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

WELL API NO. 30-045-31057
5. Indicate Type of Lease STATE [x] FEE [ ]
6. State Oil & Gas Lease No. E-1686, E-3149 & E-397-2

SUNDRY NOTICES AND REPORTS ON WELLS

(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.)

1. Type of Well: Oil Well [ ] Gas Well [x] Other
7. Lease Name or Unit Agreement Name: State Gas Com BR
2. Name of Operator: XTO Energy, Inc.
8. Well No. 1F
3. Address of Operator: 2700 Farmington Ave., Bldg. K, Ste 1 Farmington, NM 87401
9. Pool name or Wildcat: Blanco Mesaverde / Basin Dakota
4. Well Location

Unit Letter G : 1,965' feet from the North line and 1,600' feet from the East line

Section 2 Township 29N Range 10W NMPM County San Juan

10. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 5,988' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	[ ]	PLUG AND ABANDON	[ ]	REMEDIAL WORK	[ ]	ALTERING CASING	[ ]
TEMPORARILY ABANDON	[ ]	CHANGE PLANS	[ ]	COMMENCE DRILLING OPNS.	[ ]	PLUG AND ABANDONMENT	[ ]
PULL OR ALTER CASING	[ ]	MULTIPLE COMPLETION	[ ]	CASING TEST AND CEMENT JOB	[ ]		
OTHER: Downhole commingle	[x]			OTHER:			[ ]

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 recompilation.

XTO Energy, Inc requests an exception to Rule 303A to downhole commingle production from the Basin Dakota Pool (71599) and the Otero Chacra Pool (82329). Both pools are included in Division Order R-11363 establishing pre-approved pool combinations for downhole commingling in the San Juan Basin. The APD for this well has been approved but the well has not been drilled. XTO requests approval to DHC prior to drilling so that both zones can be completed immediately after drilling is completed. Ownership is identical in both pools. The proposed production allocation formula is based on production of offset wells in the 9 sections around this well location. Attachments 1 and 2 summarize the conditions and information required per Rules 303C(1) and 303C(3)(b).

Proposed Gas Allocation: Dakota - 48% & Mesaverde - 52%
Proposed Oil Allocation: Dakota - 48% & Mesaverde - 52%
Proposed Water Allocation: Dakota - 42% & Mesaverde - 58%

DHC 833AZ

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 6/26/02

Type or print name Ray Martin Telephone No. (505)324-1090

(This space for State use)

APPROVED BY _____ TITLE _____ DATE JUL 27 2002

Conditions of approval, if any:

Attachment 1
State Gas Com BR #1F
Sec 2G, T29W, R10W
API #30-045-31057
C-103 NOI Sundry to DHC
06/26/02

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

(i) Division Order R-11363 established pre-approved pool combinations for downhole commingling.

(ii) Blanco Mesaverde Pool (72319)
Basin Dakota Pool (71599)

(iii) Blanco Mesaverde perforations: 4,000' – 4,800' (est. perf interval)
Basin Dakota perforations: 6,800' – 7,100' (est. perf interval)

(iv) The proposed gas and oil production allocation percentages are based on estimated average ultimate recovery per well of the 35 Mesaverde & 21 Dakota wells in the 9 Section area around the proposed well location. Water allocation is based on average cumulative water production per well. See attached Mesaverde and Dakota summary production decline curves.

Proposed Allocation Percentages:

	OIL	WATER	GAS
Blanco Mesaverde	52%	58%	52%
Basin Dakota	48%	42%	48%

Blanco Mesaverde Pool (Per well avg. est. ultimate gas & oil recovery & cum wtr prod.)

BO	BW	MMCF
6,477	2,588	1,573

Basin Dakota Pool (Per well avg. est. ultimate gas & oil recovery & cum wtr prod.)

BO	BW	MMCF
5,990	1,894	1,471

(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 identical in both the Mesaverde and Dakota thus XTO Energy, Inc was not required to send notice of intent to downhole commingle to working and royalty interest owners.

(vii) This well is on a NM State Lands lease. I have sent a letter to the NM State Lands Office which requested permission to downhole commingle and included a copy of this C-103 with attachments.

Attachment 2
State Gas Com BR #1F
Sec 2G, T29W, R10W
API #30-045-31057
C-103 NOI Sundry to DHC
06/26/02

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 estimated bottomhole pressure to frac the Mesaverde is 2,600 psig and to frac the Dakota is 4,420 psig. Because of offset drainage neither zone's current bottom hole pressures are expected to 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 Mesaverde and Dakota. The production will be allocated between the Mesaverde and Dakota per the allocation percentages on Attachment #1.