

DATE IN 3.16.11	SUSPENSE	ENGINEER DKB	LOGGED IN 3.16.11	TYPE DHC	APP NO. 110754
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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
 14591
 STATE AIC 2 #52

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-08859

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, Artec, 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 52 H-09-22S-36E
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14591 Property Code 24671 API No. 30-025-08859 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE ✓	INTERMEDIATE ZONE	LOWER ZONE ✓
Pool Name	Jalmat Tansill Yates 7-Rivers		Eunice 7 Rivers Queen South
Pool Code	79240		24130
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3159' - 3612'		3784' - 3820'
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: 30 MCFD; 0 BWPD	Date: Rates:	Date: Rates: 1 BOPD; 100 MCFD; 10 BW
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 % 25 %	Oil Gas % %	Oil Gas 100 % 75 %

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.

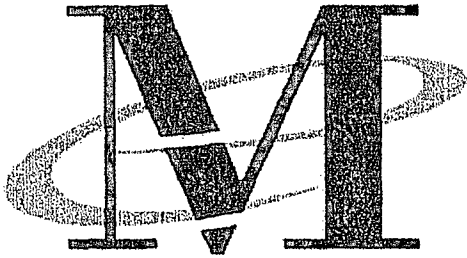
PRE-APPROVED POOLS

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 03/04/2011
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,

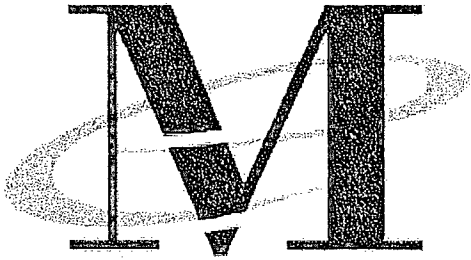
Matt Van Eaton

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 NMOCDD 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

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

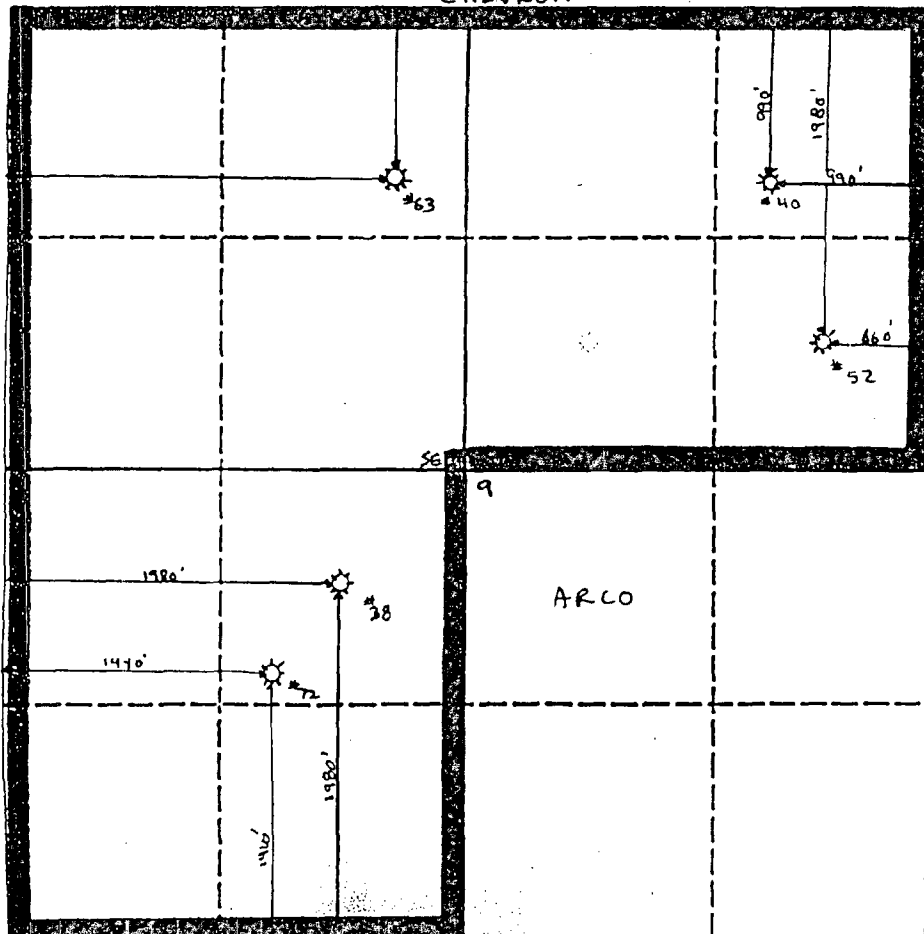
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

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. 52
Unit Letter H	Section 9	Township 22 S	Range 36 E	County Lea	
Actual Footage Location of Well: 1980 feet from the NORTH line and 660 feet from the EAST line					
Ground level Elev.	Producing Formation TANSHILL-YATES	Pool Jalmat-TNSL-YTS-7R	Dedicated Acreage: 480 Acres		
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. 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.? <input type="checkbox"/> Yes <input type="checkbox"/> 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.</p>					

CHEVRON



OPERATOR CERTIFICATION

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

Signature

Printed Name

Jay D. Cherski

Position

Agent

Company

Hal J. Rasmussen Operating, Inc.

