

| | | | | | |
|------------------------|----------|---------------------|--------------------------|-----------------|--------------------------|
| DATE IN <u>3.16.11</u> | SUSPENSE | ENGINEER <u>DKB</u> | LOGGED IN <u>3.16.11</u> | TYPE <u>DHC</u> | APP NO. <u>110754368</u> |
|------------------------|----------|---------------------|--------------------------|-----------------|--------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Merit Energy
14891

State A A/C 2 #48
30-025-08845

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.

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

Merit Energy Company 13727 Noel Rd. Suite 500 Dallas, Texas 75240
Operator Address
State A A/C 2 48 B-09-22S-36E Lea
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14591 Property Code 24671 API No. 30-025-08845 Lease Type: ____ Federal ____ X 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) | 3206' - 3597' | | 3770' - 3798' |
| 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: 03/01/2011 Rates: 40 MCFD; 0 BWPD | Date: Rates: | Date: Rates: 2 BOPD; 40 MCFD; 23 BWI |
| 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 ____ X ____ 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 ____ 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.

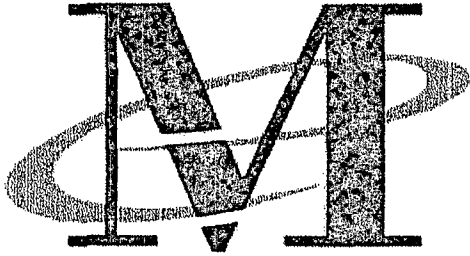
PRE-APPROVED POOLS

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 Lynne Moon TITLE Regulatory Manager DATE 03/04/2011
TYPE OR PRINT NAME Lynne Moon TELEPHONE NO. (____) (972)628-1569
E-MAIL ADDRESS lynne.moon@meriteneryg.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**

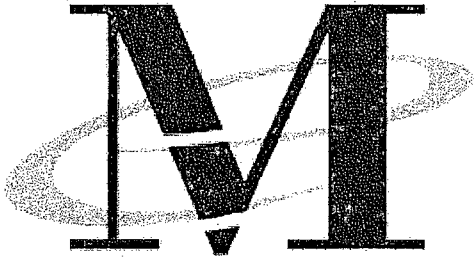
Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

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 30-025-08845 | | ² Pool Code 24130 | | ³ Pool Name Eunice 7 Rivers Queen South | |
| ⁴ Property Code 24671 | | ⁵ Property Name State A A/C 2 | | | ⁶ Well Number 48 |
| ⁷ OGRID No. 14591 | | ⁸ Operator Name Merit Energy Company | | | ⁹ Elevation |

¹⁰ Surface Location

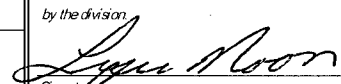
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 09 | 22S | 36E | | 660 | North | 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 | 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.

| | | |
|--|---|--|
| <div style="position: relative; height: 400px;"> <div style="position: absolute; top: 100px; left: 100px; transform: rotate(-90deg);">660'</div> <div style="position: absolute; top: 100px; left: 150px;"># 48</div> <div style="position: absolute; top: 150px; left: 250px;">1980'</div> </div> | <p>¹⁷ OPERATOR CERTIFICATION</p> <p><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></p> <div style="display: flex; justify-content: space-between;"> <div>  Signature </div> <div>03/04/2011 Date</div> </div> <div> Lynne Moon Printed Name lynne.moon@meritenergy.com E-mail Address </div> | |
| | <p>¹⁸ SURVEYOR CERTIFICATION</p> <p><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></p> | |
| | Date of Survey Signature and Seal of Professional Surveyor: | |
| | Certificate Number | |

District I
PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Revised February 21, 1964
instructions on background

District II
PO Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

Submit to Appropriate District Office

District III
1000 Rio Brazos Rd. Aztec, NM 87410

PO Box 2088
Santa Fe, NM 87504-2088

State Lease - 4 Copies

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

Free Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|----------------------------|--|---|--|--|---------------------|
| API Number 30-025-08845 | | 2 Pool Code 79240 | | 3 Pool Name Jalmat, Tns1, Yts, 7-Rivers (Pro Gas) | |
| 4 Property Code 24671 | | 5 Property Name State 'A' A/C 2 | | | 6 Well Number 48 |
| 7 OGRID No. 162791 | | 8 Operator Name Raptor Resources, Inc, | | | 9 Elevation |

