



June 1, 2010

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

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JUN 03 2010
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RE: Application for Exception to Rule 303-C – Downhole Commingling
Mark Owen #5
Unit K, Section 35, T-21-S, R-37-E
Blinebry Oil & Gas (Oil), Tubb Oil & Gas (Gas) & Drinkard
Lea County, New Mexico

Dear Mr. Kautz,

Enclosed please find form C-103 and attachments for downhole commingling the captioned well. The ownerships (WI, NRI and ORRI) of these pools are identical in this wellbore. The fluids from each of these pools are compatible as seen in other similar commingles in the area. Combining these fluids will not result in any damage to these pools. Commingling will improve the efficiency of present and future recovery operations. Cross flow will not be a problem due to having a production lift system capable of keeping the well pumped off thereby maximizing production. This commingling will not reduce the value of the total remaining production.

The allocation method used for this well was determined by analyzing the cumulative oil, gas and water production in a nine section area of review surrounding this well. Supporting documentation is shown on the attached spreadsheet. Production for active and inactive wells was grouped by pool in the area of review. The totals for each phase were then divided by the number of wells associated with this pool yielding an average. This average was used to determine the percentage allocation.

The main reason for using this method is based on economics and minimizing reservoir damage. Past completion practices had all three zones perforated and fracture stimulated during one full week. Each zone was isolated by a retrievable bridge plug to allow for production testing of each zone for allocation purposes. This testing period lasted as long as one month before a stabilized rate was observed thus allowing the next zone to be brought on and tested. During this time period the completion fluids used were still confined to the other reservoirs causing gel damage. It is a common practice to get these fluids out of the wellbore as soon as possible to help maximize productivity. On a cost basis it is more expensive to have a completion rig move in and out multiple times to bring on each new zone. Several other factors such as weather, other new completions and regulatory well work may interfere with these new wells.

The area of review used encompasses what has been accepted as a good statistical representation for allocation purposes. By using this allocation method all zones will be brought online in a more effective and efficient manner. This will in turn generate a higher productive rate and quicker revenue streams not only for the operator but for the State of New Mexico too.

If you need additional information or have any questions, please give me a call at (918) 491-4864.

Sincerely,

A handwritten signature in cursive script that reads "S. Mackay".

