

| | | | | | |
|-----------------|----------|-------------|-------------------|----------|-------------------|
| DATE IN 7.22.11 | SUSPENSE | ENGINEER WJ | LOGGED IN 7.22.11 | TYPE DHC | APP NO 1120341381 |
|-----------------|----------|-------------|-------------------|----------|-------------------|

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
RECEIVED OGD

ADMINISTRATIVE APPLICATION CHECKLIST

2011 JUL 21 AM 11:54
Mobi/State #1

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

30-025-29204

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.

Print or Type Name

Signature

Title

Date

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 Ste 500 Dallas, TX 7240

Operator

Address

Mobile State

1

J-2-20S-34E

Lea

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 14591 Property Code API No. 30-025-29204 Lease Type: ☐ Federal ☒ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---|---------------------------------------|-------------------|-----------------------------|
| Pool Name | NE Leasing Delaware | | Lea-BS Bonesprings |
| Pool Code | 37584 | | 37570 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 5626'-5695' | | 9650'-10860' 9688 |
| 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 1.2 / 35 API | | 43 API / 1.3 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: 10mcf/4 BO | Date: Rates: | Date: Rates: 18 mcf/6 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 40 % Gas 25 % | Oil % Gas % | Oil 60 % Gas 75 % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
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 07/08/2011

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

E-MAIL ADDRESS matt.ogden@meritenergy.com

Lease & Well No. **Mobil State #1**
Field Name **Lea Delaware N.E.**
Location **Sec. 02, T20S, R34E**

Status **Active**
County & State **Lea County, NM**
API No. **30-025-29204-00-00**

Well Information

Spud: **4/16/85** Ground Elevation: **3,672'** D.F. Elevation: _____
Completed: _____ KB Elevation: _____ Total Depth: _____

Pipe Data

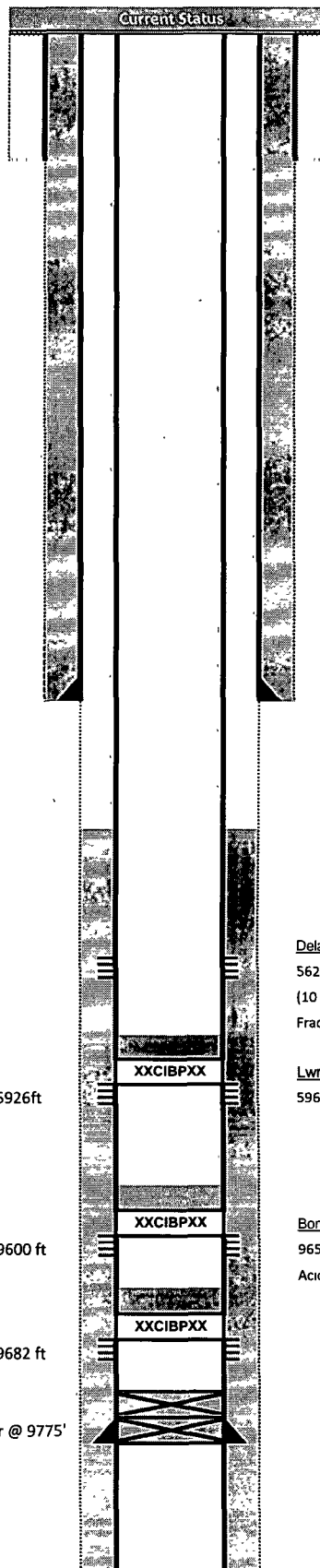
| Surface | | | | | | |
|--------------|---------|-----------|--------|-------------|----------|----------|
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| 17-1/2" | 422' | 13-3/8" | 54.5# | K-55 | 450 sx | |
| Intermediate | | | | | | |
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| 11" | 4,380' | 8-5/8" | 32# | | 2,700 sx | |
| Production | | | | | | |
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| 7 7/8" | 10,800' | 5-1/2" | 17.0# | J-55 / N-80 | 730 sx | DV Tool |

| Downhole Tubulars (Top to Bttm): | |
|----------------------------------|--|
| 2 7/8" Tbg | |

