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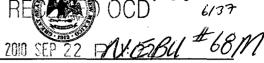
ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505

NORTHEAST BLANCO UNIT #68M



NOR	I HEAST BLANG	CO UNIT #08IVI	E010 SET 2.2 17	W. College
		ADMINISTRATIVE APPL	LICATION CHECKLIST	30-045-3347
		MANDATORY FOR ALL ADMINISTRATIVE APPLICA WHICH REQUIRE PROCESSING AT 1	TIONS FOR EXCEPTIONS TO DIVISION RULES THE DIVISION LEVEL IN SANTA FE	S AND REGULATIONS Fea
Appii	[DHC-Dow [PC-P	nndard Location] [NSP-Non-Standard I Inhole Commingling] [CTB-Lease Co Ool Commingling] [OLS - Off-Lease S	mmingling] [PLC-Pool Lease Com Storage] [OLM-Off-Lease Measure -Pressure Maintenance Expansion] -Injection Pressure Increase]	edication] 5000 nmingling] ment]
[1]	TYPE OF A	PPLICATION - Check Those Which A Location - Spacing Unit - Simultaneo NSL NSP SD		
	Check [B]	k One Only for [B] or [C] Commingling - Storage - Measureme DHC CTB PLC		
	[C]	Injection - Disposal - Pressure Increa WFX PMX SWD		
	[D]	Other: Specify		
[2]	NOTIFICAT [A]	TION REQUIRED TO: - Check Those Working, Royalty or Overriding		
	[B]	Offset Operators, Leaseholders	or Surface Owner	
	[C]	Application is One Which Requ	ires Published Legal Notice	
	[D]	Notification and/or Concurrent A U.S. Bureau of Land Management - Commissione		
	[E]	For all of the above, Proof of No	tification or Publication is Attached,	and/or,
	[F]	Waivers are Attached		
[3]		CURATE AND COMPLETE INFOI ATION INDICATED ABOVE.	RMATION REQUIRED TO PROC	ESS THE TYPE
	val is <mark>accurate</mark> a	TION: I hereby certify that the information of the complete to the best of my knowled equired information and notifications are	ge. I also understand that no action v	
	Note	: Statement must be completed by an individu	al with managerial and/or supervisory capa	city.
	Pippin	Mike ispin	Petroleum Engineer	September 20, 2010
Print	or Type Name	' Signature	Titlemike@pippinllc.com	Date

PC-1228

DEVON ENERGY PRODUCTION COMPANY, L.P. Mike Pippin 3104 N. Sullivan Avenue Farmington, NM 87401 505-327-4573 (phone) mike@pippinllc.com

September 20, 2010

NMOCD c/o Will Jones 1220 South St. Francis Drive Santa Fe, NM 87505

RE: Application for Surface Commingling

Northeast Blanco Unit #68M – API#: 30-045-33474 Unit Letter "A" Section 35 T31N R07W San Juan County, New Mexico

Dear Mr. Jones:

Devon Energy Production Company, L.P. would like to surface commingle the existing Basin Dakota (71599) interval with the existing South Los Pinos Fruitland Sand Pictured Cliffs (80690) interval in the referenced well. Both the Dakota and Pictured Cliffs sides of this gas well were completed on 5/25/06 and were 1st delivered in June 2006. The initial rates of this dual completed well were about 140 MCF/D for the Dakota and about 280 MCF/D for the Pictured Cliffs. Their current rates are down to about 65 MCF/D and 150 MCF/D, respectively. Attached is the C-103 along with the necessary supporting data.

The allocation of production will be calculated as follows. The two zones have been producing separately for over 4 years. The attached unit type curve constructed for each zone will then be fitted to the 4 year production test data for each zone. The resulting curve will be used to forecast future monthly production rates for the life of each zone. The zones will then be commingled at the surface. Monthly production will then be allocated to each zone based on the ratio of the forecast production rates for each zone for that month.

For example, if in any given future month, the DK was forecast from its type curve to make 750 MCF/D, and the PC was forecast from its type curve to make 250 MCF/D, then the actual commingled production for that month would be allocated 75% to the DK and 25% to the PC. Allocations will change monthly (although the month-to-month changes will be relatively small).

