



November 2, 2009

Mr. Paul Kautz
New Mexico Oil Conservation Division
1625 N. French Dr.
Hobbs, New Mexico 88240

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RE: Application for Exception for Downhole Commingling
Magnolia #3 - House Field – API 30-025-39489
Unit E, Section 11, T-20-S, R-38-E
Blinebry, Tubb, and Drinkard Pools
Lea County, New Mexico

Mr. Kautz:

I am proposing to use offset production allocation data to determine the allocation percentages used when downhole commingling the Blinebry, Tubb, and Drinkard Oil & Gas pools. I have enclosed the administrative application form (C-103) and attachments used to determine the new allocation method proposed for the Magnolia #3 completion. The ownership (WI, NRI, and ORRI) of these pools are identical in this well. The fluids from each of these three zones are compatible as seen in other surrounding commingled wells in this area. Commingling these fluids together will not damage the wellbore nor have any impact on the value of the total remaining production. The wells in this area are operated by a production lift system which maximizes production by keeping the well pumped off. This system can easily handle cross flow without encountering any problems. Overall, commingling will improve the efficiency of our present and future recovery operations.

This allocation method was found by calculating the cumulative and average production data for each individual zone in a nine section area surrounding the Magnolia #3. By analyzing the average oil, gas, and water production for the Blinebry, Tubb, and Drinkard pools, I was able to calculate the percentage production allocation for each zone. Please refer to the attached spreadsheets for my calculations. It is also noted that you approved the same allocation method for three other nearby offsets.

Thank you. If you have any questions or comments please contact me at (918) 491-4982 or e-mail at jeff.frederick@apachecorp.com.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "J. Frederick", written over a horizontal line.