Well History

6/25/1985 Perforate Bone Springs: 9676-81, 9650-54, 9663-66, 9686-88 w/2 spf, Acidize w/3200 gals 15% IP-85 BOPD 155 BWPD
Well making 6 BO 9 BW Prior to Shutting In
3/19/1986 Set 5 1/2" CIBP @ 9600' / Perforated Delaware formation. 5626,31,33,44,46,71,86,93,5695 w/1 spf
Acidize with 505 gals 7 1/2" HCL. Swabbed Back, Frac w/ 13,000 gals Gel 15000# 20/40 and 6000# 12/20
IP: 112 BO 33.6 MCF 23 BW

Procedures



OCD Tops (MD)

Rustler
Yates
7 Rivers
Queen
San Andres
Glorieta
Bone Spring
Bone SS
Abo
Wolfcamp
Strawn
Atoka

Delaware
5626-5695
(10 Holes)
Frac

Lwr Delaware
5960-5972

Bonesprngs
9650-88
Acidize

CIBP @ 5926ft

CIBP @ 9600 ft

CIBP @ 9682 ft

Flt Collar @ 9775'

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-128
Supersedes C-128
Effective 1-65

All distances must be from the outer boundaries of the Section

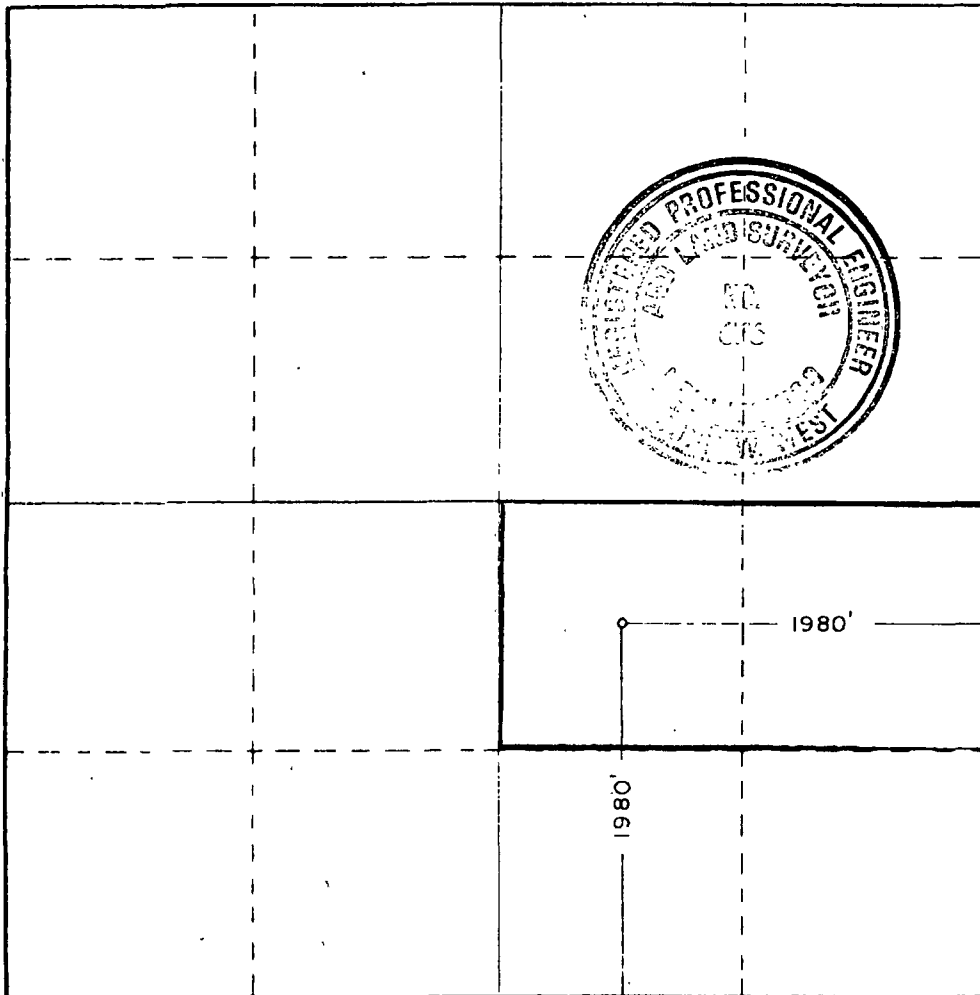
| | | | | | |
|---|-------------------------------------|--------------------------|----------------------|-------------------------|------------|
| Operator SPECTRUM 7 EXPLORATION CO. | | | Lease MOBIL STATE | | Acres 1 |
| Well Letter J | Section 2 | Township 20 SOUTH | Range 34 EAST | County LEA | |
| A well is located at the location of well: 1980 feet from the SOUTH line and 1980 feet to the EAST | | | | | |
| Well Level Elev. 3671.6 | Producing Formation Bone Springs | Pool Lea Bone Springs | | Estimated Acreage 80 | |

- Outline the acreage dedicated to the subject well by colored pencil or hachure 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 interests 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 (on 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 interests, has been approved by the Commission.



