

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
1301 W. Grand Ave., 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

Form C-103
Revised May 08, 2003

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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| WELL API NO. <u>45-32383</u> |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> |
| 6. State Oil & Gas Lease No. |
| 7. Lease Name or Unit Agreement Name: <u>MARTINEZ GAS COM G</u> |
| 8. Well Number <u>1F</u> |
| 9. OGRID Number <u>167067</u> |
| 10. Pool name or Wildcat <u>BASIN DAKOTA / BLANCO MESAVERDE</u> |

| | |
|---|--|
| 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 <input type="checkbox"/> Gas Well <input type="checkbox"/> Other | 2. Name of Operator <u>XTO Energy Inc.</u> |
| 3. Address of Operator <u>2700 Farmington Ave., Bldg. K. Ste 1 Farmington, NM 87401</u> | 4. Well Location Unit Letter <u>E</u> : <u>2185</u> feet from the <u>NORTH</u> line and <u>985</u> feet from the <u>WEST</u> line Section <u>24</u> Township <u>29N</u> Range <u>10W</u> NMPM County <u>SAN JUAN</u> |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) <u>5628' GR</u> | |

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: DOWNHOLE COMMINGLE ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐

OTHER: ☐

13. 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 Blanco Mesaverde pool (72319). See attachments 1-3 for supporting documentation. Plats for this well are also included. The APD for this well has not been approved but we expect approval shortly. XTO requests approval to DHC both zones on initial completion. Ownership is diverse in both zone's spacing units and interest owners have been notified via certified letter, return receipt.

A sundry notice has been filed with the BLM Farmington office.

| | | |
|----------------------------|----------------|-------------------|
| Proposed Gas Allocation: | Dakota - 55.7% | Mesaverde - 44.3% |
| Proposed Oil Allocation: | Dakota - 57.1% | Mesaverde - 43.0% |
| Proposed Water Allocation: | Dakota - 57.1% | Mesaverde - 42.9% |

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

SIGNATURE Holly C Perkins TITLE REGULATORY COMPLIANCE TECH DATE 8/16/04

Type or print name HOLLY C. PERKINS

Telephone No. 505-324-1090

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 2 DATE AUG 16 2004
Conditions of approval, if any:

Attachment 1
Martinez Gas Com G #1F
Sec 24E, T29N, R10W
C-103 NOI Sundry to DHC
5/11/04

Required conditions per Rule 303C(1):

All other conditions stipulated in Rule 303C (1) a, b, d, e, f, g & h are met.

- (c) Using the NMOCD fracture parting pressure gradient of 0.65 psig per foot of depth, the bottomhole pressure to frac the Mesaverde (est. top perf 3,800') is 2,470 psig and to frac the Dakota (est. top perf 6,400') is 4,160 psig. Because of offset drainage neither zone's current bottom hole pressures (est. 1,000 psig -1,800 psig) are expected to exceed the frac parting pressure of either zone.

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

- (i) Division Order R-11363 established the pre-approved pool combination for downhole commingling these pools.
- (ii) The pools to be commingled are:
Blanco Mesaverde Pool (72319)
Basin Dakota Pool (71599).
- (iii) Blanco Mesaverde perforations: 3,800' – 4,500' (est. perf interval)
Basin Dakota perforations: 6,400' – 6,800' (est. perf interval)
- (iv) The proposed gas and oil production allocation percentages are based on average estimated ultimate recovery per completion of the 64 Mesaverde and 52 Dakota completions in a 16 section area around the proposed well location. Water production will be allocated identical to the oil production allocation. See Attachments 2, 3, 4 and 5 for the calculations and supporting data of the proposed production allocation percentages.

Proposed Allocation Percentages:

| | GAS | OIL | WATER |
|-------------------------|--------------|--------------|--------------|
| Blanco Mesaverde | 44.3% | 42.9% | 42.9% |
| Basin Dakota | 55.7% | 57.1% | 57.1% |

- (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) Working and royalty interest ownership in the Dakota and Mesaverde spacing units in this well are not identical. XTO Energy Inc. notified the owners of our plans to downhole commingle by certified mail (return receipt) on 4/7/03. No objections were received within the 20 day objection period.
- (vii) The Dakota and Mesaverde spacing units (N/2, Sec 24) do not contain State lands or minerals so a copy of the Form C-103 was not sent to them. The well is located on a Federal lease. A copy of the Form C-103 with attachments was sent to the BLM using Sundry Notice Form 3160-5.

Attachment 2
Martinez Gas Com G #1F
Sec 24E, T29N, R10W
C-103 NOI Sundry to DHC
5/11/04

SUMMARY OF PRODUCTION ALLOCATION CALCULATIONS

| Zone | 16 Section Offset Wells Ave. Est. Ult. Rec. (MMCF) | GAS ALLOC. (%) | 16 Section Offset Wells Ave. Est. Ult. Rec. (BO) | OIL ALLOC. (%) |
|-----------|---|----------------|---|-------------------|
| Mesaverde | 1,064 | 44.3% | 6,328 | 42.9% |
| Dakota | 1,339 | 55.7% | 8,423 | 57.1% |

Ave. DK/MV Gas EUR (est. ultimate recovery) = See Attachment 3 Table of EUR of individual DK/MV completions

Ave. MV Oil EUR = 405 MBO EUR for MV completions (16 Section area) + 64 MV completions
= 6,328 BO/completion (See Attachment 4 MV summary prod. decline curve)

Ave. DK Oil EUR = 438 MBO EUR for DK completions (16 Section area) + 52 DK completions
= 8,423 BO/completion (See Attachment 5 DK summary prod. decline curve)

MV Gas Allocation % = $1,064 \text{ MMCF} \div (1,064 \text{ MMCF} + 1,339 \text{ MMCF}) \times 100\% = \mathbf{44.3\%}$

DK Gas Allocation % = $1,339 \text{ MMCF} \div (1,064 \text{ MMCF} + 1,339 \text{ MMCF}) \times 100\% = \mathbf{55.7\%}$

MV Oil Allocation % = $6,328 \text{ BO} \div (6,328 \text{ BO} + 8,423 \text{ BO}) \times 100\% = \mathbf{42.9\%}$

DK Oil Allocation % = $8,423 \text{ BO} \div (6,328 \text{ BO} + 8,423 \text{ BO}) \times 100\% = \mathbf{57.1\%}$