

ABOVE THIS LINE FOR DIVISION USE ONLY

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



PTG-W
 4359
 Merit En. 14591
 RECEIVED OGD
 State AAK # 3

ADMINISTRATIVE APPLICATION CHECKLIST

30-025-08829

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.

Lynne Moon
 Print or Type Name

Lynne Moon
 Signature

Regulatory Manager
 Title

03/02/2011
 Date

lynne.moon@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

DIG 4359

Operator Merit Energy Company 13727 Noel Rd. Suite 500 Dallas, Texas 75240
Address

Lease State A A/C 2 #3 Well No. G-08-22S-36E Unit Letter-Section-Township-Range Lea County

OGRID No. 14591 Property Code 302433 API No. 30-025-08829 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Jalmat Tansill Yates 7-Rivers	<i>AG</i>	Eunice 7 Rivers Queen South <i>OL</i>
Pool Code	79240		24130
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3162' - 3622'		3690' - 3880'
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	<i>Shut-In</i>		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: Rates: 10 MCFD, 10 BWPD	Date: Rates:	Date: Rates: 4 BOPD; 10 MCFD; 10 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 % 50 %	Oil Gas % %	Oil Gas 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.

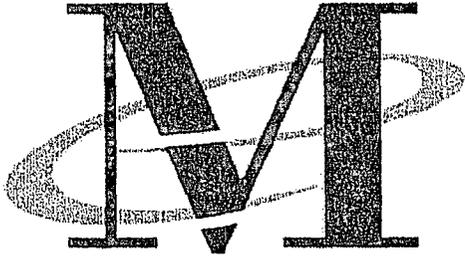
PRE-APPROVED POOLS

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 *Lynne Moon* TITLE Regulatory Manager DATE 03/02/2011
 TYPE OR PRINT NAME Lynne Moon TELEPHONE NO. (972) 628-1569
 E-MAIL ADDRESS lynne.moon@meritenergy.com



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

Date: March 22, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
**RE. Jalmat Field: 8 Commingling Applications
Lea County, New Mexico**

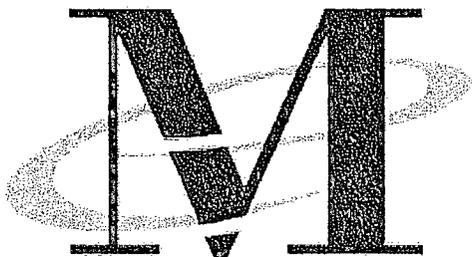
Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

Each of these wells that we are asking to commingle do 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: 972-628-1885



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

Date: March 22, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
**RE. Jalmat Field: 8 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 8 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

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
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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 30-025-08829		² Pool Code 24130		³ Pool Name Eunice 7 Rivers Queen, South	
⁴ Property Code 302433		⁵ Property Name State A A/C 2			⁶ Well Number 3
⁷ OGRID No. 14591		⁸ Operator Name Merit Energy Company			⁹ Elevation 3596'

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
G	08	22S	36E		1980	North	1980	East	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.
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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 	¹⁷ OPERATOR CERTIFICATION <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>
	 03/02/2011 Signature Date Lynne Moon Printed Name lynne.moon@meritenergy.com E-mail Address
	¹⁸ SURVEYOR CERTIFICATION <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>
	Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

EXHIBIT 20

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-08829	Pool Code 79240	Pool Name JALMAT:TANSILL-YATES-7RIVERS(GAS)
Property Code 302433	Property Name STATE A A/C 2	Well Number 3
GRID No. 194849	Operator Name PETROHAWK OPERATING COMPANY	Elevation 3596'

