

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

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.)		WELL API NO. 30-045-10810
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Devon Energy Production Company, L.P.		6. State Oil & Gas Lease No. NM-03358
3. Address of Operator PO Box 6459, Navajo Dam, NM 87419		7. Lease Name or Unit Agreement Name Northeast Blanco Unit
4. Well Location Unit Letter <u>A</u> : <u>925'</u> feet from the <u>North</u> line and <u>990'</u> feet from the <u>East</u> line Section <u>13</u> Township <u>31N</u> Range <u>7W</u> NMPM County <u>San Juan</u>		8. Well Number 58
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GR 6,514'		9. OGRID Number 6137
		10. Pool name or Wildcat Basin Dakota/Blanco Mesaverde

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: Down-hole Commingle ☒

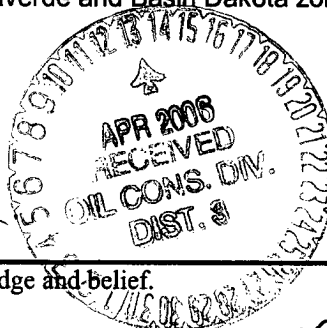
SUBSEQUENT REPORT OF:

- 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.

Approval is requested to down-hole commingle production from the Blanco Mesaverde and Basin Dakota zones at an unspecified future date. Please refer to the attached exhibits.

DNC 2214AZ



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 4-11-06

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

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 1 DATE APR 13 2006
Conditions of approval, if any:

8



ENERGY PRODUCTION COMPANY, L.P.

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

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

April 11, 2006

IN RE: Permit to Down hole Commingle
NEBU #58, API # 30-045-10810
NE NE 925' FNL & 990' FEL
Sec. 13, T31N, R7W
San Juan County, New Mexico

VIA CERTIFIED MAIL
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

Attn: Steve Henke

Dear Mr. Henke:

Devon Energy Production Company, L.P., in accordance with the New Mexico Oil Conservation Division Rule 303.C governing down hole commingling, wishes to notify your office of our intent to down hole commingle the Basin-Dakota and Blanco-Mesaverde pools in the above captioned well.

To this end, please refer to the following attachments:

- Copy of NMOCD form C-103, with all attachments
- Copy of notification to working interest owners
- List of names and addresses of working interest owners in each pool

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

Sincerely,
DEVON ENERGY PRODUCTION COMPANY, L.P.


Melisa Zimmerman
Senior Operations Technician

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 58
Location: NE NE, Sec. 13, 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 7,987'-8,102'. The perforated interval in the Blanco-Mesaverde pool being 5,421'-5,864'.
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.



ENERGY PRODUCTION COMPANY, L.P.

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

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

April 11, 2006

IN RE: Permit to Down-hole Commingle
NEBU #58, API # 30-045-10810
NE NE 925' FNL & 990' FEL
Sec. 13, 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.

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.