Jeff Frederick, P.E.
Production Engineer

Enclosures

Lease Name	Well Number	10DIGIT API	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard
L D JONES	1	3002507722	1H 20S 38E SE NE	3476	0	0	186180	0	0	5043	0	0
PHILLIPS HOUSE STATE	1	3002507725	2O 20S 38E	0	0	100935	0	0	471023	0	0	25005
STATE U	1	3002507727	2P 20S 38E	0	0	157611	0	0	97687	0	0	184324
ARNOLD A	1	3002507761	11F 20S 38E	0	27025	670	0	1352396	0	0	4442	0
HOUSE B	1	3002507764	11P 20S 38E	0	9855	0	0	118752	0	0	0	0
BLANKENSHIP	1	3002507766	12E 20S 38E	0	0	54657	0	0	16638	0	0	7010
BLANKENSHIP	2	3002507767	12L 20S 38E	3791	0	134312	9124	0	1177187	2063	0	37126
BLANKENSHIP	3	3002507768	12M 20S 38E NE SW SW	4252	8553	39616	26660	45412	2435461	2879	14635	22235
CONE A	1	3002507770	12F 20S 38E	0	16597	206383	0	65480	235977	0	56289	83804
CONE B	1	3002507771	12J 20S 38E	0	0	239833	0	0	591551	0	0	69199
HESTER 12	3	3002507772	12O 20S 38E	0	0	150171	0	0	853402	0	0	32702
HESTER 12	2	3002507773	12N 20S 38E	0	0	82932	0	0	540453	0	0	17896
HESTER 12	1	3002512549	12K 20S 38E	0	0	97448	0	0	457760	0	0	16669
CROWN	1	3002520195	13B 20S 38E NW NW NE	0	7394	57149	0	36422	687081	0	0	11360
HOWSE C	1	3002522165	11H 20S 38E SE NE	0	0	26370	0	0	143078	0	0	6340
CONE B	2	3002525921	12G 20S 38E	0	0	396	0	0	86772	0	0	1460
L & M	1	3002528287	2L 20S 38E C S2 SW	0	9140	0	0	127083	0	0	0	0
HOUSE	1	3002531006	13D 20S 38E NW NW	32729	117	35783	760019	6434	515800	15436	0	13278
SHARPS	1	3002534060	13M 20S 38E	37211	0	0	196372	0	0	34600	0	0
SHARPS	2	3002534061	13N 20S 38E	31691	0	0	133353	0	0	28528	0	0
JOE CAMEL	1	3002534160	13K 20S 38E NE SW	36736	0	0	63366	0	0	59531	0	0
BULL DURHAM	1	3002534187	14P 20S 38E S2 SE SE	46299	4790	0	1053007	0	0	40927	447	0
JOE CAMEL	2	3002534211	13F 20S 38E SW SE NW	18061	859	0	58569	2001	0	36898	321	0
DIAMONDBACK	1	3002534274	14J 20S 38E NW SE	28888	0	0	192404	0	0	31199	0	0
PEARL	1	3002534275	13J 20S 38E NW SE	10968	0	0	33710	0	0	26029	0	0
LUCKY STRIKE	1	3002534285	14I 20S 38E NE SE	78107	0	0	1040798	0	0	68515	0	0
CAPPS FEDERAL	2	3002534289	13O 20S 38E SW SE	32173	6814	0	140472	41438	0	24344	9266	0
BULL DURHAM	2	3002534363	14O 20S 38E SW SE	35630	25	0	315247	182	99	53796	0	0
CHESTERFIELD	1	3002534420	14H 20S 38E SE NE	26110	0	0	734103	37172	3664	36636	0	0
BUGLER	1	3002534506	13L 20S 38E NW NW SW	72031	413	0	428686	55843	0	37719	316	0
MOONEY	1	3002534569	13I 20S 38E NE SE	0	0	21264	0	0	31055	0	0	91044
PAIGE	1	3002534570	13P 20S 38E SE SE	7157	0	18663	14444	0	28766	16068	0	26466
VICEROY	1	3002534625	13E 20S 38E SW NW	29720	0	0	497293	0	0	75010	0	0
PALL MALL	1	3002534634	14A 20S 38E NE NE	0	0	29865	0	0	336474	0	0	73482
KOOL	1	3002534642	14B 20S 38E NW NE	35986	407	2436	327310	1878	3007	34773	0	0
PICAYUNE	1	3002534734	11J 20S 38E C NW SE	0	12856	24017	193	63583	369081	0	0	17895
ROITAN	1	3002534735	14G 20S 38E SW NE	23698	3871	0	567462	83613	0	53256	0	0
DREESSEN	1	3002534857	1G 20S 38E C SW NE	2199	0	0	7175	0	0	23039	0	0
MARLBORO	1	3002534968	14C 20S 38E S2 NE NW	579	0	0	6692	0	0	0	0	0
HOWSER	1	3002534970	1J 20S 38E C NW SE	1371	0	0	28097	0	0	35934	0	0
MERIT	1	3002535240	11O 20S 38E E2 SW SE	0	9027	0	0	564424	0	0	7350	0
