

DATE IN 10/9/08	APPROVAL 10/29/08	ENGINEER W. Jones	LOGGED IN 10/9/08	TYPE DHC 4899	APP NO. PKVR0828353826
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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



ADMINISTRATIVE APPLICATION CHECKLIST

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.

LORRI D. BINGHAM
 Print or Type Name

Lorri D. Bingham
 Signature

REG COMPLIANCE TECH
 Title

10/8/08
 Date

lorri-bingham@xtbenergy.com
 e-mail Address

2008 OCT 9 PM 1:44
 RECEIVED

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 and Natural Resources

Oil Conservation Division

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
Yes No



Operator XTO Energy Inc. Address 382 CR 3100 Aztec, NM 87410

Lease LC KELLY Well No. #2G Unit Letter-Section-Township-Range SEC 5D T30N R12W County SAN JUAN

OGRID No. 5380 Property Code 22620 API No. 30-045-33239 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BASIN MANCOS		BASIN DAKOTA
Pool Code	97232		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5732' - 5988'		6619' - 6827'
Method of Production (Flowing or Artificial Life)	ARTIFICIAL LIFE		ARTIFIFICAL LIFE
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)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1.276 BTU		1.100 BTU
Producing, Shut-In or New Zone	PRODUCING		SHUT IN
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: 8/1/08 Rates: 1.3 BBLS/1217 MCF/10.9 BB	Date: Rates:	Date: 1/1/08 Rates: 0 BBLS/487 MCF/0 BBLS
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil: 85 % Gas: 25 %	Oil: % Gas: %	Oil: 15 % Gas: 75 %

Are all working, overriding, and royalty interests identical in all commingled zones? Yes No ☒
If not, have all working, overriding, and royalty interests 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 all offset operators.
- Notification list of working, overriding, and royalty interests for uncommon interest cases.
- Any additional statements, data, or documents required to support commingling.

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 Lorri D. Bingham TITLE REGULATORY COMP TECH DATE 10/8/08

TYPE OR PRINT NAME LORRI D. BINGHAM TELEPHONE NO. (505) 333-3100

E-MAIL Lorri.bingham@xtoenergy.com



382 CR 3100
Aztec, NM 87410

August 26, 2008

Interest Owners

Subject: Notice of Intent to Apply for Downhole Commingling
LC Kelly #2G
Unit D, Sec 5, 30N, R12W

XTO Energy Inc is submitting an application to the New Mexico Oil Conservation Division (NMOCD) to downhole commingle production from the Basin Dakota and the Basin Mancos pools in the LC Kelly #2G. Commingling of these pools will minimize operating costs, add reserves and improve economics of the well.

The proposed allocation percentages for each pool are as follows:

Basin Mancos	Gas: 25%	Water: 10%	Oil: 85%
Basin Dakota	Gas: 75%	Water: 90%	Oil: 15%

NMOCD requires all interest owners be notified of intent to downhole commingle if ownership is different between zones. If you need additional information or have any questions, I may be contacted at (505) 333-3100. If you have any objections to our application, please contact me within twenty (20) days of the date of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lorri D. Bingham', written over a horizontal line.

Lorri D. Bingham
Regulatory Compliance Tech

xc: well file

LC Kelly #2G
Allocation Percentages

The proposed gas, oil, and water production allocation percentages are based on stabilized test period. The Dakota produced for ~3 years, and the Mancos produced for 3 months.

Proposed Allocation Percentages:

Pool	Oil	Water	Gas
Mancos	85%	10%	25%
Dakota	15%	90%	75%

Wildcat Mancos (Per stabilized 3 month avg. gas, oil and water recovery prod.)

BO	BW	MCF
1.6	1.2	23

Basin Dakota (Per stabilized 3 month avg. gas, oil and water recovery prod.)