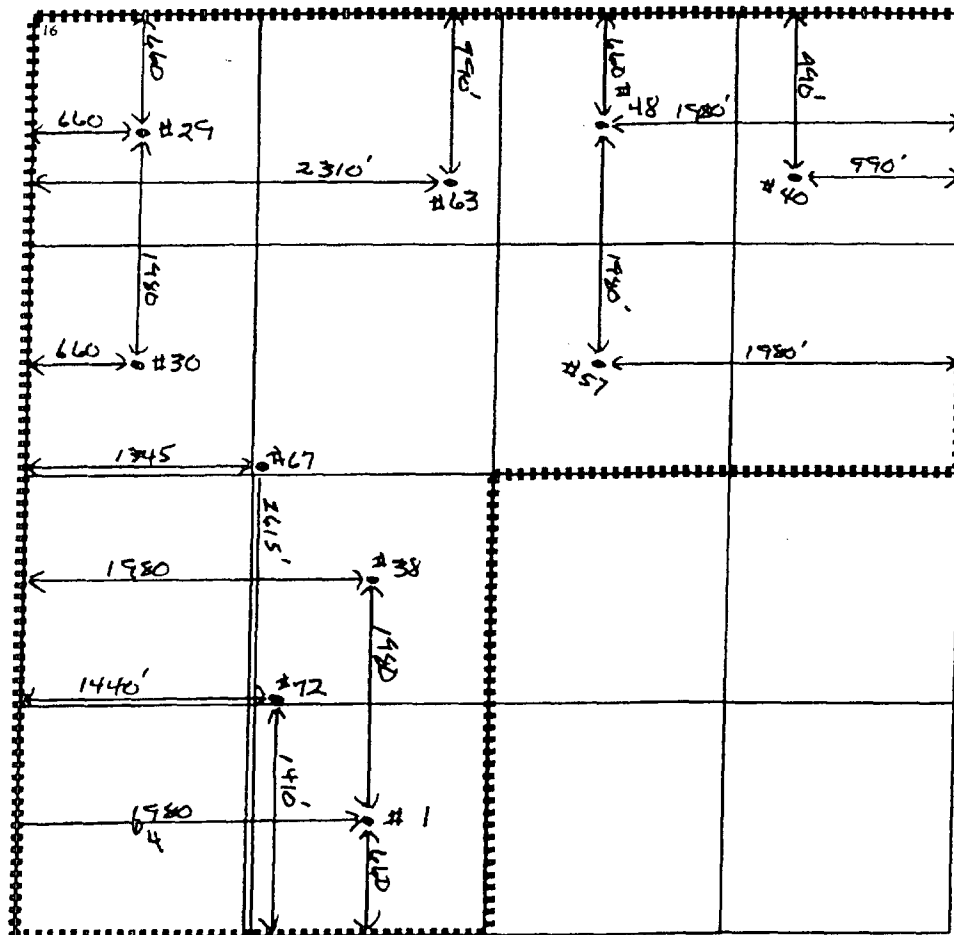
10 Surface Location

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| B | 9 | 22S | 36E | | 660 | 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 480 | 13 Joint or Infil | 14 Consolidation Code | | 15 Order No. NSL-2872-DSD Applied For: | | | | | |

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



17 OPERATOR CERTIFICATION

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

Rich. P. Fearely
Signature

Bill R. Keathly

Printed Name _____

Regulatory Agent - Raptor

Time

10-5-99

Date _____

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plot 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.