BEECHNUT	1	3002535241	14E 20S 38E SE SW NW	540	0	0	2239	0	0	0	0	0
REDTAG	1	3002535333	2J 20S 38E NW NW SE	23459	3936	384	60972	9314	3892	3480	0	0
MERIT II	1	3002535448	11G 20S 38E C SW NE	1485	15873	21816	6848	24740	150566	0	11887	19464
DUKES	1	3002535614	11K 20S 38E E2 NE SW	0	7818	28814	0	38544	120251	0	8390	26341
REDTAG	2	3002535630	2K 20S 38E NE NE SW	13675	0	0	828126	0	0	2484	0	0
DIXIE QUEEN	1	3002536421	11P 20S 38E S2 SE SE	0	6860	0	0	482762	0	0	0	0
WHITE OWL	1	3002536689	2 20S 38E NW NW NW	29580	0	0	109911	0	0	9450	0	0
BIG KICK	1	3002536745	13C 20S 38E W2 NE NW	13396	639	9213	200614	10082	62948	2410	0	2526
HESTER 12	6	3002536795	12N 20S 38E SW SE SW	23728	7353	8428	295604	163203	50078	20242	4795	4301
HESTER 12	4	3002536800	12O 20S 38E SW SW SE	14299	3626	3223	248388	90941	82478	30000	0	1771
SALEM	1	3002537316	3A 20S 38E SE NE NE	1638	0	8264	5455	0	24769	2557	0	945
JOE CAMEL	3	3002538033	13F 20S 38E NW SE NW	3226	1446	890	158200	132375	32284	4678	1271	735
HESTER 12	8	3002538076	12K 20S 38E SW NE SW	10716	2920	2798	109593	69730	44221	7818	8821	3409
HESTER 12	5	3002538211	12P 20S 38E NW SE SE	16621	4620	8651	158147	65948	61479	31425	4884	0
HESTER 12	7	3002538369	12N 20S 38E NE SE SW	4732	5512	2039	40486	38426	21525	13075	6563	7512
MELOT	1	3002538370	11C 20S 38E SW NE NW	3212	4130	1834	33069	25720	14700	15808	15358	14005
BULL DURHAM	3	3002538379	14P 20S 38E NE SE SE	5057	5302	0	51469	36731	0	613	0	0
BLANKENSHIP	4	3002538397	12L 20S 38E NE NW SW	2020	2172	4816	9176	15416	17122	6937	2869	2153
BLANKENSHIP	5	3002538399	12M 20S 38E SW SW SW	9264	3331	4067	34953	60020	180026	13718	3048	2288
BLANKENSHIP	6	3002538400	12L 20S 38E SW NW SW	5330	3687	825	22301	1122	40375	4779	351	6524
KOOL	2	3002538439	14B 20S 38E SW NW NE	5682	873	456	10073	16721	0	0	0	0
RHINO	2	3002538484	11N 20S 38E SE NE SW	6622	1751	3503	17974	11856	0	0	0	0
MAGNOLIA	1	3002538660	11E 20S 38E NE SW NW	3772	3219	2243	51486	9771	9635	13478	1784	21218
DIXIE QUEEN	2	3002538661	11P 20S 38E NE SE SE	6721	1772	1737	27270	11850	15962	0	0	0
HESTER 12	10	3002538662	12O 20S 38E NE SW SE	2851	58	461	17265	1224	3269	16856	648	1686
HESTER 12	11	3002538663	12P 20S 38E SW SE SE	1007	818	1455	54416	52800	4937	4393	5494	2887
BIG KICK	2	3002538664	13C 20S 38E SE NE NW	5168	832	2049	14519	0	36310	24921	9765	3253
HOUSE	2	3002538665	13D 20S 38E SE NW NW	3311	1424	0	19875	1707	0	0	0	0
LUCKY STRIKE	2	3002538668	14I 20S 38E SW NE SE	2374	303	0	12259	1370	0	0	0	0
BUGLER	2	3002538689	13L 20S 38E SW NW SW	3314	202	0	27386	2559	0	8984	822	0
MELOT	2	3002538700	11C 20S 38E NW NE NW	9867	2615	1027	24697	3612	10536	11904	10966	8223
HESTER 12	9	3002538791	12K 20S 38E NE NE SW	1187	775	2409	25797	3826	2754	13680	4236	6945
MAGNOLIA	2	3002539090	11D 20S 38E NE NW NW	559	179	1501	25507	13912	37875	6731	1442	1442
TOTALS				831,276	211,789	1,603,416	9,524,811	3,998,395	10,110,008	1,012,644	196,460	874,923
AVERAGES				11,233	2,862	21,668	128,714	54,032	136,622	13,684	2,655	11,823

Proposed Allocations	Oil	Gas	Water
Blinbry	31%	40%	49%
Tubb	8%	17%	9%
Drnkard	61%	43%	42%
TOTAL	100%	100%	100%