Typical MV - DK Downhole Commingle
Production % Schedule

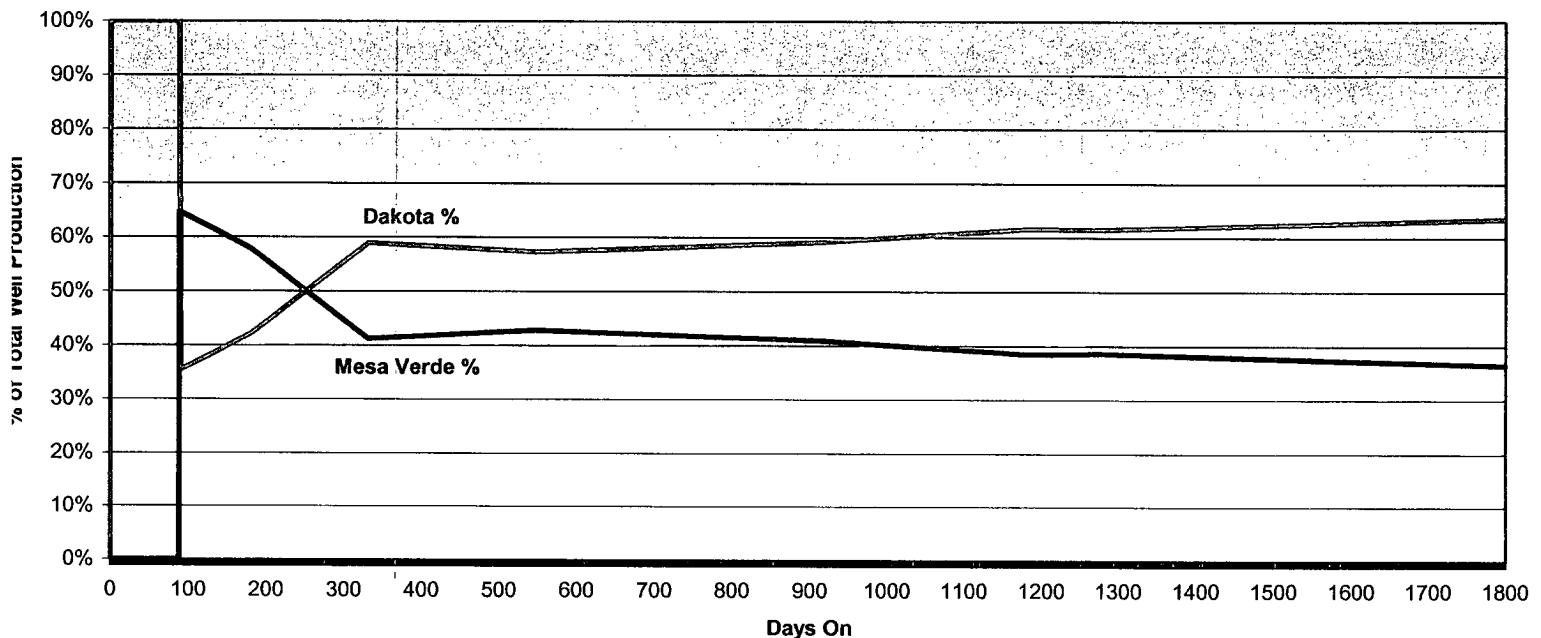


Figure 1

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.