This allocation method is required because production from the two zones decline differently as evidenced by their type curves. A constant percentage allocation would not be adequate because ownership differs in the two zones.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours.

Mike Pippin PE Petroleum Engineer

Enclosures

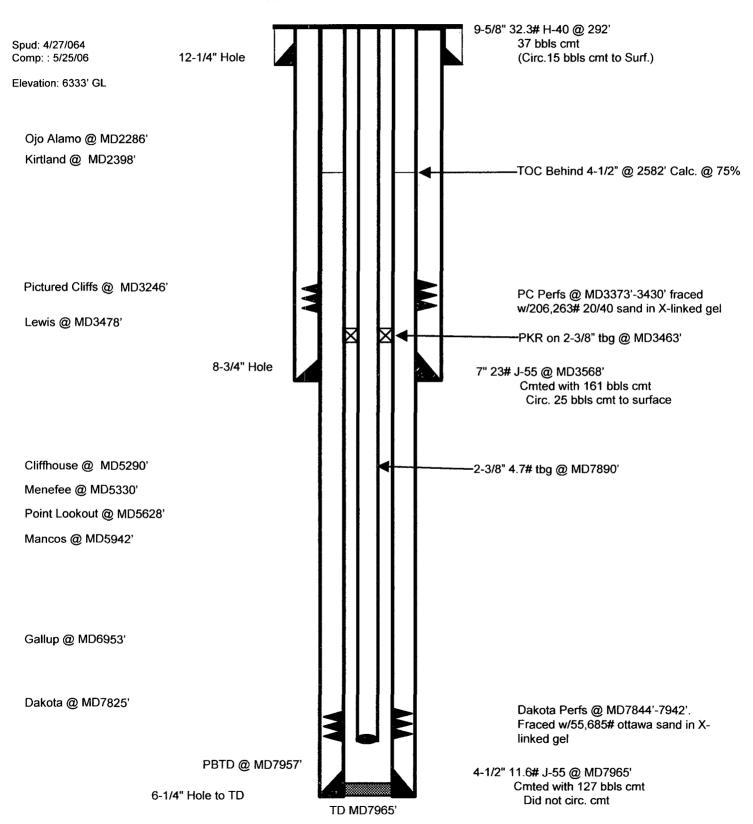
Submit 3 Copies To Appropriate District	State of New Me	exico	Form C-103				
, Office District I	Energy, Minerals and Natu	ral Resources	June 19, 2008				
1625 N. French Dr., Hobbs, NM 88240			WELL API NO.				
District II 1301 W. Grand Ave., Artesia, NM 88210	OIL CONSERVATION	30-045-33474					
District III	1220 South St. Fran	ncis Dr.	5. Indicate Type of Lease STATE FEE				
1000 Rio Brazos Rd., Aztec, NM 87410 District IV	Santa Fe, NM 87	7505	6. State Oil & Gas Lease No.				
1220 S. St. Francis Dr., Santa Fe, NM 87505	,		FEDERAL LEASE: SF 079003				
	ICES AND REPORTS ON WELLS		7. Lease Name or Unit Agreement Name				
	SALS TO DRILL OR TO DEEPEN OR PLU CATION FOR PERMIT" (FORM C-101) FC		Northeast Blanco Unit				
1. Type of Well: Oil Well	Gas Well 🛛 Other		8. Well Number #68M				
2. Name of Operator			9. OGRID Number 06137				
Devon Energy Production Comp	any, L.P.						
3. Address of Operator			10. Pool name or Wildcat:				
PO Box 6459, Navajo Dam, NM 8	7419		Basin Dakota (71599)				
			So. Los Pinos FS PC (80690)				
4. Well Location							
	500 feet from the NORTH	_ line and <u>1205</u>	feet from the <u>EAST</u> line				
Section 35	Township 31-N		NMPM San Juan County				
	11. Elevation (Show whether DR,	RKB, RT, GR, etc.)					
	6333' GL						
12. Check	12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data						
NOTICE OF IN	ITENTION TO:	SUBS	SEQUENT REPORT OF:				
PERFORM REMEDIAL WORK	PLUG AND ABANDON 🔲	REMEDIAL WOR					
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐ COMMENCE DRILLING OPNS.☐ P AND A ☐							
PULL OR ALTER CASING							
DOWNHOLE COMMINGLE							
OTHER: Surface Commingle	Application	OTHER:					
			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.							
Devon Energy requests administrative approval to surface commingle the Basin Dakota (71599) and the South Los Pinos Fruitland Sand Pictured Cliffs (80690) in this dually completed gas well.							
ricialed Chits (00050) in this duality completed gas wen.							
Surface commingling will eliminate redundant surface equipment & maximize productivity while not hindering the recovery of liquids & gas. Notice has been filed concurrently on form 3160-5 with the BLM. Since the two intervals do not have common ownership, Devon will utilize the test period described in the attached method of allocation. All the interest owners of both intervals have been notified.							
The Dakota interval is currently flowing about 65 MCF/D from perfs at MD7844'-7942' with a bottom hole pressure of about 874 psi. The Pictured Cliffs is currently flowing about 150 MCF/D from perfs at MD3373'-3430' with a bottom hole pressure of about 1283 psi.							
I hereby certify that the information	above is true and complete to the be	st of my knowledge	and belief.				
•	\wedge						
SIGNATURE MARCH	ippin TITLE Petrol	eum Engineer - Age	nt DATE <u>9/20/10</u>				
Type or print name Mike Pippin	E-mail address:	mike@pippinll	c.com PHONE: <u>505-327-4573</u>				
For State Use Only							
A BBB OLVER BAY			D 4 705				
APPROVED BY: Conditions of Approval (if any):	TITLE		DATE				
Conditions of Approval (if any):							

