

| | | | | | |
|------------------------|----------|---------------------|--------------------------|-----------------|---------------------------|
| DATE IN <u>5/16/11</u> | SUSPENSE | ENGINEER <u>WVJ</u> | LOGGED IN <u>5/16/11</u> | TYPE <u>DHC</u> | APP NO. <u>1113654812</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, 4591

State A/C #29

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-08854

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
Print or Type Name

Matt Ogden
Signature

Regulatory Analyst 5/12/11
Title Date

Matt.ogden@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
Operator

13727 Noel Rd Ste 500 Dallas, TX 75240
Address

State A A/C 2

29

Unit D - Sect. 9D - T22S - R36E

Lea

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 14591 Property Code 24671 API No. 30-025-08854 Lease Type: ☐ Federal ☒ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|--|--|-------------------|--|
| Pool Name | Jalmat - Tan Yates 7 Rivers | | S. E. 1/4 Sec 7 T22S R36E Q14 Langlie Matrix Queen |
| Pool Code | 79240 | | 24130 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 3145'-3358' | | 3717'-3802' |
| 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) | 1.3174 BTU | | 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: 60mcf/1bwpd | Date: Rates: | Date: Rates: 1.75bopd/30mcf |
| 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 0 % 75 % | Oil Gas % % | Oil Gas 100 % 25 % |

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 05/12/2011

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

E-MAIL ADDRESS matt.ogden@meritenergy.com

Wellbore Diagram

Lease & Well No. State A A/C 2 # 29
Field Name Jalmat
Location 660' FNL 660' FWL; Unit D, Sec. 09, T22S, R36E

Status Active
County & State Lea County, NM
API No. 30-025-08793
Pool Name Jalmat: Tansill Yates Seven Rivers

Well Information

Spud: 1943 Ground Elevation: 3,580' D.F. Elevation: _____
Completed: _____ KB Elevation: _____ Total Depth: _____