Dakota Type Curve

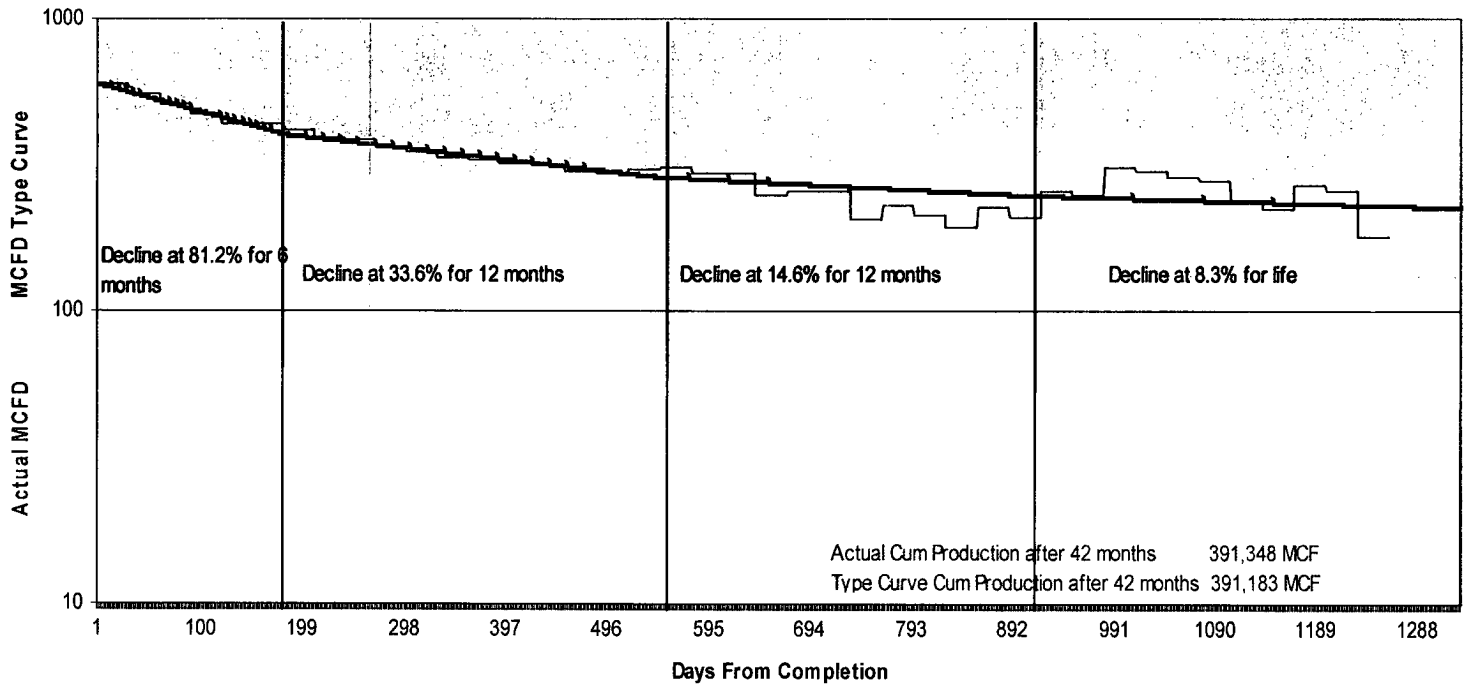


Figure 2

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.