Date of Survey _____

Signature and Seal of Professional Surveyor:

Certificate Number

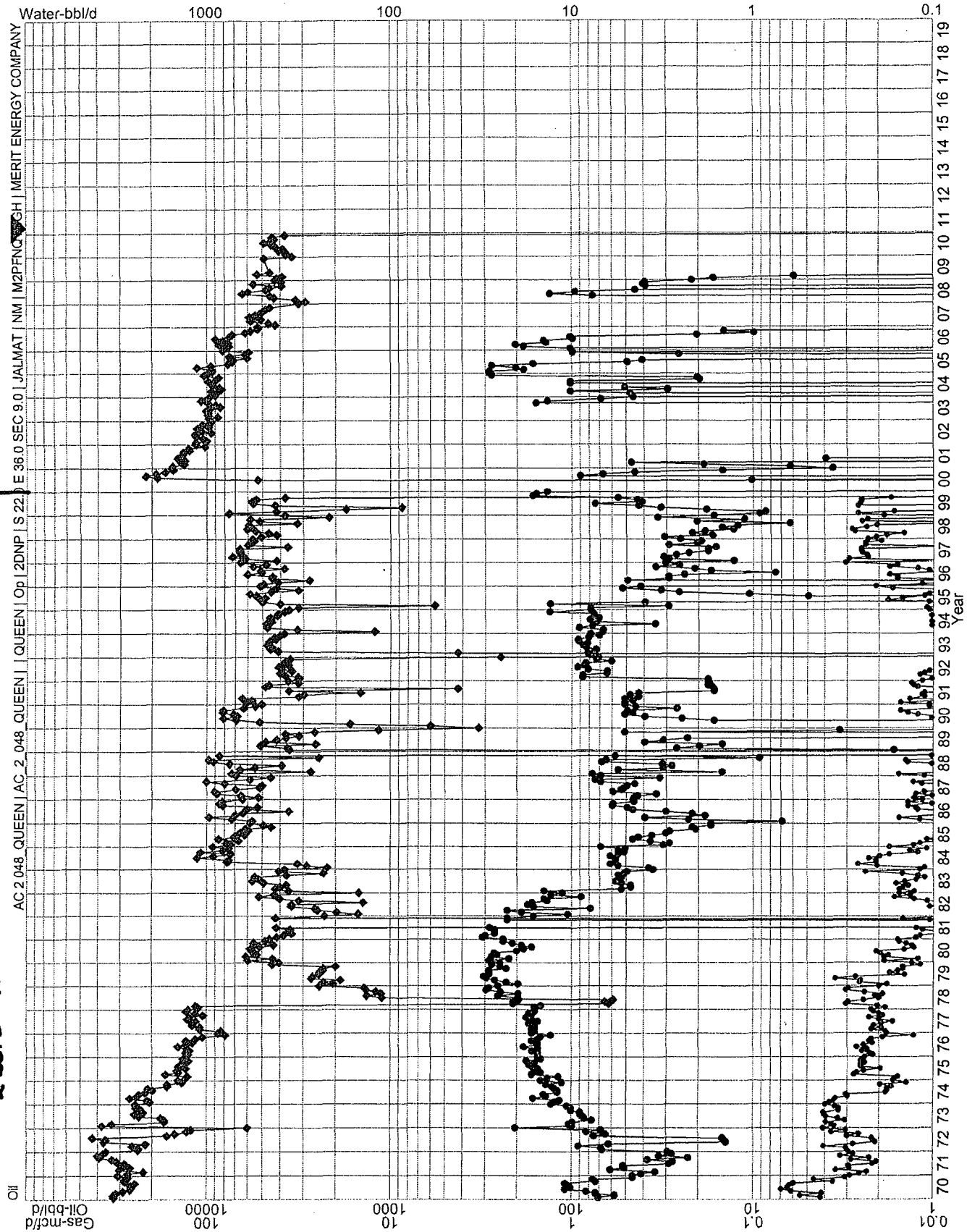
4c 2 #48

QUEEN

280PD 40MCFD 28WPD

YATES/7RIVERS

40MCFD 08WPD 08WPD



Allocation OIL 100% QUEEN GAS 50% QUEEN 50% YATES/7RIVERS

Wellbore Diagram

Lease & Well No. **State A A/C 2 # 48**
Field Name **Jalmat**
Location **660' FNL 1980' FEL; Unit , Sec. 09, T22S, R36E**

Status **Active**
County & State **Lea County, NM**
API No. **30-025-08845**
Pool Name **Jalmat: Tansill Yates Seven Rivers**

Well Information

Spud: **1960** Ground Elevation: **_____** D.F. Elevation: **3,584'**
Completed: **_____** KB Elevation: **_____** Total Depth: **_____**