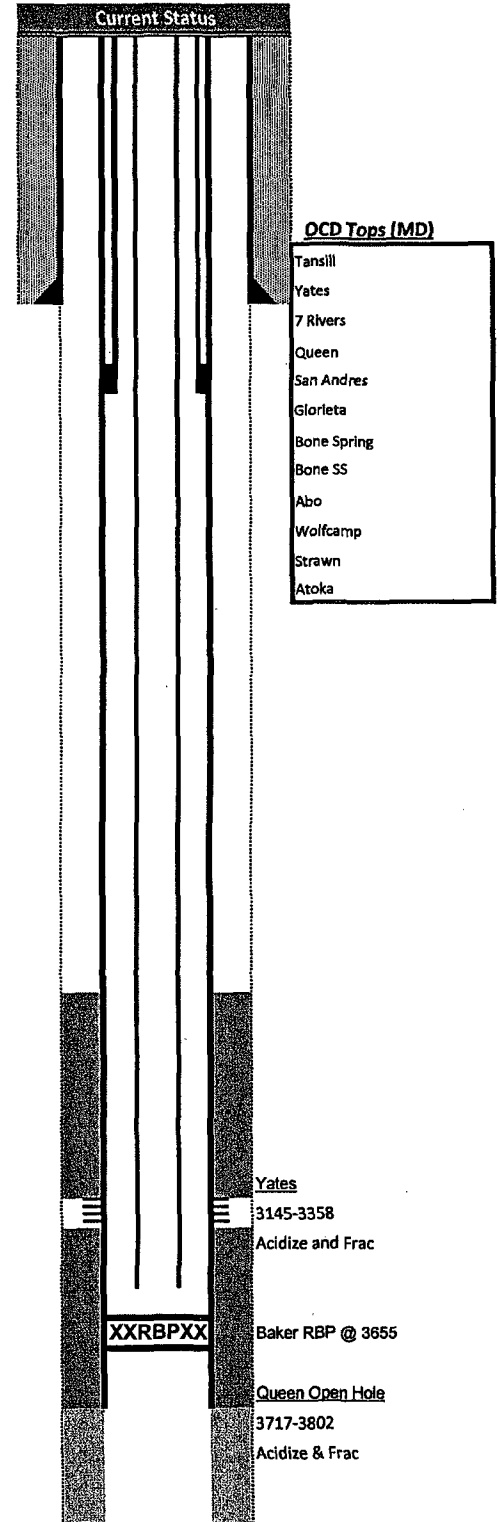
Pipe Data

| Surface | | | | | | |
|------------|---------|-----------|--------|-------|---------|----------|
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| | 466 ft | 10" | | | 200 sx | |
| Production | | | | | | |
| Hole size | Depth | Size (OD) | Weight | Grade | Sx. Cmt | Comments |
| | 3717 ft | 5-1/2" | 14.0# | | 250 sx | |

| Downhole Tubulars (Top to Bottom) | |
|---|--|
| 107 jts 2-3/8" tubing; SN @ 3361 MA | |
| 1 1/4" PR, ponys, 133-3/4" rods, 2" x 1 1/4" x 12' w/12' GA | |

Well History

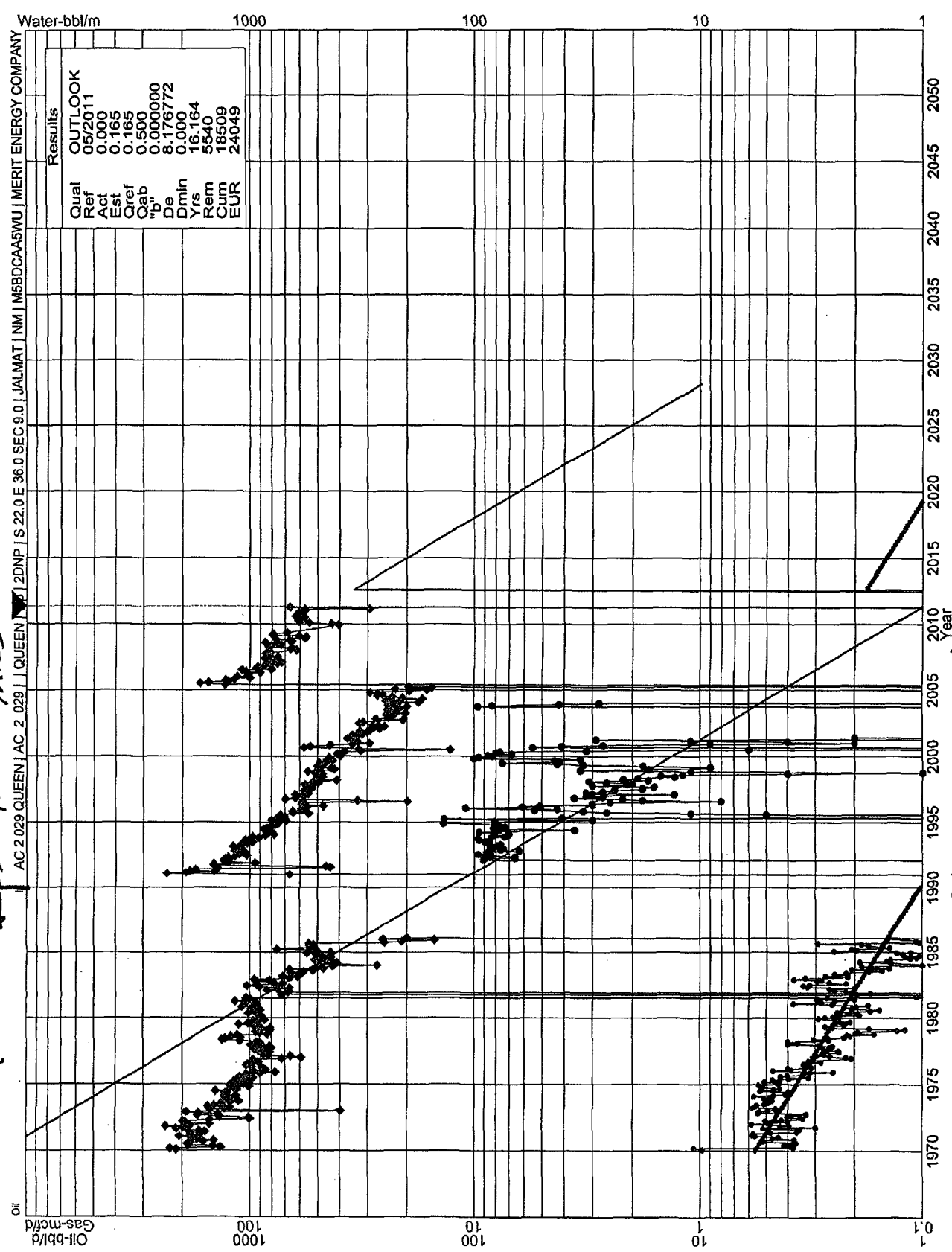
7/1/1943 Acidize w/4000 gals // IP 192 BOPD 975 MCFD
6/6/1951 Acidize w/ 2000 gals Mud Acid / IP: 66 BOPD
3/25/1961 Clean out to 3840 ft / Plug Back to 3807 w/ Pea Gravel / Plug Back to 3802 w/500# Lead wool
Frac w/20,000 gals lease oil 500# adomite 40,000# sand / IP: 160 BOPD 370 MCFD 0 BWPD
12/12/1990 W/O rig on location / Tag Plug @ 3665
Perf Yates: 3145,74,76,78,3206,33,35,56,58,92,94,3310,56,58
Acidize and Frac IP:
12/19/1990 RIH with 21 jts of 4 1/2" and set Watson Casing pkr @ 820'
3/21/1991 CO Fill with Air from 3312' to 3665'



