

DATE IN <u>5.11.11</u>	SUSPENSE	ENGINEER <u>DB</u>	LOGGED IN <u>5.11.11</u>	TYPE <u>DHC</u>	APP NO. <u>1113146679</u>
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PTGW

0106

Reed Eng'g
14591

State # A/C 2 # 28

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

30-025-08792

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 Matt Ogden Regulatory Analyst 5/19/11
 Print or Type Name Signature Title Date
Matt.ogden@meritenergy.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

APPLICATION TYPE

District III
1000 Rio Brazos Road, Aztec, NM 87410

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Single Well

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

APPLICATION FOR DOWNHOLE COMMINGLING

Establish Pre-Approved Pools

Yes No

DAE-4406

Merit Energy Company

13727 Noel Rd Ste 500 Dallas, TX 75240

Operator Address

State A/C 2 28 I-05-225-36E Lea

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 14591 Property Code 302433 API No. 30-025-08792 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Jalmat - Tansill - Yates - 7 River (Gas)		Queen - Langlic Mattix <i>S. BURKE TIRKSON</i>
Pool Code	79240		24130
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3032'-3594'		3728'-3885'
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		SI
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: 03/12/2011 Rates: 57mcf/1bwpd	Date: Rates:	Date: Rates: 30mcf/1bopd
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 75 %	Oil % Gas %	Oil 100 % Gas 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 04/15/2011

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

E-MAIL ADDRESS matt.ogden@meritenergy.com

Lease & Well No. State A A/C 2 # 28
 Field Name Jalmat
 Location 1980' FSL 660' FEL; Unit I, Sec. 05, T22S, R36E

Status Active
 County & State Lea County, NM
 API No. 30-025-08792
 Pool Name Jalmat: Tansill Yates Seven Rivers

Well Information

Spud: _____ Ground Elevation: 3,603' D.F. Elevation: _____
 Completed: _____ KB Elevation: _____ Total Depth: 3,885'

Pipe Data

Surface						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	395 ft	10"			175 sx	
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	3728 ft	7"	24.0#		250 sks	
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	3711-85	5 1/2"	20#			Hydrill liner

Downhole Tubulars (Top to Bttm):	
113 jts 2 3/8", SN, MI	
139-3/4" Rods	

Well History

- 5/13/1941** Run 170 ft 5 1/2" Slotted Liner; Frac Queen with 20,000 gals oil, 40,000# sand and 500# Adomite
IP: 432 BO, 378 MCFD
- 7/4/1962** Install 174' 5 1/2" x 17" Hydrill Liner; Perf 3818-24 Frac Queen with 20000 gals oil, 40000# sand, 40 bpm @ 2000#
IP: 42 BO 87 MCF
- 4/7/1969** Perf 3865,58,27,22,21,20,3797,3768,66,64,62,60,58,42,40,04,03,02,01,3700, 3695-3699
Acidize with 2000 gals 15% / Pre: 10 BO 281 MCF, Post 16 BO 283 MCF
- 11/15/1989** Set CIBP @ 3660 ft; Perf 3361-65 ft; Acidize; Swab back water (F/L @ 3100); Set RBP @ 3346 ft
Perf Yates 3171,84,94, 3213, 17,42,47,53,3334 Acidize and Frac with 15,000 lbs; Flowback Gel not broke
Set RBP @ 3150' / Perf Tansill 3032,3040,49,51,56,71,78,98 w/1 sp
Frac Tansill (3032-98) with 33,200# down tubing 18 bpm @ 3300 psig (1-4 ppg) 20/40 Brady
- 12/2/1989** Retrieve both RBPs
RIH w/ 2 3/8" tbg and rod string
IP: 6 BOPD 78 MCFD 8.5 BW
- 6/1/2004** RIH with 6 1/8" Bit and Scraper, CO Fill to 3660' / Baker Atlas Run GR CCL from 2500 to 3660
- 5/28/2004** Perf Yates 3398, 3456, 75, 3522, 40, 67, 94 2 spf RIH with 7" Pkr and 4 1/2" Set @ 2930' Acidize w/750 gals
Frac down 4 1/2" Frac String 70% CO₂, 30,000# 20/40 270,000# 12/20 68 bpm @ 4625 psig
RIH with tbg EOT=3566' // IP: 250 MCFD
- 9/24/2004** Eval Reservoir Flowing Psi Gradient: BHP 95 psig @ 86 degF