NORTHEAST BLANCO UNIT #68M

Current - 9/20/10

Dakota / Pictured Cliffs / API#: 30-045-33474

Surface: (A), Section 35, T-31-N, R-7-W, San Juan County, NM Bottom Hole: (B), Section 35, T-31-N, R-7-W, San Juan County, NM



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410

1220 S. St. Francis Dr., Santa Fe, NM 87505

District IV

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION

1220 South St. Francis Dr. Santa Fe, NM 87505

Form C-102 Revised October 12, 2005 Submit to Appropriate District Office

State Lease - 4 Copies
Fee Lease - 3 Copies

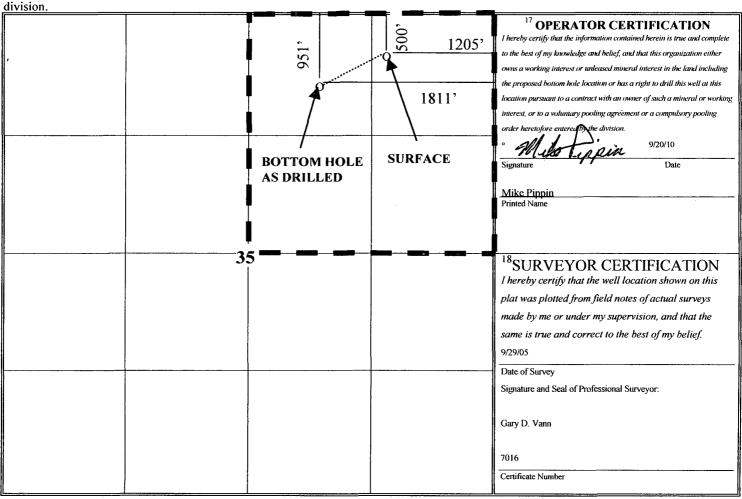
☐ AMENDED REPORT

AS DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT ¹ API Number ² Pool Code 80690 South Los Pinos Fruitland Pictured Cliffs 30-045-33474 ⁴ Property Code ⁵ Property Name Well Number 19641 Northeast Blanco Unit 68M OGRID No. 8 Operator Name Elevation 6137 Devon Energy Production Company, L.P. 6333' GL

Surface Location UL or lot no. Section Township Range Lot Idn Feet from the North/South line Feet from the East/West line County 500' **NORTH** 1205' 35 31-N 7-W **EAST** San Juan Α 11 Bottom Hole Location If Different From Surface UL or lot no. Section Township Lot Idn Feet from the North/South line Feet from the East/West line County 7-W 951' NORTH 1811' **EAST** В 35 31-N San Juan 12 Dedicated Acres ¹³ Joint or Infill 14 Consolidation Code 15 Order No 160-NE/4