CERTIFICATION

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

Neal A. Taylor

Neal A. Taylor

Agent

Spectrum 7 Exploration Co.

March 25, 1985

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

03/19/85

Registered Professional Engineer and Land Surveyor

John W. West

Certificate No. JOHN W. WEST. 576
RONALD J. EIDSON, 3249

330 660 990 1320 1650 1980 2310 2640 2000 1800 1600 1400 1200 1000 800

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 30-025-29204 | | ² Pool Code 37584 | | ³ Pool Name Delaware | |
| ⁴ Property Code | | ⁵ Property Name Mobile State | | | ⁶ Well Number 1 |
| ⁷ OGRID No. 14591 | | ⁸ Operator Name Merit Energy Company | | | ⁹ Elevation |

¹⁰ Surface Location

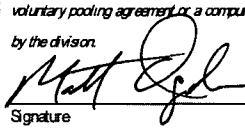
| | | | | | | | | | |
|--------------------|--------------|-----------------|--------------|---------|-----------------------|---------------------------|-----------------------|------------------------|---------------|
| UL or lot no. J | Section 2 | Township 20S | Range 34E | Lot 1dn | Feet from the 1980 | North/South line South | Feet from the 1980 | East/West line East | County Lea |
|--------------------|--------------|-----------------|--------------|---------|-----------------------|---------------------------|-----------------------|------------------------|---------------|

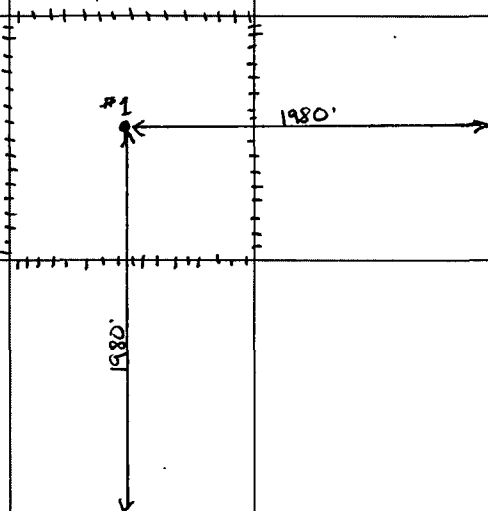
¹¹ Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot 1dn | 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> |
| | | | | | |
| | | | | | |
| | | | | | |