Date

10/3/90

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.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

FORM C-128
 Revised 5/1/57

HOBBS OFFICE 000

SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

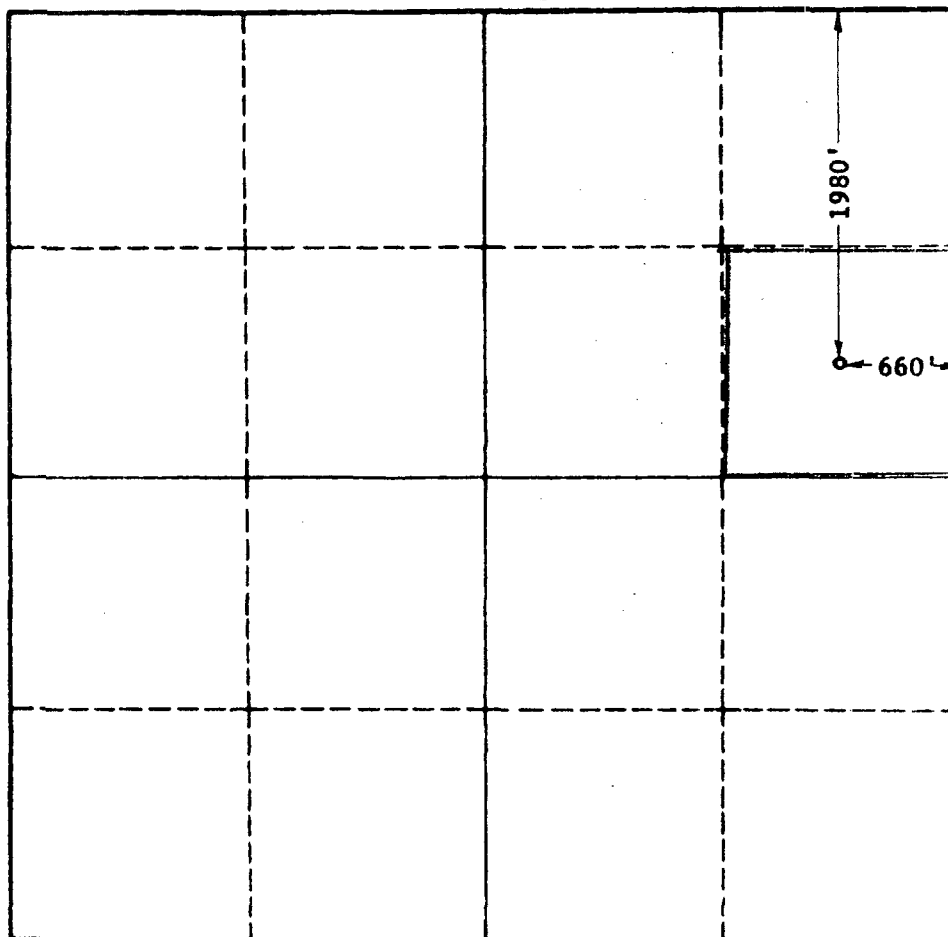
SECTION A

Operator TEXAS PACIFIC COAL & OIL CO.		Lease STATE OF N. M. "A" ACCT. 2		Well No. 52
Unit Letter H	Section 9	Township 22 SOUTH	Range 36 EAST	County LEA
Actual Footage Location of Well: 1980 feet from the NORTH line and 660 feet from the EAST line				
Ground Level Elev. 3559.6 FEET	Producing Formation 7-Rivers	Pool J. Edwards Langley-Harris	Dedicated Acreage: 40 Acres	

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES ☒ NO ☐ ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES ☐ NO ☐ If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner	Land Description

SECTION B



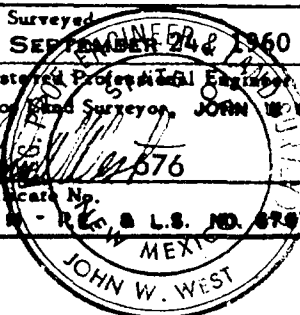
CERTIFICATION

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

Name *R. W. Harris*
 Position **Vice President, Production**
 Company **Texas Pacific Coal & Oil Co.**
 Date **October 5, 1960**

I hereby certify that the well location shown on the plat in SECTION B 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.