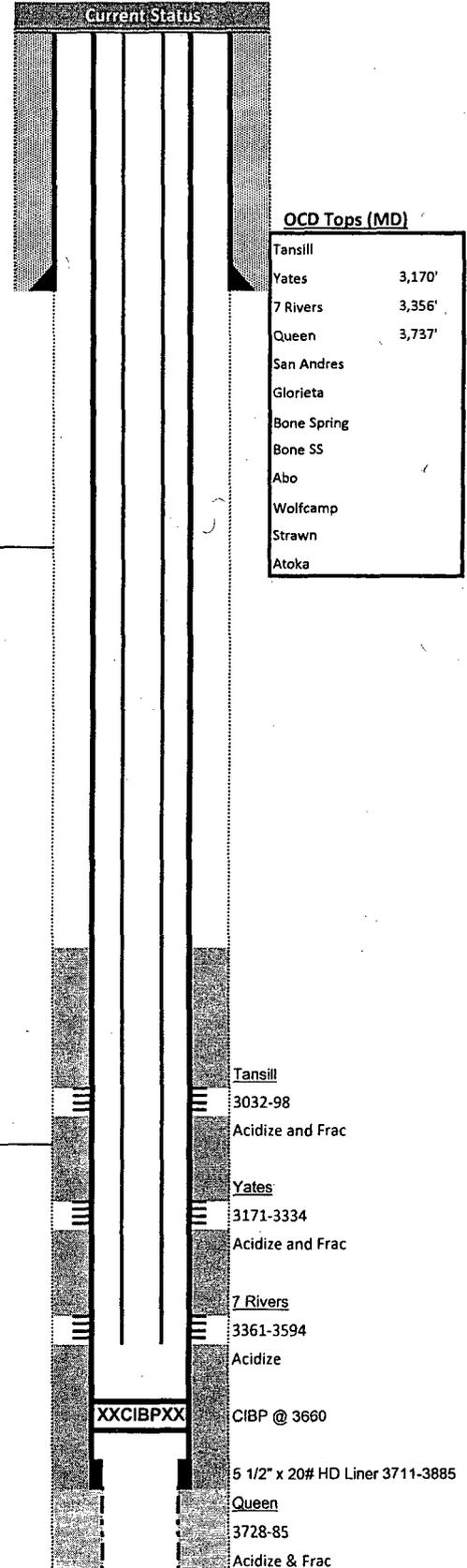
Procedures

- 1 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
- 2 ND HH; RU Rod Equipment; Unseat Pump and TOH with Rods / ND WH, NU BOPs and Test / Rack Back Tubing
- 3 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
- 4 RU Flowlines from each csg port to gas buster tank Eliminate excessive bends or 90's - sand will cut out valves and flowlines
- 5 Circ well w/Air & Mist Pump to 3610' / Tag Cmmt / DO CIBP / Collect samples (sand, paraffin, scale) CK returns for O&G Kill tbg w/2% KCL
- 6 Tag Top of Liner @ 3610' / TOH - Rack back tubing / LD DCs and Bit / RIH open ended to 3885' / CO Fill; Cir well with Air for minimum 2 hrs
- 7 Rack back tubing / NU BP, MJ, Perf Sub; Seat Nipple, and RIH w/ TBG w/TAC to 3800 ft
- 8 Land Tbg @ 3800' / ND BOPs NU Tubing Head / RU Rod Equipment
- 9 PU 12' GA, 40 Ring PA Plunger Pump, On/Off Tool, RIH w/rods, N
- 0 Clean Location; RDMO W/O Rig