Pipe Data

| Surface | | | | | | |
|------------|---------|-----------|--------|-------|---------|----------|
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| | 320 ft | 8-5/8" | 24.0# | | 300 sx | |
| Production | | | | | | |
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| | 3770 ft | 5-1/2" | 14.0# | | 250 sx | |

Downhole Tubulars (Top to Bttm):

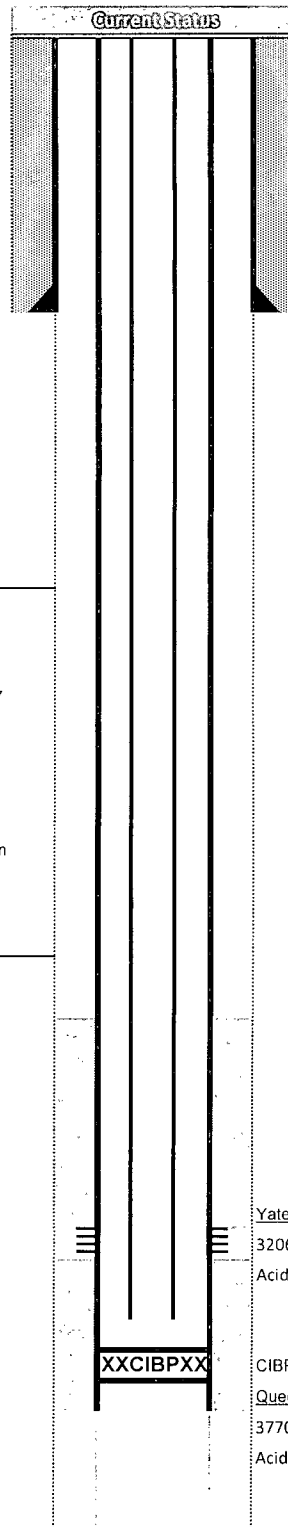
Well History

9/2/1960 Frac Queen w/20,000 gals oil and 20,000# sand / IP: 60 BO
2/1/1966 Clean out to 3798 ft / Stimulate w/ 25000 gals lease oil and 38000# sand / Perf 3664-3761 (9 holes) - stimulate

5/24/2000 CIBP Set @ 3645' / Cmmt squeeze csg leak from 1100-1260' / Perf Yates 7 Rivers: 3206, 10, 56, 63, 74, 77, 85, 90, 97
3325, 28, 31, 34, 42, 45, 87, 90, 3440, 44, 48, 3501, 3512, 18, 42, 46, 72, 75, 79, 82, 97
Acidize and Frac: 276 MCFD
9/18/2000 Tag @ 3579; Pump stuck; fine sand and iron sulfide
2/6/2001 Pump Barrel corrosion; MJ full of iron sulfide
4/18/2001 Replace pump; run 111 jts 2 3/8" SN @ 3410; Run 2" x 1 1/2" x 12' RWTC, 12-3/4" 91-5/8" 35-3/4" // 48" stroke 10 spm
9/18/2003 RIH w/sand bailer; CO 3571-3648 (sand paraffin, scale)
10/14/2003 Replace pump

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 4 3/4" 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 3645' / Tag CIBP / DO CIBP / Collect samples (sand, paraffin, scale) CK returns for O&G Kill tbg w/2% KCL
RIH to 3800' / CO Fill; Cir well with Air for minimum 2 hrs
Rack back tubing / NU BP, MJ, Perf Sub; Seat Nipple, and RIH w/ TBG to 3700 ft
Land Tbg @ 3700' / 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
Yates / 7 Rivers: Avg Production: 40 MCFD, 0 BWPD
Queen Projected Production: 2 BOPD, 40 MCFD, 02 BWPD



OCD Tops (MD)

| | |
|-------------|--------|
| Tansill | |
| Yates | 3,153' |
| 7 Rivers | 3,391' |
| Queen | 3,770' |
| San Andres | |
| Glorieta | |
| Bone Spring | |
| Bone SS | |
| Abo | |
| Wolfcamp | |
| Strawn | |
| Atoka | |

Yates / 7 Rivers

3206-3597
Acidize and Frac

CIBP @ 3645

Queen Open Hole
3770-3798
Acidize & Frac