BOWSPRINGS
6 BOPD
18 MCF

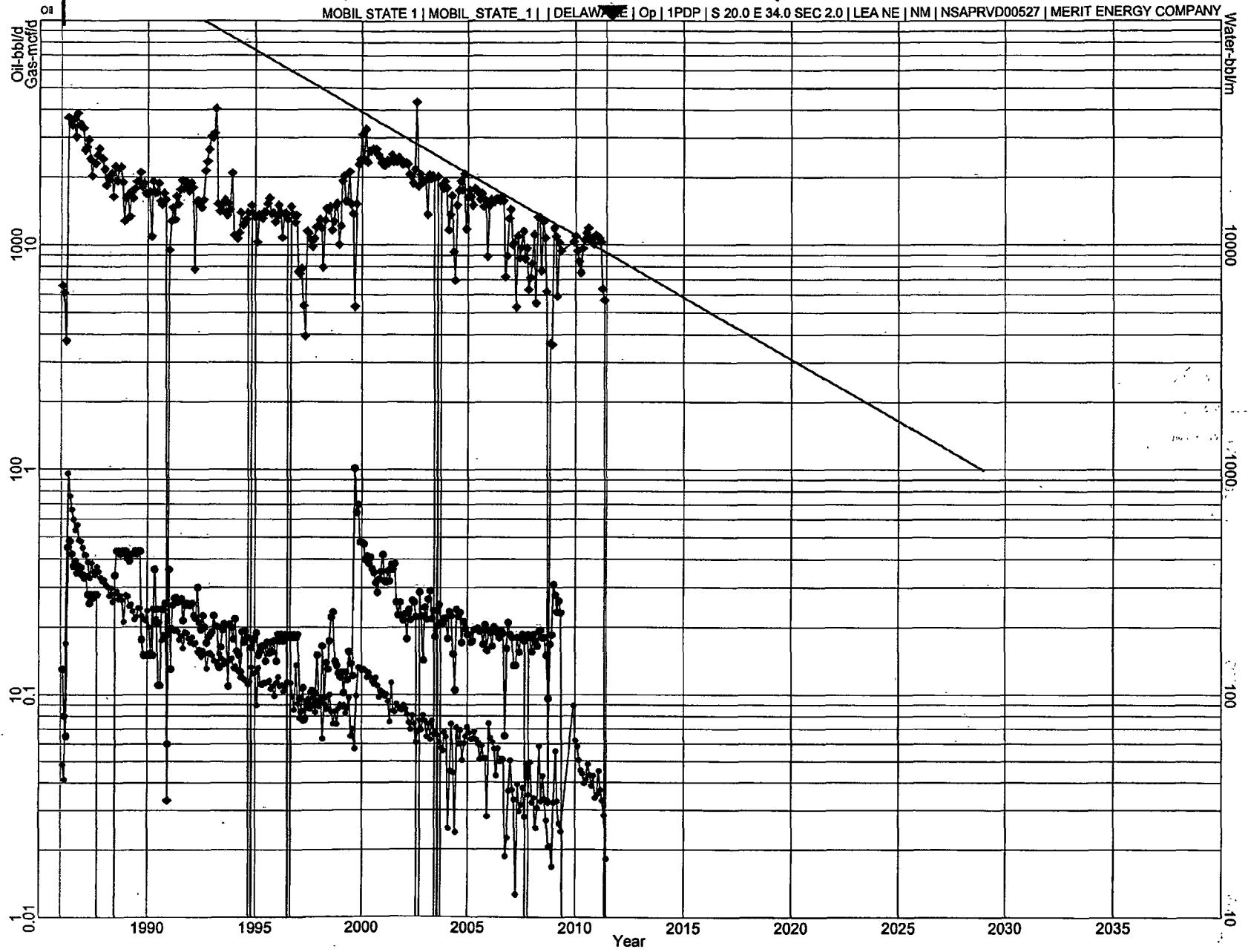
DELAWARE

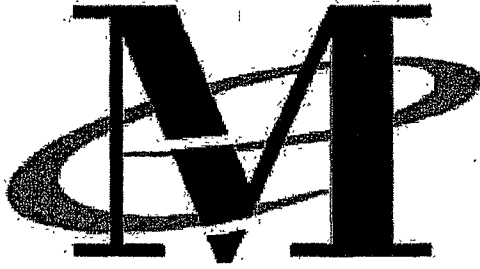
4 BOPD
10 MCFD

Allocation
OIL 6090 BS
4090 DEL

Gms 75⁰⁰ BS
25⁰⁰ DEL

MOBIL STATE 1 | MOBIL STATE 1 | DELAWARE | Op | 1PDP | S 20.0 E 34.0 SEC 2.0 | LEA NE | NM | NSAPRVD00527 | MERIT ENERGY COMPANY





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. Lea Delaware N.E. Field: Mobil State #1
Lea County, New Mexico

Merit Energy Company has requested approval to commingle the Bone Springs formation with the Delaware formation.

This well that we are asking to commingle does have "identically owned" (working/royalty/orri) interest from the surface to the base of the Bone Springs 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: July 19, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. Lea Delaware N.E. Field: 1 Commingling Application
Lea County, New Mexico

Merit Energy Company has requested approval to commingle the Delaware formation with the Bonesprings formation.

Commingling the Delaware Pool with the Bonesprings Pool in J 2 T20S R34E 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 12 well's commercial value will be extended 30 years based on estimated reserves from the Bonesprings formation, and will ultimately allow uncommercial Delaware Pool reserves to be recovered via production from the Bonesprings. The Bonesprings Completions are uneconomic if it is required by the NMOCD to seal off the Delaware Pool from the Bonesprings 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