Production will be commingled and allocated based on subtraction method

Yates / 7 Rivers: Avg Production:

Queen Projected Production:



PBTD 3610

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

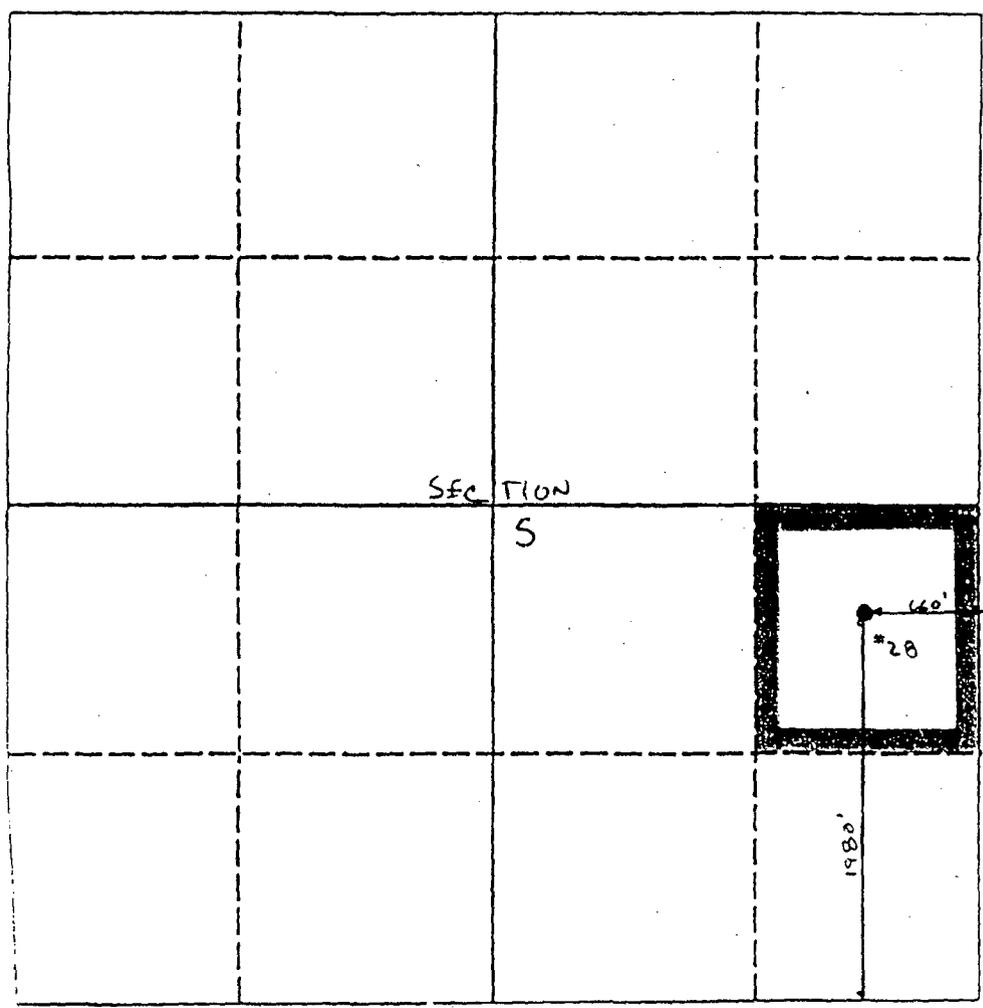
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT
All Distances must be from the outer boundaries of the section

Operator Hal J. Rasmussen Operating, Inc.		Lease State A A/C 2		Well No. 28
Unit Letter I	Section 5	Township 22 S	Range 36 E	County Lea
Actual Footage Location of Well: 1980 feet from the SOUTH line and 660 feet from the EAST line				
Ground level Elev.	Producing Formation TANSILL-YATES	Pool Jalmit-TNSL-YTS-7R	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
 Yes No If answer is "yes" type of consolidation _____
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



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

Signature: *Jay D. Cherski*

Printed Name: Jay D. Cherski

Position: Agent

Company: Hal J. Rasmussen Operating, Inc.