BO	BW	MCF
0.3	11	70

Daily Production Average Rate

	OIL	GAS	WATER
Mancos Only	1.6	23	1.2
Dakota Only	0.3	70	11
Sum	1.9	93.3	12.2

Percent of Total Production

	OIL	GAS	WATER
% Mancos	85%	25%	10%
% Dakota	15%	75%	90%
Sum	100%	100%	100%

Dakota Only- Monthly Production

Prod Month	OIL	GAS	WATER
1/30/2006	5	2482	400
12/31/2006	3	1958	240
1/31/2007	23	1753	320
2/28/2007	1	2085	320
3/31/2007	10	2328	400
4/30/2007	12	2144	320
5/31/2007	0	1040	200
6/30/2007	0	503	50
7/31/2007	0	527	0
8/31/2007	0	472	0
9/30/2007	0	0	0
10/31/2007	0	0	0
11/30/2007	0	0	0
12/31/2007	0	508	0
1/31/2008	0	478	0
2/29/2008	0	0	0
3/31/2008	0	0	0
4/30/2008	0	0	0

6 Month Average Monthly 9 2126

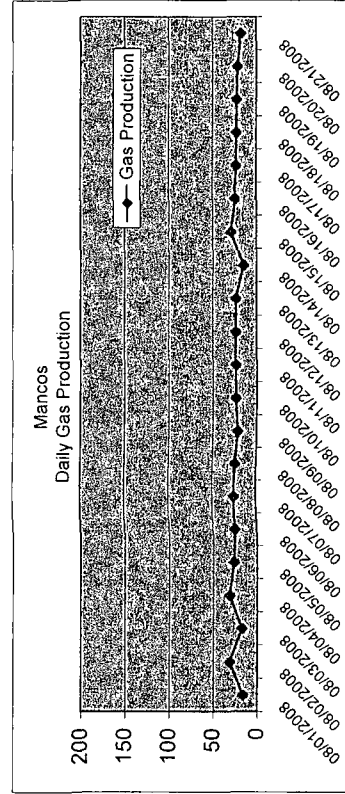
333 Well was loading up with fluid after May, 2007
11.0 Will use average 6 month prod. prior to this for determining allocation
as the Mancos requires a pump/pumping unit, so Dakota will be unloaded after commingle.

6 Month Average Daily 0.3 70

Mancos Only_ Daily Production

prod_date	Daily Oil	Daily Gas	Daily Water
08/01/2008	0	16.18	0
08/02/2008	0	31.46	0
08/03/2008	0	17.35	0
08/04/2008	0	31.42	0
08/05/2008	0	26.29	0
08/06/2008	0	24.9	0
08/07/2008	0	25.21	0
08/08/2008	0	24.17	0
08/09/2008	0	21.61	0
08/10/2008	0	23.96	0
08/11/2008	0	24.06	0
08/12/2008	0	23.96	0
08/13/2008	0	23.52	0
08/14/2008	33.6	15.29	25
08/15/2008	0	29.18	0
08/16/2008	0	24.42	0
08/17/2008	0	23.29	0
08/18/2008	0	22.75	0
08/19/2008	0	22.5	0
08/20/2008	0	21.66	0
08/21/2008	0	17.85	0

	Mo. Oil	Mo. Gas	Mo. Water
May	0	664	0
June	3	967	3
July	113	571	35
August	34	491	25
August Average Daily	1.6	23	1.2



ANN L. SHERIDAN
447 E. LILAC
TEMPE, AZ 852810000
LC KELLY #2G DHC REG COMP

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447 E. LILAC
TEMPE, AZ 852810000
LC KELLY #2G DHC REG COMP

ANN L. SHERIDAN
447 E. LILAC
TEMPE, AZ 852810000
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DOUGLAS E MILLER 1999 TRUST
DOUGLAS E MILLER TTEE
2040 WATERFALL COURT
MODESTO, CA 953550000
LC KELLY #2G DHC REG COMP

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FRANCIS HAYNES LINDLEY JR TRST
F HAYNES LINDLEY JR
PO BOX 3058
SAUSALITO, CA 949663058
LC KELLY #2G DHC REG COMP

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GREGORY LOUIS KELLY
3526 BAYBERRY LN
MALIBU, CA 902654707
LC KELLY #2G DHC REG COMP

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MALIBU, CA 902654707
LC KELLY #2G DHC REG COMP

JANE W HERION
2126 E 30TH
SPOKANE, WA 992030000
LC KELLY #2G DHC REG COMP

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SPOKANE, WA 992030000
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LC KELLY #2G DHC REG COMP

