Changed Oil Allocation for DaKota

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State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-103
Revised May 08, 2003

WELL API NO. 30-045-32193

5. Indicate Type of Lease STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

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.)

7. Lease Name or Unit Agreement Name: ARMENTA GAS COM C

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

8. Well Number 1R

2. Name of Operator XTO Energy Inc.

9. OGRID Number 167067

3. Address of Operator 2700 Farmington Ave., Bldg. K, Ste 1 Farmington, NM 87401

10. Pool name or Wildcat BASIN DAKOTA/BLANCO MESAVERDE

4. Well Location

Unit Letter P : 210 feet from the SOUTH line and 1165 feet from the EAST line

Section 22 Township 29N Range 10W NMPM County SAN JUAN

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 5594' GR

12. 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 ☒		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 common in both zone's spacing units. 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 - 42.9%
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 8/31/04

Type or print name HOLLY C. PERKINS Telephone No. 505-324-1090

(This space for State use)

APPROVED BY TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE AUG 31 2004

Conditions of approval, if any:

RECEIVED AUG 2004 OIL CONS. DIV. DIST. 3

Attachment 1
Armenta Gas Com C #1R
Sec 22P, T29N, R10W
C-103 NOI Sundry to DHC
5/6/04

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 3,700') is 2,405 psig and to frac the Dakota (est. top perf 6,340') is 4,121 psig. Because of offset drainage neither zone's current bottom hole pressures (est. 1,200 psig -1,900 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: 3,700' – 4,450' (est. perf interval)
Basin Dakota perforations: 6,340' – 6,550' (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 offsetting the well location. Water production will be allocated identical to the oil production allocation. See Attachment 2 and 3 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 identical. XTO Energy Inc. was not required to notify the owners of our plans to downhole commingle by certified mail

(vii) The Dakota and Mesaverde spacing units (N/2, Sec 27) do not contain State lands or minerals so a copy of the Form C-103 was not sent to them. The well is locate 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
Armenta Gas Com C #1R
Sec 22P, T29N, R10W
C-103 NOI Sundry to DHC
5/6/04

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 MMCF ÷ (1,064 MMCF + 1,339 MMCF) x 100% = **44.3%**

DK Gas Allocation % = 1,339 MMCF ÷ (1,064 MMCF + 1,339 MMCF) x 100% = **55.7%**

MV Oil Allocation % = 6,328 BO ÷ (6,328 BO + 8,423 BO) x 100% = **42.9%**

DK Oil Allocation % = 8,423 BO ÷ (6,328 BO + 8,423 BO) x 100% = **57.1%**