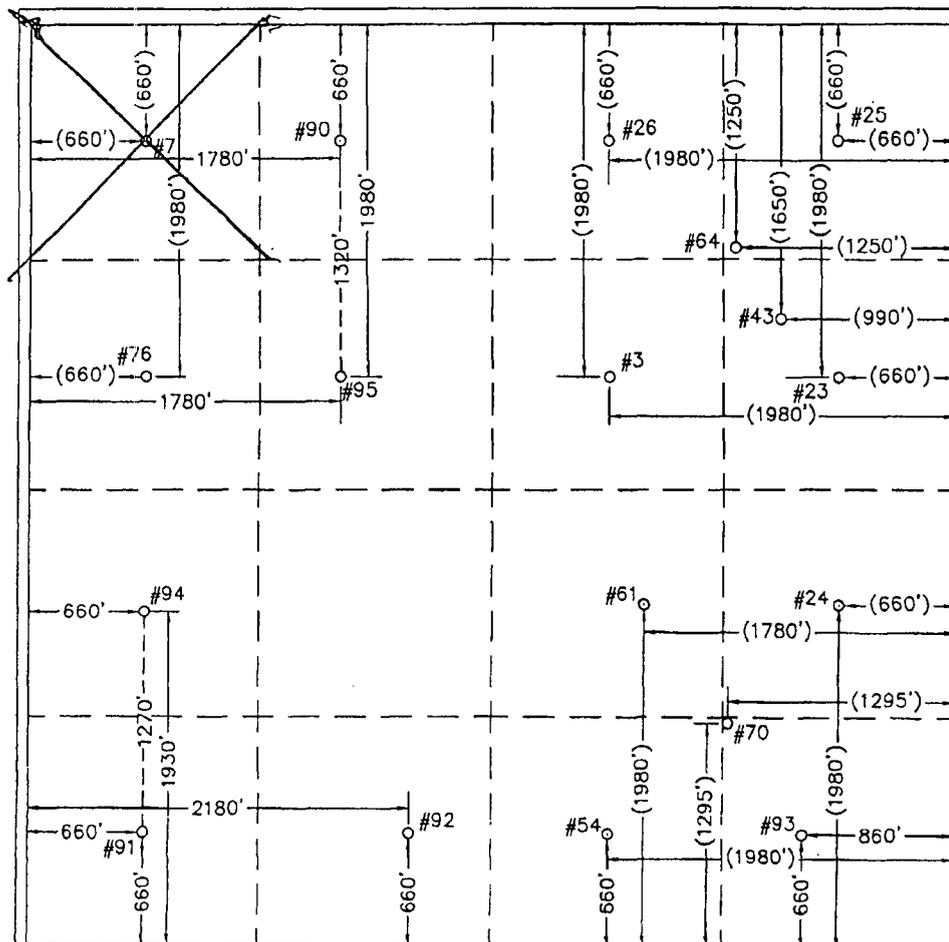
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	8	22 S	36 E		1980	NORTH	1980	EAST	LEA

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
SAME									
Dedicated Acres 600	Joint or Infill INFILL	Consolidation Code	Order No. SD-06-13						