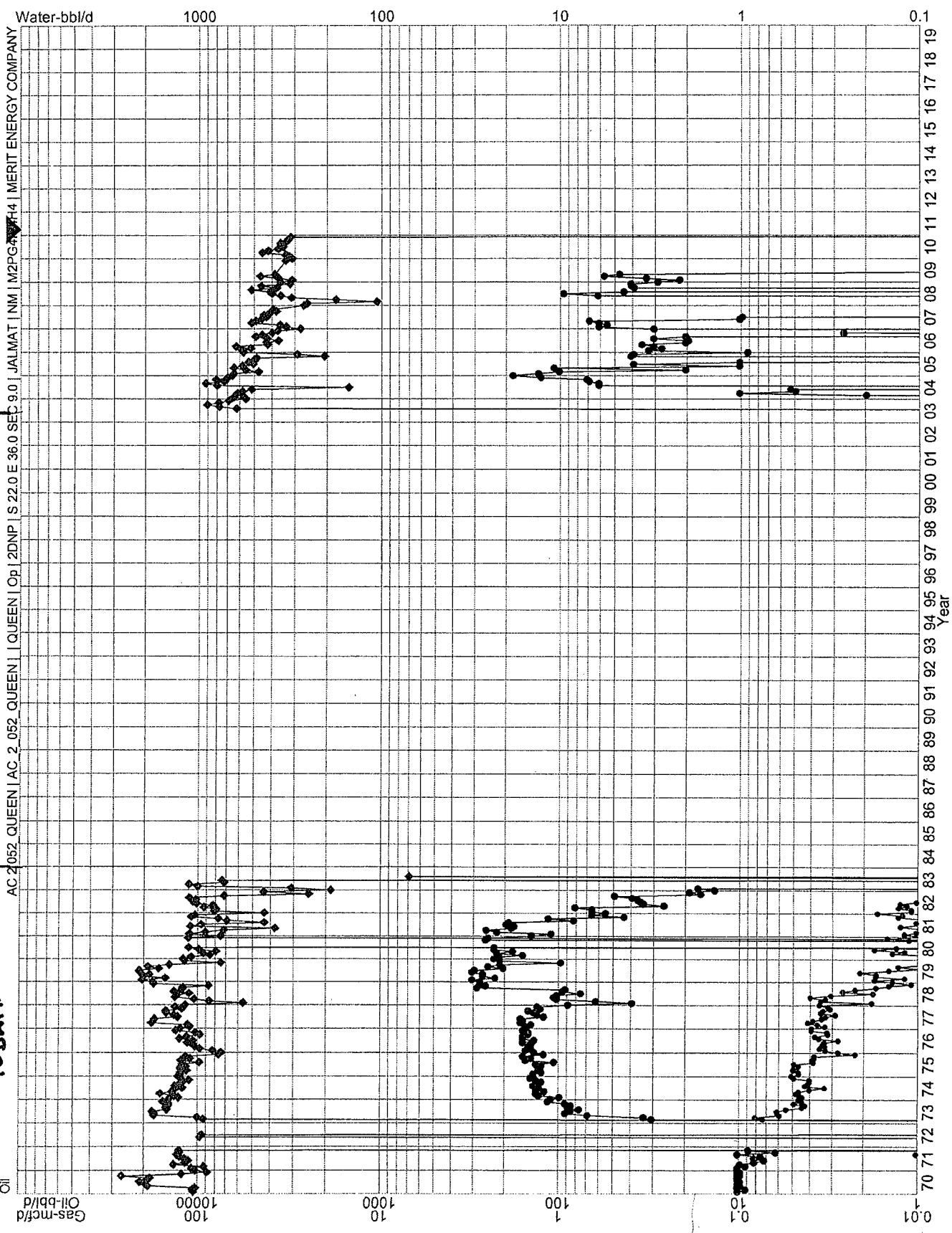
Date Surveyed **SEPTEMBER 24, 1960**
 Registered Professional Engineer and/or Land Surveyor, **JOHN W. WEST**
 Certificate No. **576**
 N. M. - REG. & L.S. NO. 576



TEXT 2 3406

QUEEN

1 BOPD 100MCFD
10 BWPD



TANSIL-YATES - 7 RINGS
30MCFD 0 BWPD

OIL 100% QUEEN
GAS 75% QUEEN
25% TANSIL-YATES - 7 RINGS

Wellbore Diagram

Lease & Well No. **State A A/C 2 # 52**
Field Name **Jalmat**
Location **1980' FNL 660' FEL; Unit M, Sec. 09, T22S, R36E**

Status **Active**
County & State **Lea County, NM**
API No. **30-025-08859**
Pool Name **Jalmat: Tansill Yates Seven Rivers**