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the



District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

1 API Number

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

AS DRILLED

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

Pool Code
Poin Poin Point

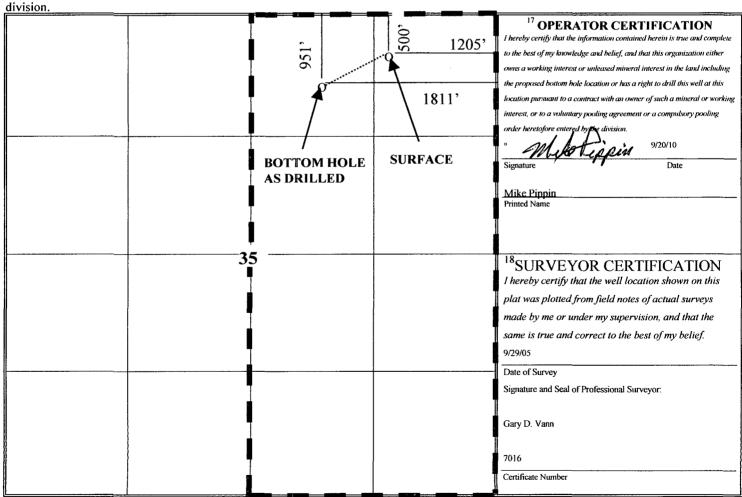
¹⁰ Surface Location

East/West line UL or lot no. North/South line Feet from the Section Township Range Lot Idn Feet from the County 35 7-W 500' NORTH 1205 **EAST** San Juan A 31-N

11 Bottom Hole Location If Different From Surface

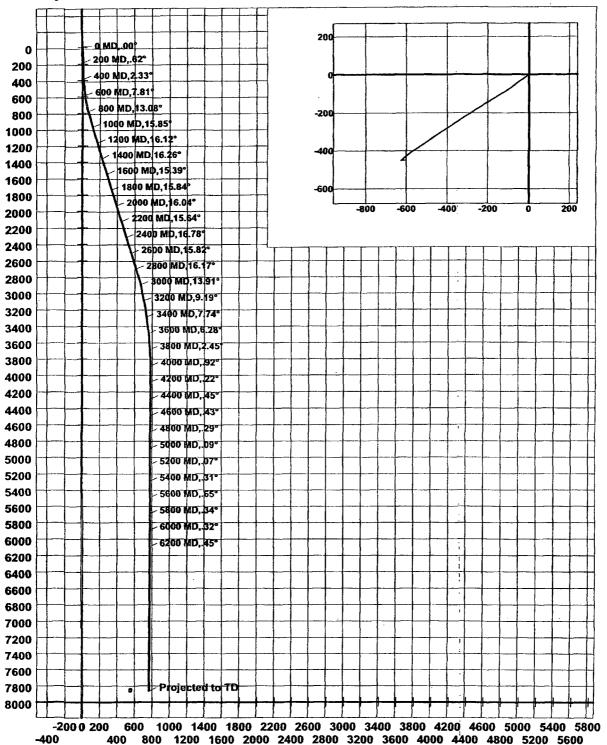
Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township		Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B 1	- 122 -	31-N	7-W	<u> </u>	951'	NORTH	1811'	EAST	San Juan
12 Dedicated Acres	Joint o	r Infill	⁴ Consolidation	Code 15 O	rder No				
320-E/2									