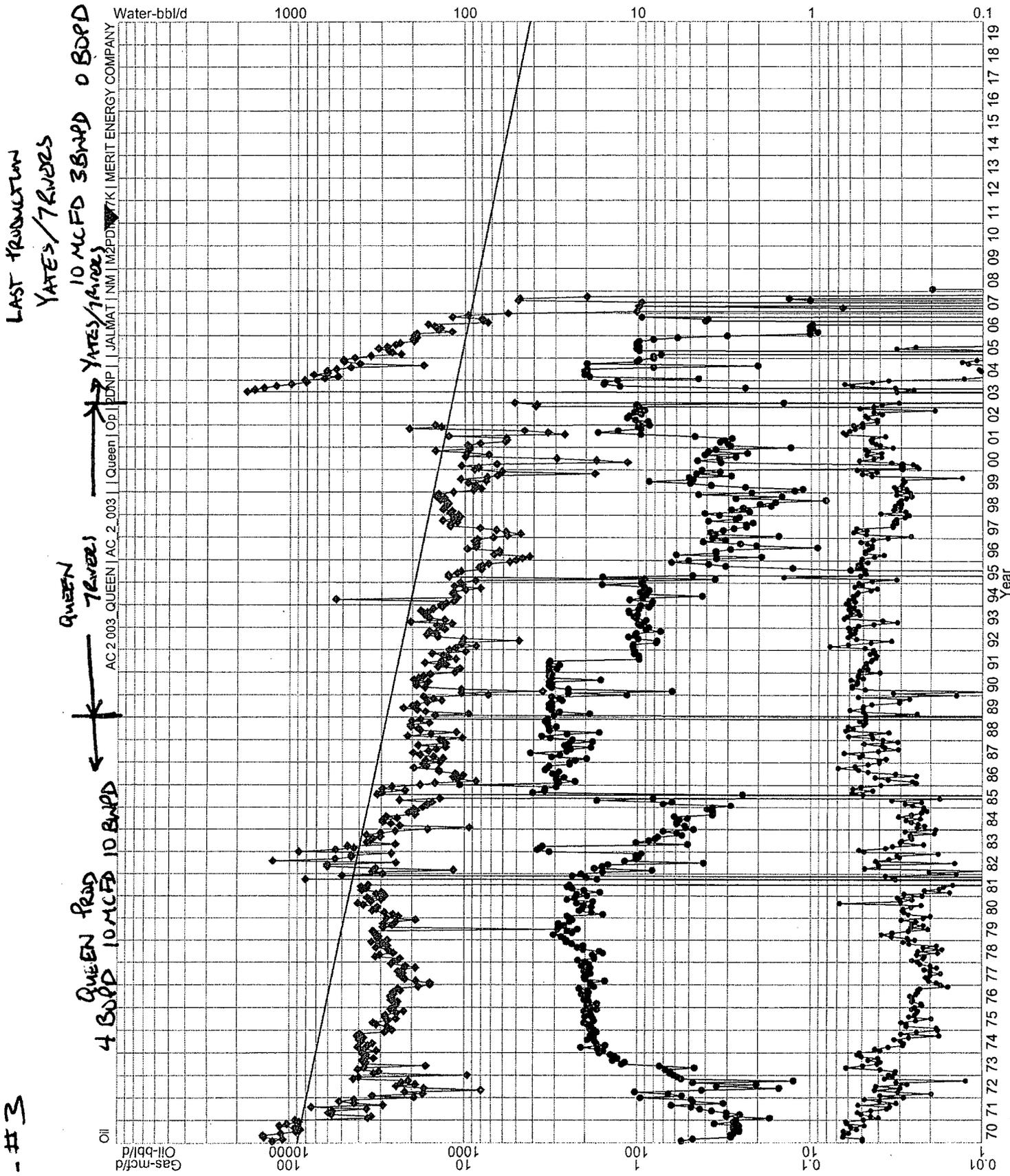
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Nancy K. Gatti</i> Signature</p> <p>NANCY K. GATTI Printed Name</p> <p>REGULATORY MANAGER Title</p> <p>04/28/06 Date</p>	
<p>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>June 9, 2005 Date Surveyed</p> <p>Signature & Seal of Professional Surveyor <i>[Signature]</i> LVA</p> <p>W.O. Num. 2005-0469 Certificate No. MACON McDONALD 12185</p>	

WELL LOCATIONS SHOWN HEREON WITH DIMENSIONS IN PARENTHESIS WERE PROVIDED BY MISSION RESOURCES CORPORATION AND ARE NOT FIELD SURVEYED.

