

Submit 3 Copies To Appropriate District Office  
District I  
1625 N. French Dr., Hobbs, NM 87240  
District II  
811 South First, Artesia, NM 87210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Form C-103  
Revised March 25, 1999

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b> (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. <b>30-045-30833</b>
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator <b>XTO Energy Inc.</b>		6. State Oil & Gas Lease No.
3. Address of Operator <b>2700 Farmington Ave., Bldg. K. Ste 1 Farmington, NM 87401</b>		7. Lease Name or Unit Agreement Name: <b>DAVIS GAS COM F</b>
4. Well Location Unit Letter <b>I</b> : <b>1785</b> feet from the <b>SOUTH</b> line and <b>795</b> feet from the <b>EAST</b> line Section <b>27</b> Township <b>29N</b> Range <b>11W</b> NMPM County <b>SAN JUAN</b>		8. Well No. <b>1R</b>
10. Elevation (Show whether DR, RKB, RT, GR, etc.) <b>5564' GR</b>		9. Pool name or Wildcat <b>BASIN DAKOTA/ARMENTA GALLUP</b>

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data	
<b>NOTICE OF INTENTION TO:</b> PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <b>DOWNHOLE COMMINGLE</b> <input checked="" type="checkbox"/>	<b>SUBSEQUENT REPORT OF:</b> REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

XTO Energy Inc. requests an exception to Rule 303A to downhole commingle production from the Basin Dakota Pool (71599) and the Armenta Gallup (02290). Both of these pools are included in the Division Order R-11363 establishing pre-approved pool combinations for downhole commingling in the San Juan Basin. Attachments 1 & 2 summarize the conditions and information required per Rules 303C(1) and 303C(b).

Proposed Gas Allocation: Dakota - 84% & Gallup 16%  
Proposed Oil Allocation: Dakota - 17% & Gallup 83%  
Proposed Wtr Allocation: Dakota - 99% & Gallup 1%

- DHC 836 AZ**
- MIRU completion rig. Install BOP. POH w/2-3/8" prod tbg.
  - TIH w/bit. Drill out CIBP @ 6,093'. CO to 6,344' PBTD. TOH w/bit.
  - TIH w/2-3/8" prod tbg. Land tbg @ +/- 6,275'. Remove BOP.
  - Return well to prod DHC: GP perfs fr/5,314' - 5,646' & DK perfs fr/6,177'-6,308'.

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

SIGNATURE Ray Martin TITLE OPERATIONS ENGINEER DATE 7/10/02

Type or print name RAY MARTIN Telephone No. 505-324-1090

(This space for State use)

APPROVED BY Original Signer TITLE DEPUTY OIL & GAS INSPECTOR, ENCL. 2 DATE JUL 15 2002  
Conditions of approval, if any:

Attachment 1  
Davis Gas Com F #1R  
Sec 27I, T29W, R11W  
API #30-045-30833  
C-103 NOI Sundry to DHC  
07/10/02

Additional information per Rule 303C(3)(b):

- (i) Division Order R-11363 established pre-approved pool combinations for downhole commingling.
- (ii) Armenta Gallup Pool (02290)  
Basin Dakota Pool (71599)
- (iii) Armenta Gallup perforations: 5,314' – 5,646'  
Basin Dakota perforations: 6,177' - 6,308'
- (iv) The proposed production allocation formula is based on a ratio of the two pools prod rates.

Proposed Allocation Formula:

	OIL	WATER	GAS
Basin Dakota	17%	99%	84%
Armenta Gallup	83%	1%	16%

Basin Dakota Pool (liquid prod & gas sales prior to recompletion to CH.)

BOPD	BWPD	MCFD
1.4	150	268

Armenta Gallup Pool (recent stabilized liquid prod & gas sales after recompletion to GP)

BOPD	BWPD	MCFD
7.0	2	52

- (v) Downhole commingling will not reduce the value of the total remaining production. Increased ultimate recovery is expected due to a lower economic production limit for each pool resulting lower operating cost per zone due to the combined production. Also, the reserves will be recovered in less time by downhole commingling.
- (vi) Ownership is not identical between pools. XTO Energy, Inc sent notice of intent to downhole commingle to all working and royalty interest owners by certified mail (return receipt) on 6/14/02. No objections have been received.
- (vii) This well is not in a spacing unit that contains Federal or State lands or minerals. Thus, no notice to BLM or State Lands is required.

Attachment 2  
Davis Gas Com F #1R  
Sec 27I, T29W, R11W  
API #30-045-30833  
C-103 NOI Sundry to DHC  
07/10/02

Required conditions per Rule 303C(1):

- (a) The fluids from both pools are compatible. These pools have been commingled together in other wells without fluid compatibility or formation damage problems and the two pools have been pre-approved for downhole commingling..
- (b) No secondary recovery operations are planned for this well.
- (c) Using the NMOCD fracture parting pressure gradient of 0.65 psig per foot of depth, the calculated bottomhole pressure to frac the Gallup is 3,454 psig and to frac the Dakota is 4,015 psig. Neither zone's current bottom hole pressures exceed the frac parting pressure of either zone.
- (d) The well will be produced until both zones are at economic depletion, thus no permanent loss of reserves will occur due to cross-flow in the wellbore.
- (e) Neither zone is sensitive to produced fluids from the other zone. These pools are commonly downhole commingled.
- (f) XTO Energy, Inc will maintain the prorated production below top allowable or other rate restriction set by the NMOCD for each Pool.
- (g) Downhole commingling will not reduce the value of the total remaining production. Increased ultimate recovery is expected due to a lower economic production limit for each pool resulting lower operating cost per zone due to the combined production. Also, the reserves will be recovered in less time by downhole commingling.
- (h) Correlative rights will not be violated by downhole commingling these zones. The only open zones will be the Dakota and Gallup. The production will be allocated between the Dakota and Gallup per the allocation formula on Attachment #1.