Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
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

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

Form C-103
Revised June 10, 2003

2005 FEB 18 PM 10 30
070 FARMINGTON NM

RECEIVED

WELL API NO. 30-045-32376	
5. Indicate Type of Lease STATE ☒ FEE ☐	
6. State Oil & Gas Lease No. NMNM03356	
7. Lease Name or Unit Agreement Name Northeast Blanco Unit	
8. Well Number 324M	
9. OGRID Number 6137	
10. Pool name or Wildcat Basin Dakota / Blanco Mesaverde	

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 ☒ Other

2. Name of Operator
Devon Energy Production Company, L.P.

3. Address of Operator
PO Box 6459, Navajo Dam, NM 87419

4. Well Location
Unit Letter I : 1,545' feet from the South line and 735' feet from the West line
Section 14 Township 31N Range 7W NMPM San Juan County

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)*
GR 6,490'

MAR 2005 OIL CON. DIV. DIST. 3

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: Down-hole 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.

Approval is requested to down-hole commingle production from the Blanco Mesaverde and Basin Dakota zones ~~from~~ ~~[redacted]~~. Please refer to the attached exhibits.

DHC 1834AZ

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

SIGNATURE M.S. Zimmerman TITLE Sr. Operations Tech DATE 2-15-05

Type or print name: Melisa Zimmerman E-mail address: Melisa.zimmerman@dvn.com Telephone No.: (405)552-7917

(This space for State use)

APPPROVED BY [signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE 3-4-05

Conditions of approval, if any:

ATTACHMENTS TO APPLICATION TO DOWNHOLE COMMINGLE

The following information is being provided as supporting data for application to down hole commingle production from the following well:

Well: NEBU 324M
Location: NW SW, Sec. 14, T31N, R7W
San Juan County, New Mexico

1. Case # 12346, Order # R-11363 establishes the two subject pools as pre-approved for commingling.

2. The pools to be commingled are the Blanco-Mesaverde (72319) and the Basin Dakota (71599).

3. The subject well is presently completed in both zones flowing and measured separately. The perforated interval in the Basin-Dakota pool being 7,904'-8,051'. The perforated interval in the Blanco-Mesaverde pool being 4,391'-5,809'.

4. Commingling will not reduce the value of the total remaining production in this well. Produced waters from both the Basin-Dakota and the Blanco-Mesaverde have been found to be compatible, with no evidence of scaling problems on tubules, or of precipitate fill in the well bore. The increased volume of gas flowing up the tubing will facilitate the well's ability to unload itself, thus increasing production and reducing potential operational problems.

5. Notice has been sent to all interest owners in the spacing unit by certified mail (return receipt) of Devon Energy's intent to down hole commingle production. A copy of this notice and a list of all working interest owners are attached.

6. A copy of this notice of intent to down hole commingle has been sent to the Bureau of Land Management.

devon
ENERGY PRODUCTION COMPANY, L.P.

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: (405) 235-3611
Facsimile: (405) 552-4667

February 15, 2005

IN RE: Permit to Down-hole Commingle
NEBU #324M, API # 30-045-32376
NW SW 1,545'FSL & 735' FWL
Sec. 14, T31N, R7W
San Juan County, New Mexico

VIA CERTIFIED MAIL
To all Working Interest Owners:

In accordance with the New Mexico Oil Conservation Division Rule 303.C governing down hole commingling, you are hereby notified that Devon Energy Production Company, L.P., as operator of the above-captioned well, intends to down-hole commingle production from the Blanco-Mesaverde and Basin Dakota pools. These pools are pre-approved for commingling by the State of New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department. As such Devon Energy is required to submit application to the OCD on form C-103 (Sundry Notice) of our intent to commingle the two zones.

The Blanco-Mesaverde and Basin-Dakota will be completed and tested simultaneously to establish a production potential. The production from the Blanco-Mesaverde and the Basin-Dakota will be allocated on a production trend based formula which has been approved by the NMOCD. A "Method of Allocation" explanation has been enclosed with this notice.

Please direct inquiries regarding this matter to the undersigned at (405) 552-7917

Sincerely,
DEVON ENERGY PRODUCTION COMPANY, L.P.

M.S.