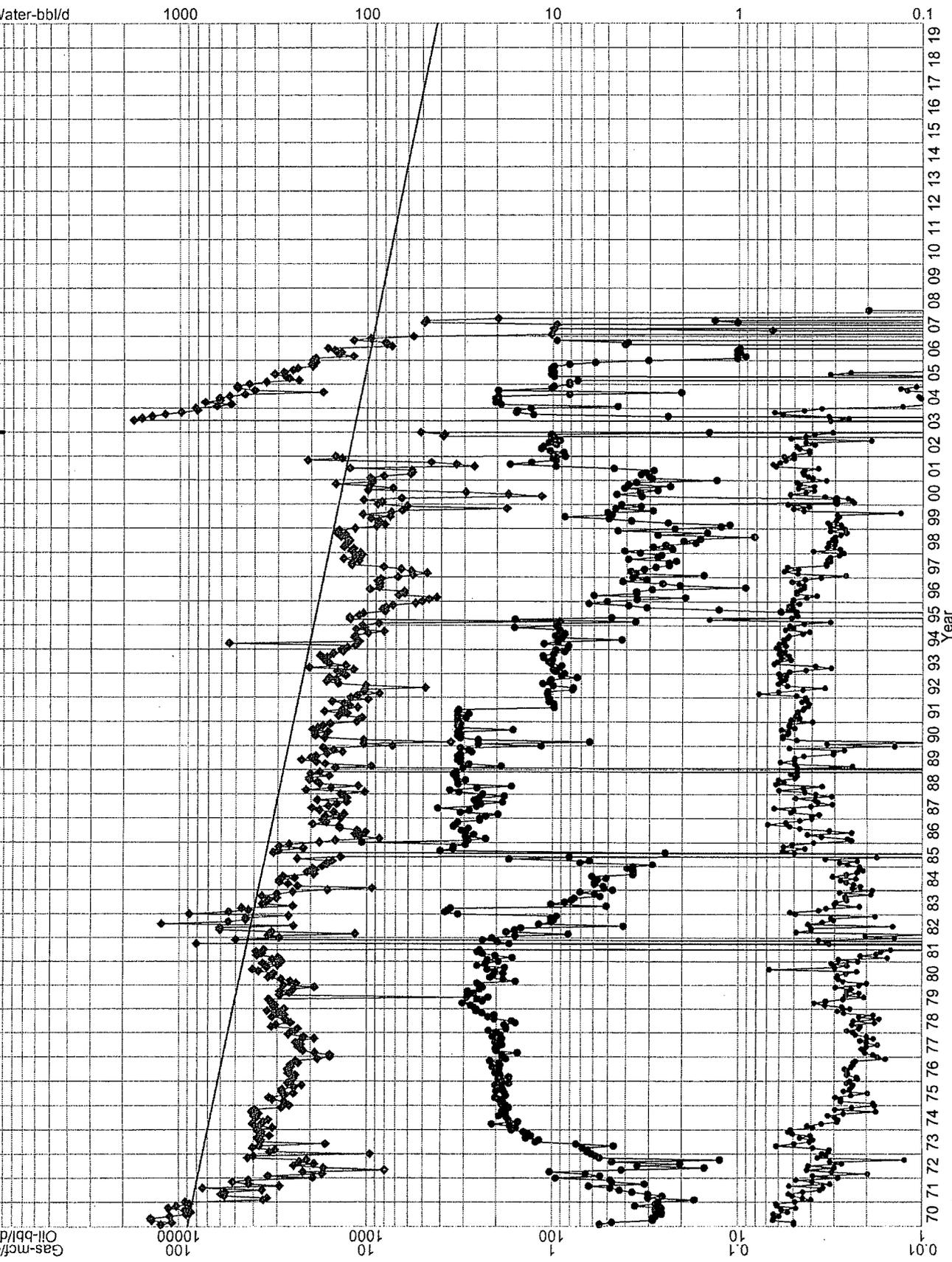
Acct 2 - #3



Allocation OIL 100% QUEEN
 GAS 50% QUEEN 50% YATES 170 m.

LAST PRODUCTION
 YATES / TRIMERS
 10 MCFD 3 BOPD 0 BOPD

Oil-bbl/d
 Gas-mcf/d
 Water-bbl/d



Allocation OIL 100% QUEEN
 GAS 50% QUEEN 50% YATES 170 m.