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the



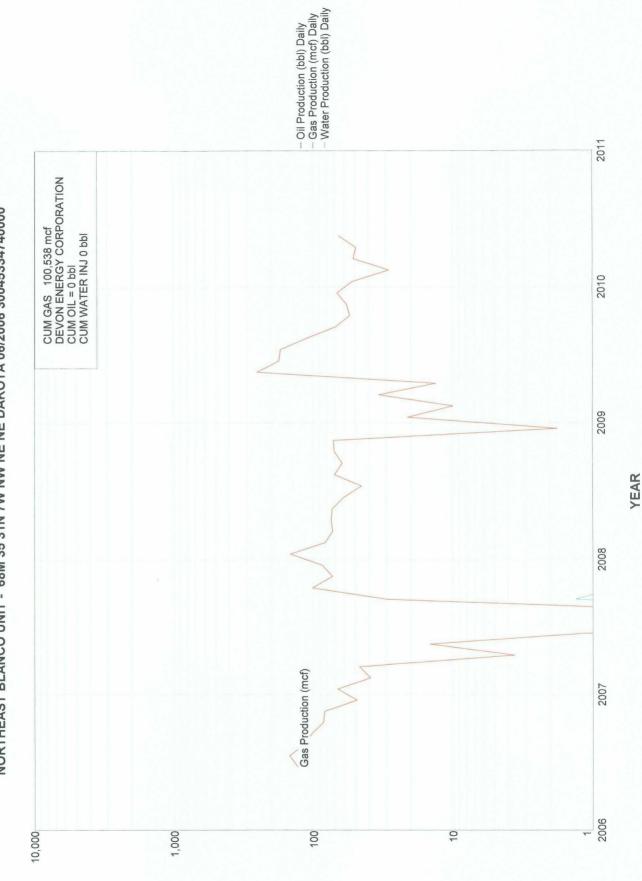
Company: Devon Energy Lease/Well: NEBU 68 M Location: PPP #4, San Juan County State/Country: NM





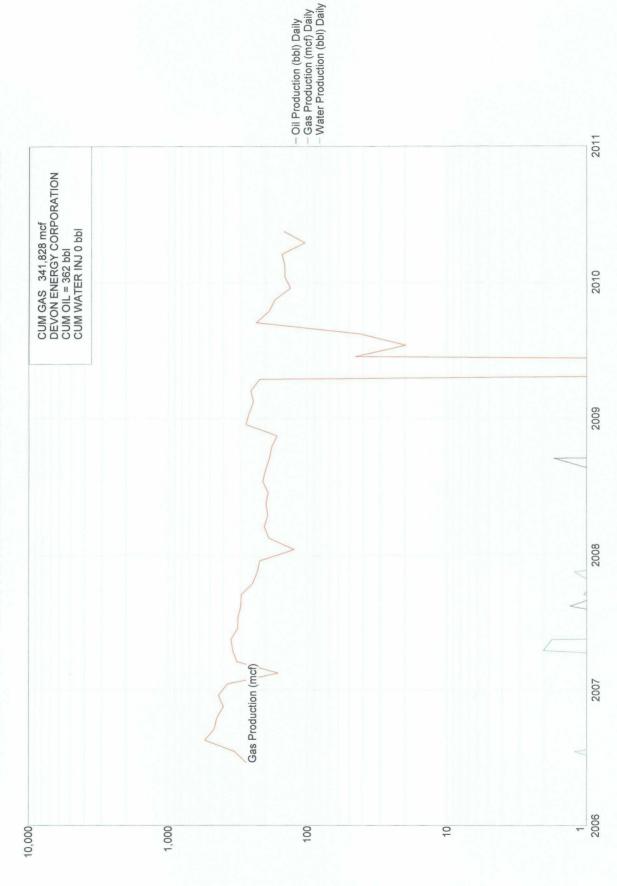
Lease Name: NORTHEAST BLANCO UNIT County, State: SAN JUAN, NM Operator: DEVON ENERGY CORPORATION Field: BASIN Reservoir: DAKOTA Location: 35 31N 7W NW NE NE

NORTHEAST BLANCO UNIT - 68M 35 31N 7W NW NE NE DAKOTA 06/2006 30045334740000



Lease Name: NORTHEAST BLANCO UNIT County, State: SAN JUAN, NM Operator: DEVON ENERGY CORPORATION Field: LOS PINOS SOUTH Reservoir: FRUITLAND PICTURED C Location: 35 31N 7W NW NE NE

NORTHEAST BLANCO UNIT - 68M 35 31N 7W NW NE NE FRUITLAND PICTURED C 06/2006 30045334740000



YEAR

Devon Energy Production Company, L.P.
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

September 20, 2010

RE: Permit to Surface Commingle

Northeast Blanco Unit #68M – API#: 30-045-33474 Unit Letter "A" Section 35 T31N R07W 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 surface commingle production from the South Los Pinos Fruitland Sand Pictured Cliffs and Basin Dakota gas pools.

The Pictured Cliffs and Dakota are currently completed dual and being tested simultaneously to establish a production potential. The production from the Pictured Cliffs and the Dakota will be allocated on a production trend based formula. A "Method of Allocation" explanation has been enclosed with this notice.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,

DEVON ENERGY PRODUCTION COMPANY, L.P.