Well Information

Spud: **2/22/61** Ground Elevation: _____ D.F. Elevation: **3,603'**
Completed: _____ KB Elevation: _____ Total Depth: _____

Pipe Data

Surface						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	307 ft	8 5/8"	50.0#			
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	3735 ft	5-1/2"	24.0#			

Downhole Tubulars (Top to Bttm):

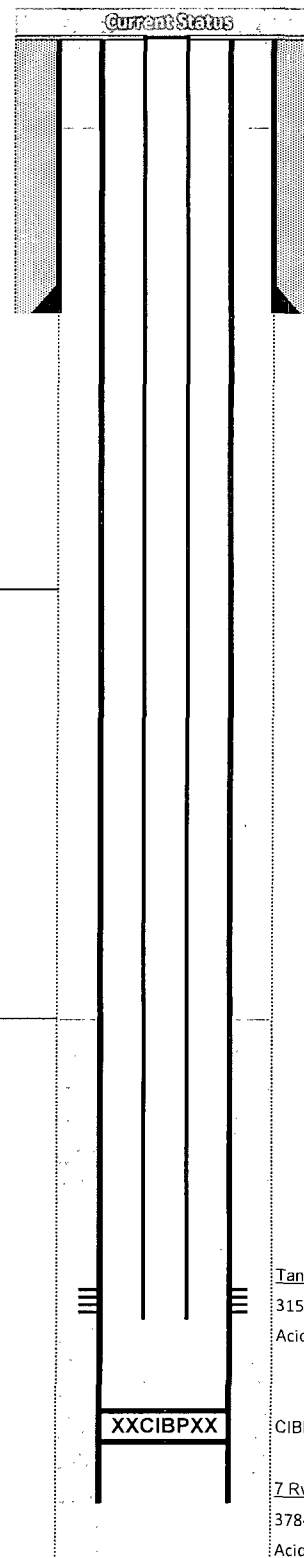
113 jts 2 3/8" tbg; SN, Notched sub; EOT 3619' (2003 tubing)
1.5" x 22" PR, ponys, 3-7/8", 142-3/4" / 2" x 1.5" x 12'

Well History

- 3/7/1961** Stimulate Open Hole 3784'-3820' with 20000 gals lease oil and 20,000# sand
IP: 55 BOPD (API Gravity: 34.6 deg) w/1090 MCFD
- 2/15/1974** Install PU
- 2/21/1980** Pump Scale Inhibitor Treatment
- 4/23/1982** Treated Calcium Carbonate scale; no production increase 2 BOPD w/20 MCFD
- 12/3/1990** PBTD @ 3791' / Set 5 1/2" CIBP @ 3650 ft w/35 ft cement top / T/A d well // Csg leak from 1360-1455
- 6/18/1994** Perf 5 1/2" csg @ 325 ft / Tag cement on plug @ 3615 ft
- 6/20/1994** L/D 116 jts 2 3/8" tbg; MIRU BJ; Broke circ down csg out surface - pump 100 sks / P/A Well
- 6/18/2003** Reenter well; Squeeze csg leak; PBTD 3648 ft
Perf Yates/Seven Rivers: 3159,73,3205,09,36,62,81, 90,3300,3326,30,36,49,54,3510,30,58,82,93,3612
Acidize each interval; Frac w/51856 gals gel 280 tons CO2, 50,100# 20/40 227,700# 12/20 in 9 stages
36 bpm @ 3000#; RDMO Schlumberger // 80 MCFD // Frac down 3 1/2"
- 8/27/2003** RIH w/sand pump and bail sand to 3648 ft
- 6/1/2008** Tag @ 3621 ft / Pump sticking / pump 5 gals soap w/2 bbls kcl dn csg; well pumping

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' / DO Cmmt & CIBP / Collect samples (sand, paraff, scale) CK returns for O&G Kill tbg w/2% KCL
RIH to 3820' / CO Fill; Cir well with Air for minimum 2 hrs
Rack back tubing / NU BP, MJ, Perf Sub; Seat Nipple, and RIH w/ TBG w/TAC 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, h
Clean Location; RDMO W/O Rig
Production will be commingled and allocated
Yates / 7 Rivers: Avg Production: 30 MCFD, 0 BWPD
Queen Projected Production: 1 BOPD, 100 MCFD, 02 BWPD



OCD Tops (MD)

Tansill	2,967'
Yates	3,153'
7 Rivers	3,357'
Queen	3,711'
San Andres	
Glorieta	
Bone Spring	
Bone SS	
Abo	
Wolfcamp	
Strawn	
Atoka	

Tansill-Yates
3159-3612
Acidize and Frac

CIBP @ 3650'

7 Rvrs - Queen Open Hole
3784-3820
Acidize