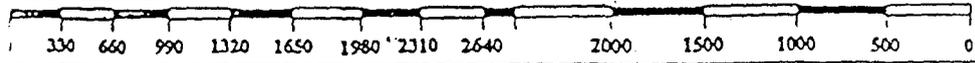
Date: 1/20/90

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 knowledge and belief.

Date Surveyed: _____

Signature & Seal of Professional Surveyor: _____

Certificate No.: _____



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 30-025-08792		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 28
⁷ OGRID No. 145913		⁸ Operator Name Merit Energy Company			⁹ Elevation 3603'

¹⁰ Surface Location

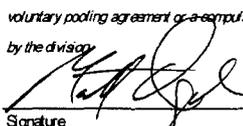
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	5	22S	36E		1980	South	660	East	Lea

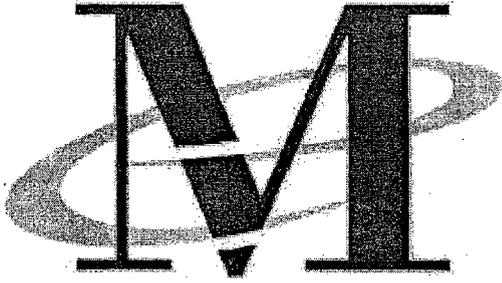
¹¹ Bottom Hole Location If Different From Surface

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.

<p>¹⁶</p> <p>Section 5</p> <p>660'</p> <p>1980'</p> <p>28</p>	<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> <p> 04/19/2011 Signature Date</p> <p>Matt Ogden Printed Name</p> <p>matt.ogden@meritenergy.com E-mail Address</p>
	<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> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
	<p>Certificate Number</p>



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

Date: April 19, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
**RE. Jalmat Field: Commingling Application
Lea County, New Mexico**

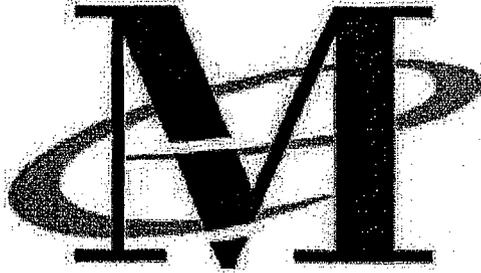
Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

Commingling the Jalmat Pool with the Langlie Mattix Pool in S 5 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 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: March 22, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. **Jalmat Field: Jalmat Acc.2 #28 Queen Commingling
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).