EST QUEEN PROD
1.75 BOPD
30 MCFD

CURRENT PROD
60 MCFD

QUEEN
AC 2 029 QUEEN | AC 2 029 | QUEEN
721RS - YATES



OIL 100% QUEEN
GAS 25% QUEEN
75% 721RS - YATES

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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 30-025-08854 | 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 29 |
| ⁷ OGRID No. 14591 | ⁸ Operator Name Merit Energy Company | ⁹ Elevation 3580' |

¹⁰ Surface Location

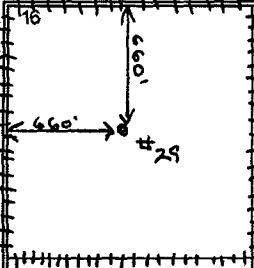
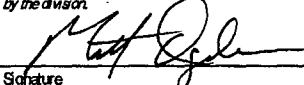
| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| D | 9 | 22S | 36E | | 660 | N | 660 | W | Lea |

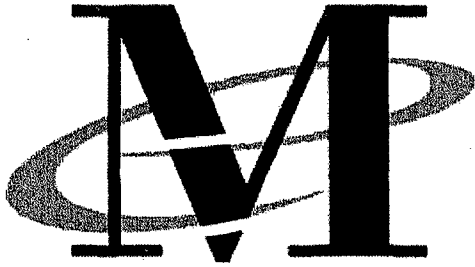
¹¹ Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 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. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

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>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> 05/24/2011</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> |
| | | | | | Certificate Number |



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

Date: May 12, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. Jalmat Field: State 157 G#2 & G#4, State A A/C 2 #1, State AAC-2 #2, #4, #7, #31,
#34, #46, #47, & #70 Yates-Queen Commingling
Lea County, New Mexico

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

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



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

Date: May 12, 2011

To: New Mexico Oil Conservation Division

Attention: William V Jones P.E.

RE. Jalmat Field: 12 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 12 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