**Sophie Mackay
Engineering Technician**

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbery	Tubb	Drinkard	Blinbery	Tubb	Drinkard	Blinbery	Tubb	Drinkard
WALTER LYNCH	3	3002509944	1M 22S 37E SW SW	77000		46571	1584471		2467145	8074		13744
LYNCH CHRISTMAS COM	4	3002509945	1L 22S 37E	31014	23044		9163963	4664276		59	893	
WALTER LYNCH	4	3002509949	1D 22S 37E	55415	34494	24522	9533643	7222052		10070	2246	
WALTER LYNCH	5	3002509950	1 22S 37E C NE NW	16299			330800			7292		
NEW MEXICO S STATE	7	3002509956	2N 22S 37E	3687			635179			1554		
NEW MEXICO S	12	3002509961	2A 22S 37E	82841	3576	166902	4658640	50108	2225615	16897	6236	3852
NEW MEXICO S STATE	13	3002509962	2 22S 37E									
NEW MEXICO S STATE	14	3002509963	2C 22S 37E	79694	35023	194659	6206629	5406711	3561484	13985	2583	1016
NEW MEXICO S STATE	16	3002509965	2D 22S 37E						648532			
NEW MEXICO S STATE	20	3002509969	2E 22S 37E			32918	100076	5348012	2293588		5422	15
NEW MEXICO S	21	3002509970	2L 22S 37E	34344	20318	12969	8712459	3884213		3912	525	
NEW MEXICO S	22	3002509971	2M 22S 37E	99951		167921	2865913		1100677	15845		1032
BRUNSON B	3	3002509976	3M 22S 37E		3828	105274		195491	1632188		18	30553
BRUNSON B	6	3002509978	3M 22S 37E SW SW SW	13343			2742642			4		
BRUNSON B	7	3002509980	3N 22S 37E SE SE SW		858	148362	36402	617477	2314614		175	40
BRUNSON C	4	3002509986	3J 22S 37E C NW SE	185673	550	49901	400758	37094	4664399	535	519	10123
BRUNSON C	5	3002509987	3O 22S 37E	11842		179693	3989805		4568201	4088		7671
BRUNSON C	6	3002509988	3I 22S 37E NE NE SE	299	34059	158908	35071	7252246	5522056	284	11696	1456
BRUNSON C	7	3002509989	3P 22S 37E NE SE SE	33206	344	136216	9658282	9736	4620313	4320	303	12286
MARK	2	3002509991	3 22S 37E		6059	124310		352988	3616164	10257	10036	
OWEN A	2	3002509992	3F 22S 37E	55820		97307	2595076			13687		
BRUNSON	6	3002509993	3L 22S 37E			9035						
MARK	3	3002509995	3G 22S 37E C SW NE	100416		215271	4356470		2591916	43087		4512
MARK	4	3002509996	3H 22S 37E		3884			2225332			5573	
MARK	7	3002509997	3H 22S 37E	60566		97659	6349710		3050999	10239		2469
MARK	8	3002509998	3 22S 37E	15175			545131			17707		
E OWENS	1	3002509999	3D 22S 37E C NW NW	12584	10500	232941	453715	1340153	2590746	5687		10554
EVA OWEN	3	3002510001	3 22S 37E NE NE NW	22868		252656	1556799		3442314	5183		21545
R L BRUNSON	8	3002510004	3L 22S 37E NW SW	12284		69275	637093		2865414	13756		17585
OWEN A	1	3002510005	3E 22S 37E SW NW	11981		58168	1494606		6482	23269		1896
MARK	5	3002510049	3 22S 37E		74244	248550		4602744	5121928		11966	19603
NEW MEXICO S STATE	23	3002512555	2P 22S 37E	48406	33761		10282141	5959118		184	523	
BRUNSON B	2	3002512573	3K 22S 37E NE SW	5491		109646	4119702		1339477	803		96
NEW MEXICO S STATE	25	3002520283	2N 22S 37E	8430		3835	27175		1643828	346		12
NEW MEXICO S STATE	24	3002520390	2J 22S 37E S2 NW NE	62		1602	27341		839084			53
S E CONE	2	3002521119	26I 21S 37E NW NE SE		415	55460		7500	491271		325	14706
S J SARKEYS A	1	3002521278	26A 21S 37E	90401		32789	77992		346677	10402		1700
STATE C TRACT 13	9	3002521311	36F 21S 37E		41402	44221		693855	424566		16410	13765
SARKEY A	2	3002521602	26H 21S 37E	113439		85782	512845		340665	18490		11135
ELMER C HILL	2	3002521878	26P 21S 37E NW SE SE	1067	518	27171	17298	23507	794781	504	504	11664
S J SARKEYS B	2	3002521920	26B 21S 37E	15971		10282	129224		82679	2952		1908
S J SARKEYS 26	5	3002522023	26C 21S 37E NE NE NW		18638			565821			7040	
S J SARKEYS	4	3002522090	26F 21S 37E		30933	56253		2842552	1786005		310	21703
S E CONE	4	3002522141	26I 21S 37E	75029			363009			28745		
GULF SARKEYS	1	3002522733	25C 21S 37E	68302			280159			98616		
GULF SARKEYS	2	3002522816	25F 21S 37E	44847		16766	228277		67503	74963		31085
ROYALTY HOLDING	1	3002522851	25B 21S 37E	730		3090	3348		17121	2421		4866
ROYALTY HOLDING	2	3002522852	25G 21S 37E	16473			56681			31443		
ART YEAGER	1	3002522888	25J 21S 37E	13005		15611	71108		49858	32670		21380
ROYALTY HOLDING	3	3002522892	25H 21S 37E			7452			39904			19252
J R CONE B	3	3002522959	26O 21S 37E S2 SW SE		1281			67766			2159	
J R CONE B	4	3002523041	26N 21S 37E E2 SE SW	972			24886			1666		
MARSHALL COM	5	3002524471	34C 21S 37E		15168	4036		3597787	560467		7474	5712
ALICE PADDOCK	6	3002524815	1O 22S 37E		85	40554		6397	252376		1319	36328
MARK OWEN	3	3002525130	35N 21S 37E E2 SE SW		37628			5198342			1996	
WALTER LYNCH	6	3002525131	1F 22S 37E	14565		52123	441034	43717	739099	7347		12638
NEW MEXICO S	27	3002525144	2K 22S 37E	57607		674	1458221		351898	4889		
NEW MEXICO S	28	3002525268	2F 22S 37E	74607		2613	705851		1795755	11551		
NEW MEXICO S STATE	29	3002525276	2L 22S 37E			59			1387180			
NEW MEXICO S	32	3002525277	2G 22S 37E	85956		2704	1608659		553731	18046		
NEW MEXICO S	30	3002525280	2I 22S 37E			179			633293			
NEW MEXICO S	31	3002525281	2H 22S 37E	9346		696	941362		88974	26810		
NEW MEXICO S STATE	33	3002525299	2P 22S 37E	138473		2845	1698636		1940665	2969		
NEW MEXICO S	34	3002525330	2O 22S 37E	50462		2776	794585		1046326	1512		394
NEW MEXICO S STATE	36	3002525456	2 22S 37E	33111			193898			7232		
OWEN	8	3002525479	35I 21S 37E NE SE		10044			436198			2117	
MARK OWEN	2	3002525481	35M 21S 37E	49207	7459		11114313	628947		4190	7792	
WALTER LYNCH	7	3002525486	1 22S 37E			28984			1357502			15214
NEW MEXICO S STATE	38	3002525508	2E 22S 37E	33720			1858690			8901		
NEW MEXICO S STATE	39	3002525513	2 22S 37E	77520			1132321			2312		
NEW MEXICO S STATE	40	3002525514	2M 22S 37E		4441			629913			4100	
LYNCH CHRISTMAS COM	5	3002525522	1M 22S 37E		8558			1461561			3167	
WALTER LYNCH	8	3002525644	1E 22S 37E	11307		6245	1290123		236180	5615		5889
F F HARDISON B	10	3002525929	34A 21S 37E			299			3289			9
MARK	11	3002526051	3 22S 37E NW NE NE	15455			829616			15591		
STATE C TRACT 13	10	3002526071	36C 21S 37E	9108		5313	51839		53627	24770		4604
ALICE PADDOCK	8	3002526286	1J 22S 37E NW NW SE		6174	32606		637104	194735		3127	13445
STATE 367	4	3002526560	36J 21S 37E C NW SE	16676	31457		374725	89685		10475	13546	
ALICE PADDOCK	9	3002527055	1P 22S 37E			27287			212582			21408
EVA OWENS A	2	3002528222	25L 21S 37E	13338	9001	36341	91686	53818	303767	5971	3952	21098
EVA OWENS A	3	3002528420	25K 21S 37E	17719	8972	11457	33934	27649	30003	6802	6811	7675
ALICE PADDOCK	10	3002529117	1I 22S 37E NE SE	39029			193675			29531		
MARK OWEN	9	3002529468	35L 21S 37E NW SW	23189			227162			7913		
MARSHALL B	10	3002529797	27M 21S 37E SW SW	12095			802233			10774		
S J SARKEYS 26	7	3002533851	26D 21S 37E			21711			162338			3715