Melisa Zimmerman
Senior Operations Technician

Method of Allocation

Devon Energy recommends the following procedure to allocate downhole commingled production between the Basin-Dakota and the Blanco-Mesaverde pools within the Northeast Blanco Unit:

- The Mesaverde and Basin-Dakota formations will be completed simultaneously.
- A single 2-3/8" tubing string will be run in the well, with a packer isolating the two horizons.
- The Dakota completion will be produced up the tubing string.
- The Mesaverde completion will be produced up the 2-3/8" x 4-1/2" annulus.
- Production from each zone will be measured separately using a 3 phase metering device prior to flowing through a mutual production separator. Total well stream gas will be measured using a conventional orifice plate meter tube located downstream of the production separator.
- The completions will be flow tested separately for approximately 90 days to establish a stabilized rate and trend.
- Following the testing period the packer will be removed and the two pools will be downhole commingled. Total well production will flow through common surface facilities and total produced gas will be measured using a conventional orifice plate meter tube.
- Production will be allocated between the Mesa Verde and Dakota intervals by applying the variable percentage schedule to the daily total well production.

The Variable Percentage Schedule was derived using Mesa Verde and Dakota production type curves. These type curves were generated by normalizing production data from surrounding wells. The variable percentage schedule is required due to the dissimilar decline trends exhibited by the Mesa Verde and Dakota. Figure 1 depicts a typical Mesa Verde – Dakota production allocation. The actual percentages will vary from well to well, depending on well productivity.