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

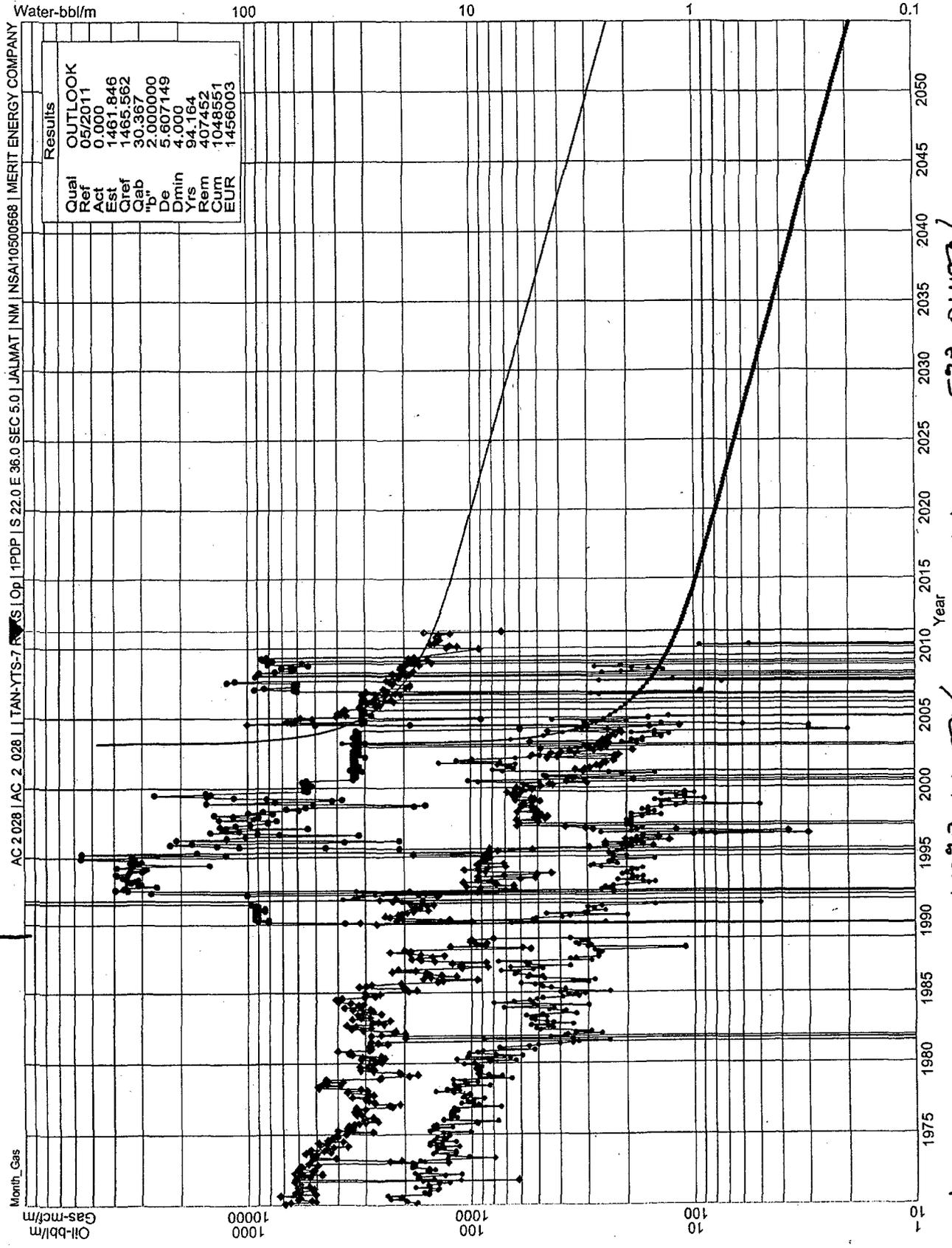
Sincerely,

Matt Van Eaton
Associate Landman
matt.vaneaton@meritenergy.com
Phone: 972-628-1557
Fax: 972-682-1857

QUEEN EST PROD
30 MCFD / BOPD

CURRENT PROD
57 MCFD / BOPD

QUEEN → TANSHILL - YATES - 7 RIVERS



GAS 25% QUEEN
75% TANSHILL - YATES - 7 RIVERS

ALLOCATION OIL: 100% QUEEN



Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

April 27, 2011

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

Attn: Mr. Matt Ogden

Re: Downhole Commingling Application
State A A/C 2 Well No. 28 (API # 30-025-08792)
Unit Letter I, Section 05-22S-36E
Jalmat-Tansill-Yates-7 Rivers and Queen-Langlie Mattix Pools
Lea County, New Mexico

Dear Mr. Ogden:

Thank you for your application to downhole commingle the Jalmat-Tansill-Yates-7 Rivers and Queen-Langlie Mattix pools from the referenced well in Lea County, New Mexico.

Since it appears that all the New Mexico Oil Conservation's (OCD) rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your application is approved. Any deviation from the substance of your application will be cause for rescinding our approval, and approval is subject to like approval by the OCD.

Please submit a filing fee in the amount of \$30.00.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
LARRY ROYBAL, Director
Oil, Gas and Minerals Division
RP/LR/jm

Enclosure

xc: Reader File

OCD—Ed Martin,