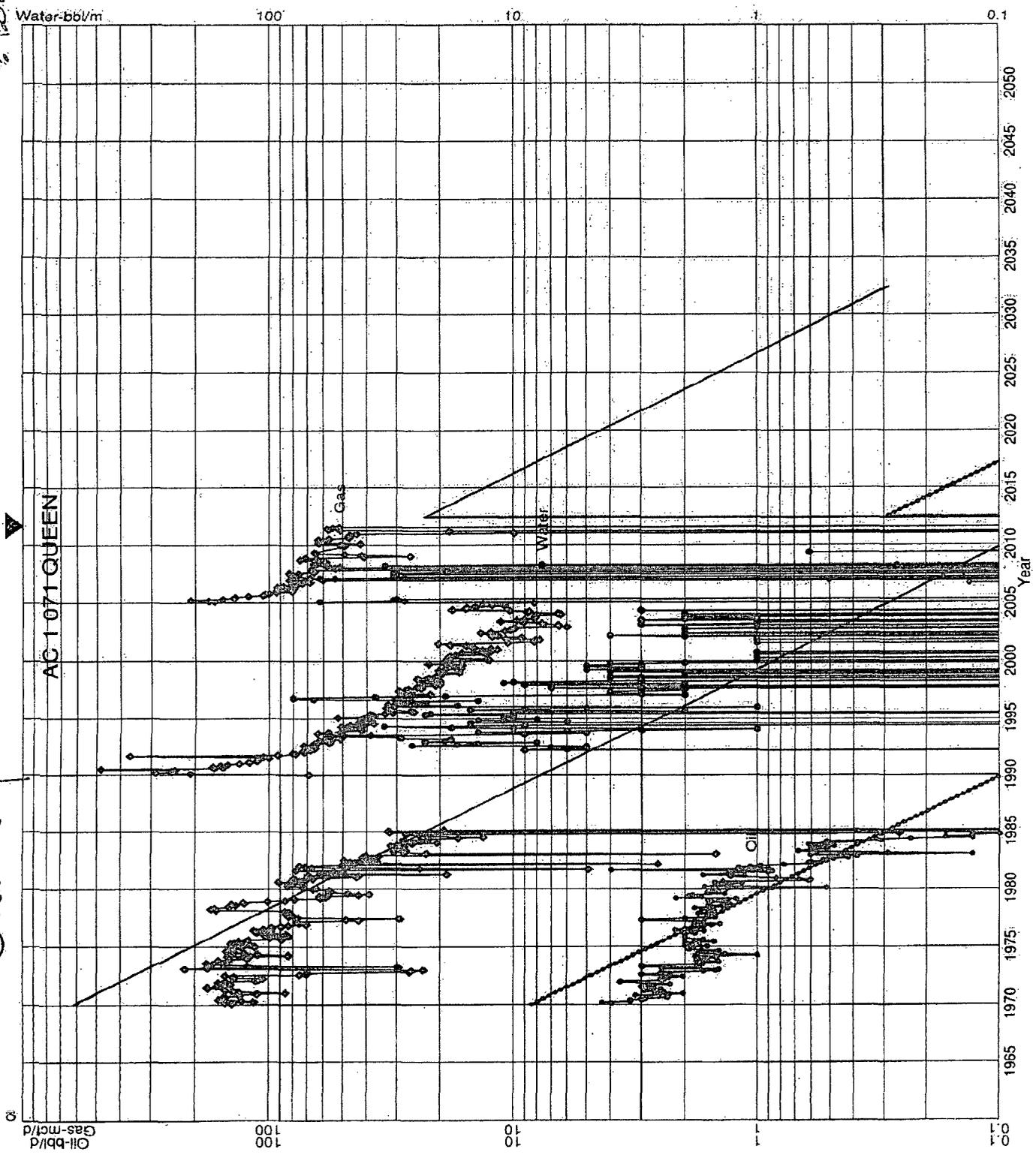
Queen ← 7 Rivers-Yates

| | | | | | |
|-----------|-----------|-----------|-----------|-------------|--------|
| Oil-bbl/d | OUTLOOK12 | Gas-mcf/d | OUTLOOK12 | Water-bbl/m | 6/2012 |
| Qual= | 6/2012 | Qual= | 6/2012 | Ref= | 1677 |
| Ref= | 8934 | Ref= | 899450 | Cum= | 1677 |
| Cum= | 471 | Cum= | 37805 | | |
| Rem= | 9405 | Rem= | 937255 | | |
| EUR= | 19.997 | EUR= | 19.997 | | |
| Yrs= | 0.3 | Yrs= | 23.0 | | |
| Qref= | 0.3 | Qref= | 19.700343 | | |
| De= | 20.063640 | De= | 0.000 | | |
| Dmin= | 0.000 | Dmin= | 0.000000 | | |
| b= | 0.000000 | b= | 0.3 | | |
| Qab= | 0.0 | Qab= | 0.3 | | |

Allocation

30% Queen
Gas: 70% Rivers-Yates

Oil: 100% Queen



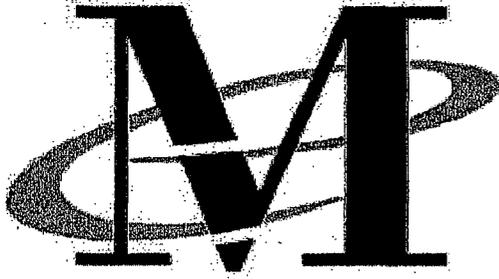
AC 1071 QUEEN

Gas

Water

Oil

Year



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

Date: February 23, 2012
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE: Jalmat Field: AC-1 #50,52,54,57,60,66,71,72,74,80,81, 107 & AC-2 #29-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,

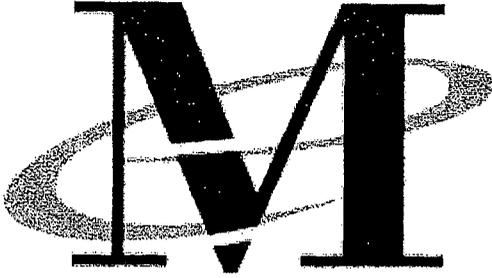
Matt Van Eaton

Associate Landman

matt.vaneaton@meritenergy.com

Phone: 972-628-1557

Fax: 972-682-1857



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

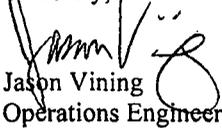
Date: February 23, 2012
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
**RE: Jalmat Field: 13 Commingling Applications
Lea County, New Mexico**

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

All of these wells are located in Lea County, C Sec 10, B-D-E-G-M Sec 13, G Sec 15, E- Sec 23, I-K-L-O- Sec 24 T23S R36E and D Sec 9 T22S R36E. Commingling the Jalmat Pool with the Langlie Mattix Pool is in the interest of both royalty owners and the conservation, and it will extend the life of each well and optimize recovery from both Pools. The 13 well's commercial value will be extended 20 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,



Jason Vining
Operations Engineer

jason.vining@meritenergy.com

Phone: 972-628-1606

Fax: 972-682-1906

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

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 August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|--|--|---|--------------------------------|
| ¹ API Number 30-025-09347 | | 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 71 |
| ⁷ OGRID No. 14591 | | ⁸ Operator Name Merit Energy Company | | | ⁹ Elevation |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 13 | 22S | 36E | | 660 | South | 660 | West | Lea |

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.

| | | | |
|--|--|--|--|
| | <p>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.</p> <p>Signature: <i>[Signature]</i> Date: 02/28/2012</p> <p>Matt Ogden Printed Name</p> <p>matt.ogden@meritenergy.com E-mail Address</p> | | |
| | <p>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.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> | | |
| | <p>Certificate Number</p> | | |