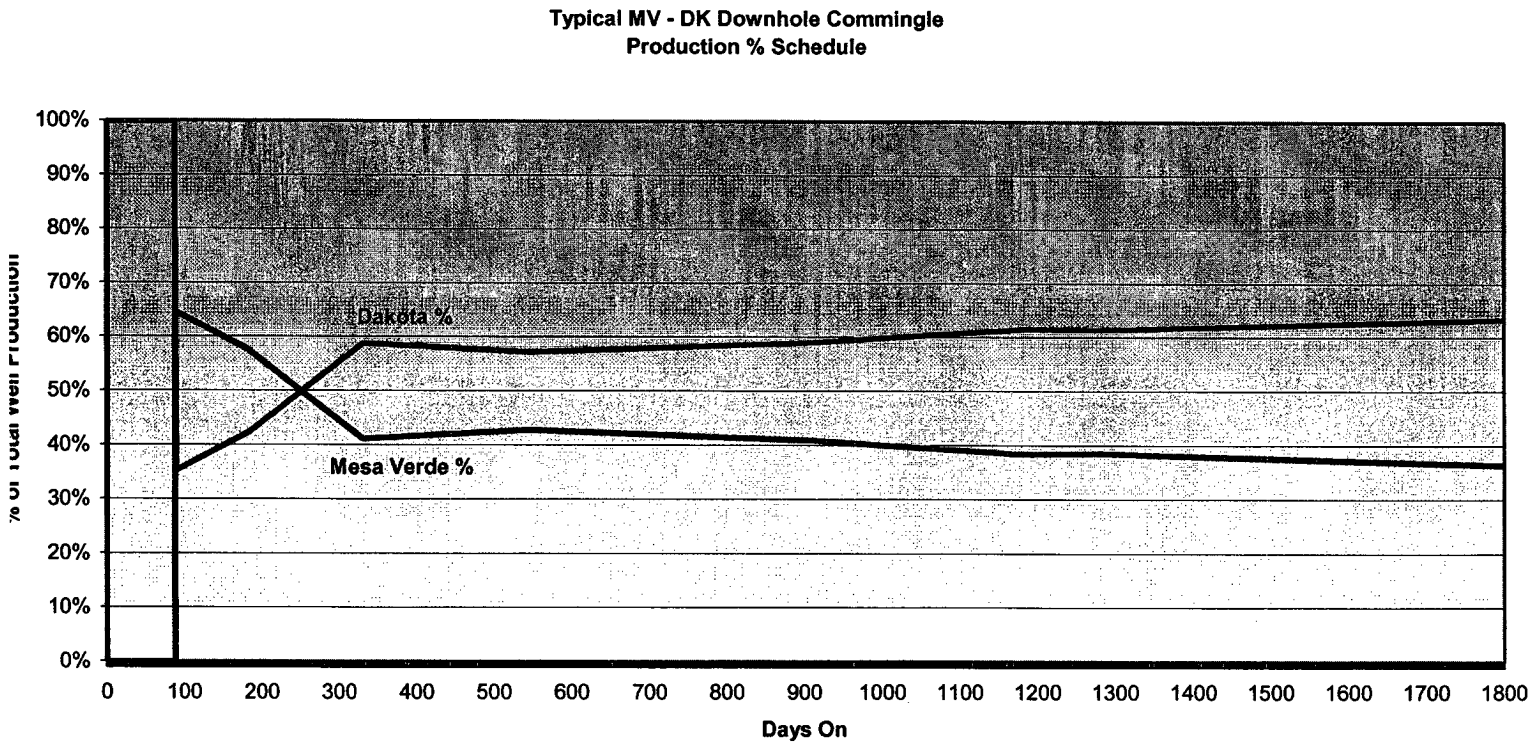

Figure 1

The Basin-Dakota type curve was generated from normalized production of 40 offsetting Basin-Dakota producers. The Basin-Dakota type curve clearly defines the decline rate for the life of a well. Comparison of this type curve with the production schedule obtained by using flow test data demonstrates the reliability of this method for projecting production. (See Figure 2) The curve covers a three and one half year period with a variance in cumulative normalized production of only 165 MCF.

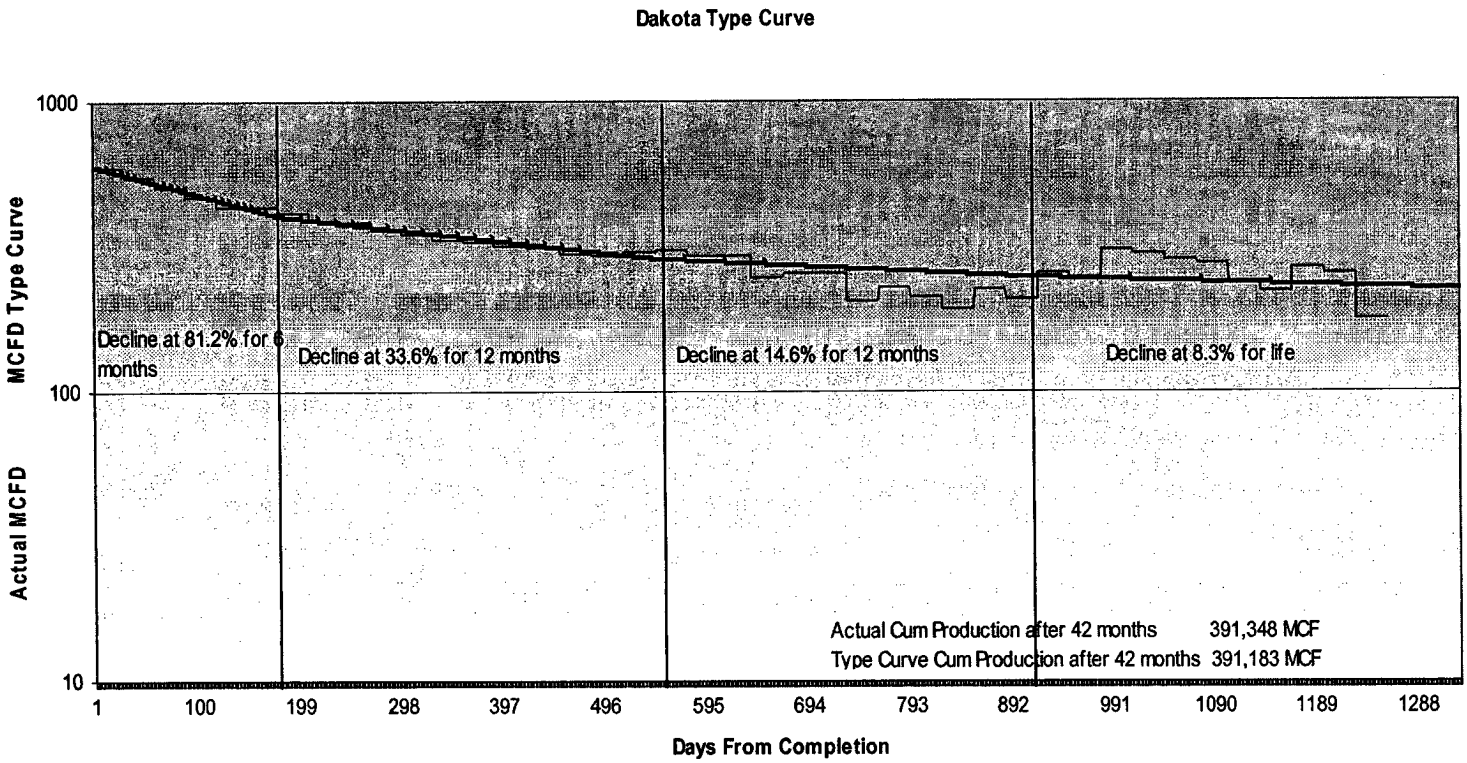

Figure 2

The Blanco – Mesa Verde type curve was generated from normalized production of 12 offsetting Blanco-Mesa Verde producers. Comparison of this type curve with the production schedule obtained by using flow test data demonstrates the reliability of this method for projecting production. (See Figure 3) The curve covers a four year period with a variance in cumulative normalized production of only 3,382 MCF.