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PO BOX 550
CENTERVILLE, MA 26320550
LC KELLY #2G DHC REG COMP

LAURENCE B KELLY LIVING TRUST
DTD 5/24/96, LAURENC
839 SUMMIT RD
SANTA BARBARA, CA 931082321
LC KELLY #2G DHC REG COMP

LAURENCE B KELLY LIVING TRUST
DTD 5/24/96, LAURENC
839 SUMMIT RD
SANTA BARBARA, CA 931082321
LC KELLY #2G DHC REG COMP

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DTD 5/24/96, LAURENC
839 SUMMIT RD
SANTA BARBARA, CA 931082321
LC KELLY #2G DHC REG COMP

LAURENCE CORBETT KELLY TRUST
STEVE COLDWELL, SUCC
3239 N VERDUGO RD
GLENDALE, CA 912081633
LC KELLY #2G DHC REG COMP

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STEVE COLDWELL, SUCC
3239 N VERDUGO RD
GLENDALE, CA 912081633
LC KELLY #2G DHC REG COMP

LAURENCE CORBETT KELLY TRUST
STEVE COLDWELL, SUCC
3239 N VERDUGO RD
GLENDALE, CA 912081633
LC KELLY #2G DHC REG COMP

M R SCHALK
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ALBUQUERQUE, NM 871250825
LC KELLY #2G DHC REG COMP

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PO BOX 25825
ALBUQUERQUE, NM 871250825
LC KELLY #2G DHC REG COMP

M R SCHALK
PO BOX 25825
ALBUQUERQUE, NM 871250825
LC KELLY #2G DHC REG COMP

M R SCHALK LLC
PO BOX 25825
ALBUQUERQUE, NM 871250825
LC KELLY #2G DHC REG COMP

M R SCHALK LLC
PO BOX 25825
ALBUQUERQUE, NM 871250825
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MARY S. ENRIGHT
2129 CAMPO ALEGRE
TEMPE, AZ 852810000
LC KELLY #2G DHC REG COMP

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LC KELLY #2G DHC REG COMP

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2129 CAMPO ALEGRE
TEMPE, AZ 852810000
LC KELLY #2G DHC REG COMP

MILLER FAMILY TRUST DT 5/3/99
ROBERT D & RUTH V MI
40551 VISTA MURRIETA
MURRIETA, CA 925625926
LC KELLY #2G DHC REG COMP

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ROBERT D & RUTH V MI
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MURRIETA, CA 925625926
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ROBERT D & RUTH V MI
40551 VISTA MURRIETA
MURRIETA, CA 925625926
LC KELLY #2G DHC REG COMP

MMS XTO FEDERAL
C/O XTO ENERGY INC
810 HOUSTON STREET
FORT WORTH, TX 761026298
LC KELLY #2G DHC REG COMP

MMS XTO FEDERAL
C/O XTO ENERGY INC
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FORT WORTH, TX 761026298
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NANCY O. MABE TRUST NANCY O.
MABE, TRUSTEE
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LC KELLY #2G DHC REG COMP

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NORMAN REID MILLER
1441 BRETT PLACE #130
SAN PEDRO, CA 907325007
LC KELLY #2G DHC REG COMP

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SAN PEDRO, CA 907325007
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NORMAN REID MILLER
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ROSALIE H. KELLY
141 LONDON LN
AMHERST, VA 245210000
LC KELLY #2G DHC REG COMP

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AMHERST, VA 245210000
LC KELLY #2G DHC REG COMP

ROSALIE H. KELLY
141 LONDON LN
AMHERST, VA 245210000
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ROSE M BLOUNT TRUST MADONNA
LEE, TRUSTEE
284 CYPRESS TRAIL DR
GRAND RAPIDS, MI 495460000
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ROSE M BLOUNT TRUST MADONNA
LEE, TRUSTEE
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ROSE M BLOUNT TRUST MADONNA
LEE, TRUSTEE
284 CYPRESS TRAIL DR
GRAND RAPIDS, MI 495460000
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SCOTT G AND MICHELLE A ROGERS
JOINT TENANTS
210 SCENIC DR
ASHLAND, OR 975202622
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210 SCENIC DR
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