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard
LOCKHART A 27	15	3002534171	27F 21S 37E	4598		9162	137725		471748	2806		5859
LOCKHART A 27	16	3002534312	27B 21S 37E NW NE	2167			932235			2877		
OWEN B	6	3002534321	34K 21S 37E NE SW	584	1130	1193	284833	408811	240979	392	7498	5737
OWEN B	10	3002535638	34L 21S 37E	6645			489127			5155		
OWEN B	12	3002537239	34M 21S 37E SE SW SW	13241	4226	4844	124553	61150	21762	8934	2774	4262
STATE Q	3	3002537483	36O 21S 37E NW SW SE	9331	4760	6527	48930	22361	40944	8618	5050	2518
LOCKHART B 35	9	3002539037	35A 21S 37E NE NE NE	1272	599	215	9931	3356	1119	3682	2673	890
LOCKHART A 35	5	3002539050	35F 21S 37E NW SE NW	1502	523	689	29348	8896	11705	3999	1129	1484
LOCKHART A 27	23	3002539114	27C 21S 37E SE NE NW	280	988	2942	15967	6411	17950	477	636	1484
LOCKHART A 27	26	3002539115	27H 21S 37E NE SE NE	2713	989	990	73852	24146	26283	1743	636	636
TOTALS				6,216,395	1,657,114	14,110,361	290,357,642	161,430,846	180,756,798	2,054,197	455,749	933,528
AVERAGES				44,403	19,728	102,995	2,073,983	1,921,796	1,457,716	14,994	5,919	8,118

Proposed Allocations	Oil	Gas	Water
Blinbry	26%	38%	52%
Tubb	12%	35%	20%
Drnkard	62%	27%	28%
TOTAL	100%	100%	100%