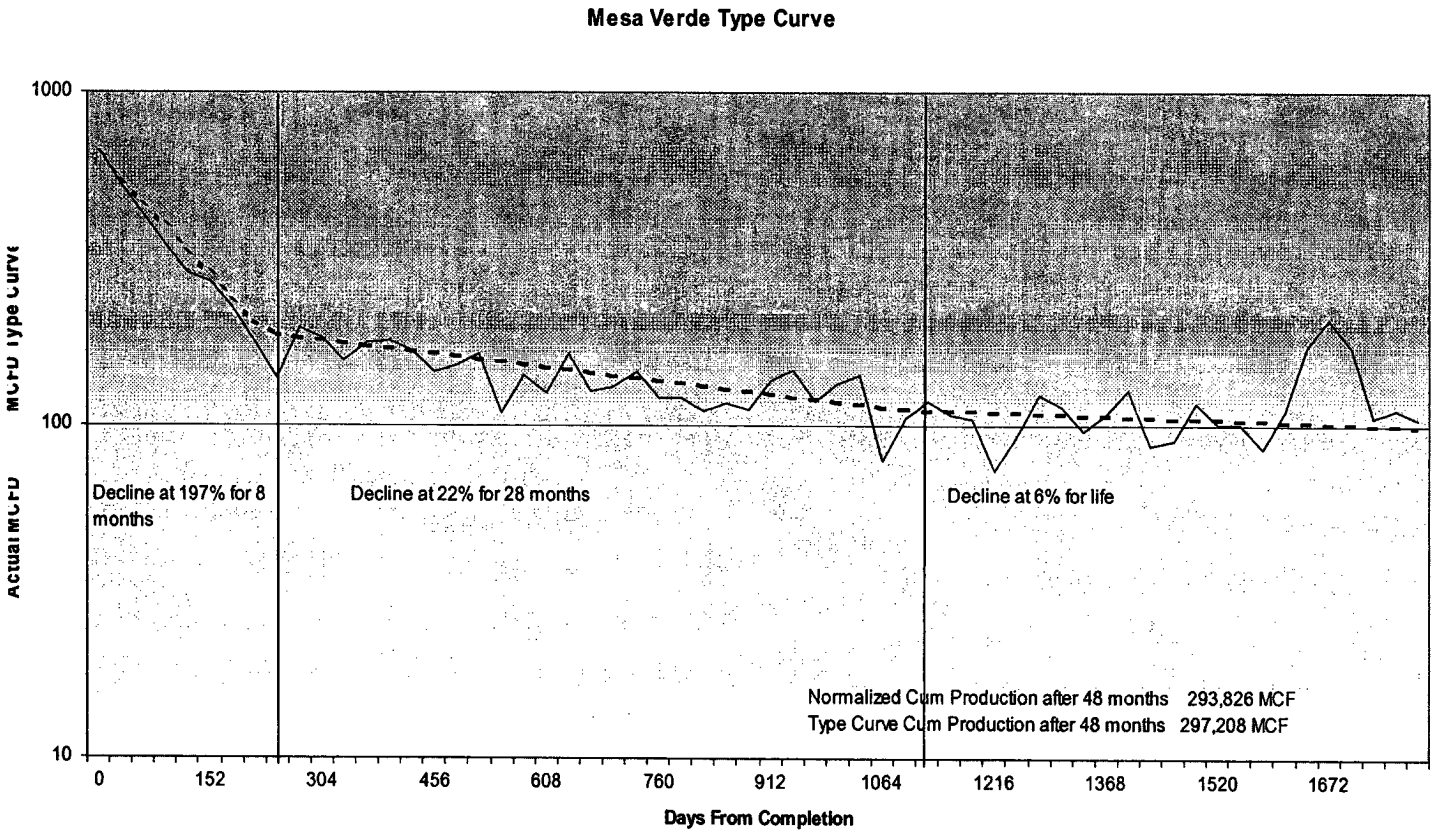

Figure 3