LAST PRODUCTION
 YATES / TRIMERS
 10 MCFD 3 BOPD 0 BOPD

Oil-bbl/d
 Gas-mcf/d
 Water-bbl/d

Lease & Well No. **State A A/C 2 # 3**
 Field Name **Jalmat**
 Location **1980' FNL 1980' FEL; Unit G, Sec. 08, T22S, R36E**

Status **Active**
 County & State **Lea County, NM**
 API No. **30-025-08829**
 Pool Name **Jalmat: Tansill Yates Seven Rivers**

Well Information

Spud: **1937** Ground Elevation: _____ D.F. Elevation: **3,593'**
 Completed: _____ KB Elevation: _____ Total Depth: _____

Pipe Data

Surface						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	247 ft	12"	50.0#			
Intermediate						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	1509 ft	9-5/8"	36.0#			
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	3690 ft	7"	24.0#			

Downhole Tubulars (Top to Btm):	
111 jts 2 3/8"	
41-7/8" 97-3/4" 2" x 1 1/2" x 12' RWTC	

Well History

- 2/3/1937** Acidize Open Hole // IP: 281 BOPD
- 10/6/1959** clean out well from 3680-3880 / RIH with 225' 5 1/2" x 14# Slotted Liner from 3655-3880 ft
- 10/31/1959** 39 BOPD
- 8/21/1989** Set 7" Watson RBP @ 3590'-retrieved
Perf 3402-08 w/2 spf / Acidize and test
Set 7" RBP @ 3440' / Perf 3417-21 / Acidize w/1100 gals 15% NEFE // Retrieved RBP // Commingled Production
- 5/9/2003** Set CIBP @ 3642' w/5' cmnt / Perf Yates 7 Rivers: 3162, 76, 82, 3200, 07, 33, 56, 62, 72, 80, 87, 3324, 3330, 3339, 3474, 3496, 3526, 36, 44, 48, 54, 62, 72, 3604, 3622 / Acidize new perfs with PPI Tool
MIRU Schlumberger; CO2 Frac 280,000 lbs 12/20 and 20/40 sand
- 6/8/2003** IP: 3 BO 235 MCF 120 BW /// Test positive for Iron Sulfide
- 7/7/2003** Pump stuck -- work free Replace pump / Tag @ 3579'
- 8/18/2003** Pump stuck -- work free; RIH with bailer, CO sand from 3612-3642

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; ND WH. NU BOP's and test. NU 6 1/8" Varel Bit; 6 DCS (utilize slips and safety clamp); PU Tbg off ground - replace if nec RIH w/tbg to 3600' / MIRU Air Foam Unit, Frac Tank (fill with 2% KCL), Rig Tank, Power Swivel; Manifold - RU Flowline from each csg port to Tank Eliminate excessive bends or 90's in the flowline - sand will cut out valves and flowlines; use both csg ports
 Circ well w/Air & Mist Pump to 3635' / Tag Cmnt / DO cmnt & CIBP / Collect samples (sand, paraffin, scale) CK returns for O&G Kill tbg w/3% KCL
 Tag Top of Liner @ 3655' / TOH - Rack back tubing / LD DCs and Bit / RIH Open ended to 3880' Circulate well with Air for a minimum of 2 hrs
 Rack back tubing / NU BP, MA, Perf Sub, Seat Nipple, and RIH w/ TBG (Install TAC above perfs)
 Land Tbg @ 3640' / Install Tubing Head / RU Rod Equipment / PU 12' GA, 40 Ring PA Plunger Pump, On/Off Tool, RIH w/rods
 NU HH, Connect Power Source, CK Pump Action (6" above tag-do not tag pump initially)-load tubing if necessary
 Clean Location; RDMO W/O Rig
 Production will be commingled
 Yates / 7 Rivers: Avg Production: 10 MCFD, 3 BWPD
 Queen Projected Production: 4 BOPD, 10 MCFD, 10 BWPD
 Expected Commingled Production: 4 BOPD, 20 MCFD, 13 BWPD