Mesa Verde Type Curve

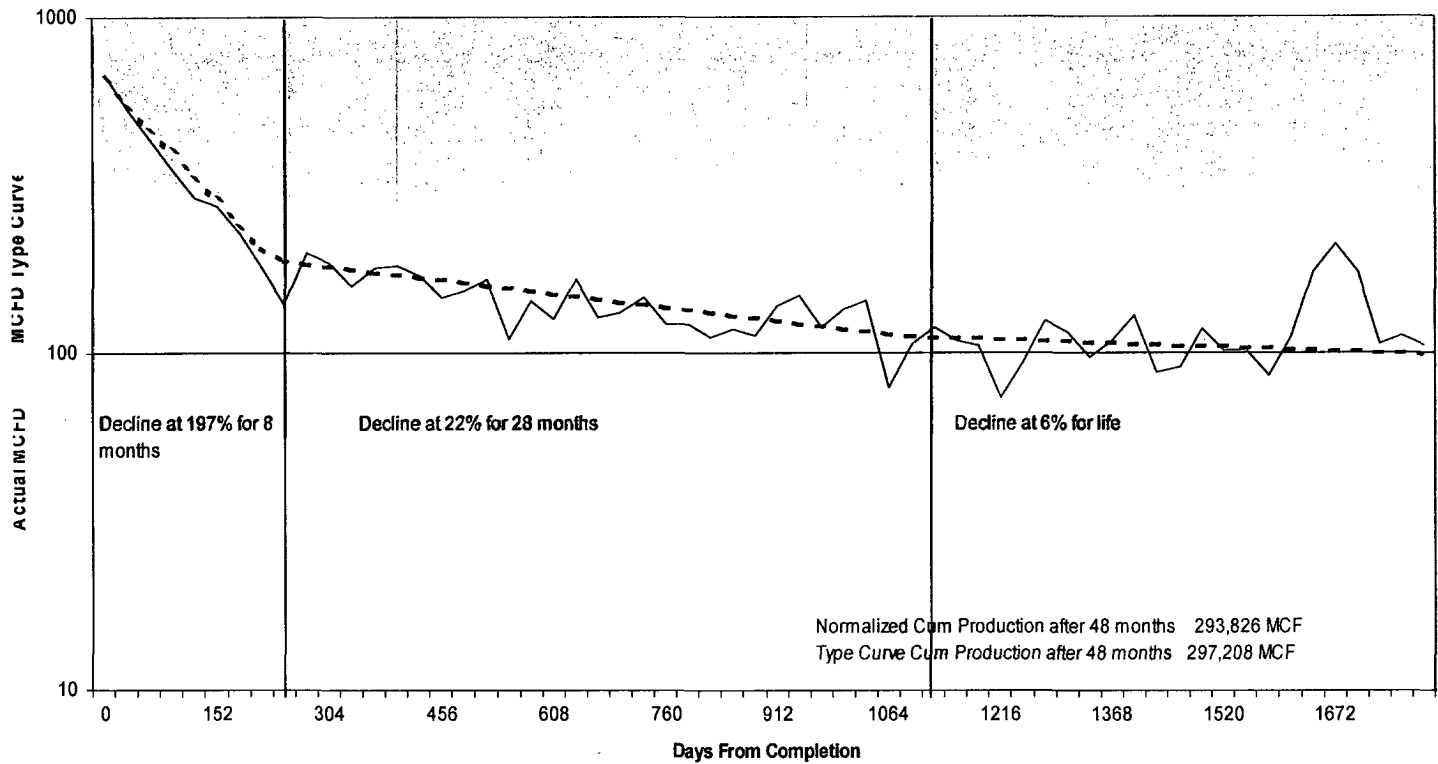


Figure 3

**NORTHEAST BLANCO UNIT – DK 58
WORKING INTEREST OWNERS**

BP America Production Company
John Larson
P.O. Box 3092
Houston, TX 77253-3092

Burlington Resources Oil & Gas Co.
Dawn Howell
P.O. Box 4289
Farmington, NM 87499-4289

Elizabeth J. Turner Calloway
4801 St. Johns Drive
Dallas, TX 75205

Castle, Inc.
502 Keystone Drive
Warrendale, PA 15086

ConocoPhillips Company
Todd L. Thornburgh
P.O. Box 2197
Houston, TX 77252-2197

Kona, Ltd
16800 Imperial Valley Dr., Suite 270
Houston, TX 77060

Diverse Energy Investments
Bryan Basham
1001 McKinney, Suite 520
Houston, TX 77002

Frank C. Davis, III
3219 Bryn Mawr
Dallas, TX 75225

Four Star Oil & Gas Company
c/o Chevron Texaco
John Temple
P. O. Box 36366
Houston, TX 77236

Andrew B. Kelly, Jr.
2575 Sunset Drive
Atlanta, GA 30345

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895 Technology Blvd., Suite 201
Bozeman, MT 59718-6855

Susanna Phillips Kelly
P. O. Box 147
Cameron, MT 59720

Susanna P. Kelly, Jr.
8383 Chapman Road
Bozeman, MT 59715

Jane P. Ladouceur
109 Longsford
San Antonio, TX 78209

McAfee Oil & Gas LLC
P.O. Drawer 1087
Norman, OK 73070-1087

James Glenn Turner, Jr.
Two Turtle Creek Village
3838 Oak Lawn, Suite 1450
Dallas, TX 75219

Mary F. Turner, Jr. Rev Trust, Agmt. 6743
JPMorgan Chase Bank, N.A., Trustee
P. O. Box 660197
Dallas, TX 75266-0197

The Wiser Oil Company
c/o Forest Oil Corporation
1600 Broadway, Suite 2200
Denver, CO 80202

NOTE:

Devon Energy, BN, and B&N Co
REQUIRE NO NOTIFICATION; THEREFORE NOT LISTED ABOVE

**NORTHEAST BLANCO UNIT – MV 58
WORKING INTEREST OWNERS**

Dawn Howell
Burlington Resources Oil & Gas Co.
P.O. Box 4289
Farmington, NM 87499-4289

John Larson
BP America Production Company
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Houston, TX 77253-3092

Todd L. Thornburgh
ConocoPhillips Company
600 North Dairy Ashford (77079-6651)
WL3-5058
P.O. Box 2197
Houston, TX 77252-2197

Castle, Inc.
502 Keystone Drive
Warrendale, PA 15086

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McElvain Oil & Gas Properties, Inc., GP
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Denver, CO 80265

NOJV Manager
Four Star Oil & Gas Company
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Houston, TX 77236

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San Antonio, TX 78209

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Robert E. Zimmerman, Jr.
1616 S. Voss, Suite 875
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Kerrville, TX 78029-1445

Lorrayn Gay Hacker
c/o James M. Raymond, AIF
P.O. Box 291445
Kerrville, TX 78029-1445

James M. Raymond, Trustee
Maydell Miller Mast Trust
P.O. Box 291445
Kerrville, TX 78029-1445

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J & M Raymond, Ltd.
Raymond & Sons I, LLC, GP
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Diverse Energy Investments
1001 McKinney, Suite 520
Houston, TX 77002

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