Mike Pippin

Petroleum Engineer

Enclosures

NORTHEAST BLANCO UNIT PC WORKING INTEREST OWNERS

BP America Production Company ATTN: John Larson 501 Westlake Park Blvd. (Room 19.108 WL1) Houston TX, 77079

Conoco Phillips Company ATTN: Ben Malone P.O. Box 4289 Farmington, NM 87499-4289

Note: Devon Energy, B&N Co., and BN Non-Coal Requires no notification; therefore not listed above

NORTHEAST BLANCO UNIT WORKING INTEREST OWNERS DAKOTA

BP America Production Company ATTN: John Larson 501 Westlake Park Blvd. WL1 19.108 Houston, TX 77079

Canaan Resources, LLC
One Leadership Square
211 N. Robinson Avenue, Suite N1000
Oklahoma City, OK 73102

ConocoPhillips Company ATTN: Ben Malone 3401 E. 30th Street Farmington, NM 87402-8807

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

Diverse Energy Investments Two Galeria Tower 13455 Noel Rd, Suite 2000 Dallas, TX 75240

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

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

Tamacam, LLC c/o James M. Raymond, AIF P. O. Box 291445 Kerrville, TX 78029-1445

T. H. McElvain Oil & Gas Ltd. Partnership McElvain Oil & Gas Properties, Inc., GP 1050 17th Street, Suite 1800 Denver, CO 80265

J & M Raymond, Ltd. Raymond & Sons I, LLC, GP P. O. Box 291445 Kerrville, TX 78029-1445

Method of Allocation

Devon Energy recommends the following procedure to allocate surface commingled production between the Basin-Dakota and the Fruitland Pictured Cliffs pools within the Northeast Blanco Unit:

- The Basin-Dakota and Fruitland Pictured Cliffs 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 Fruitland Pictured Cliffs 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 two pools will be surface commingled. Total well production will flow through common surface facilities and total produced gas will be measured.
- Production will be allocated between the Dakota and Fruitland Pictured Cliffs intervals by applying the variable percentage schedule to the daily total well production.

The Variable Percentage Schedule was derived using Basin-Dakota and Pictured Cliffs 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 Pictured Cliffs and Dakota. Figure 1 depicts a typical Pictured Cliffs – Dakota production allocation. The actual percentages will vary from well to well, depending on well productivity.

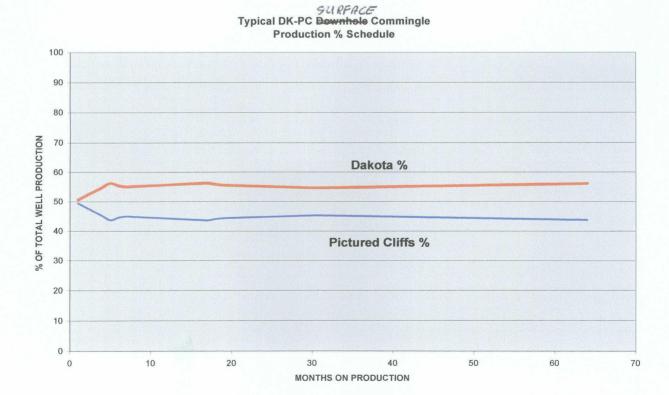


Figure 1

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 thirty two month period with a variance in cumulative normalized production of less than 0.1%.

NEBU AREA DAKOTA TYPE CURVE

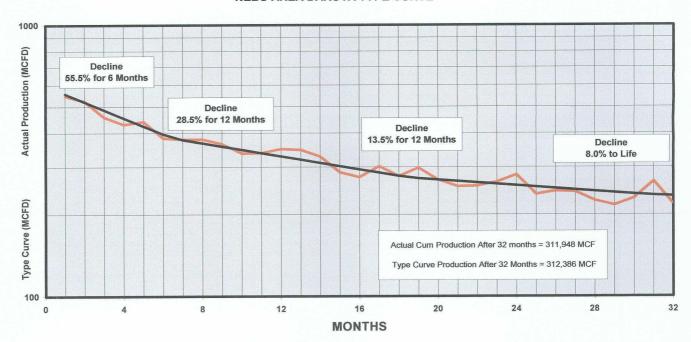


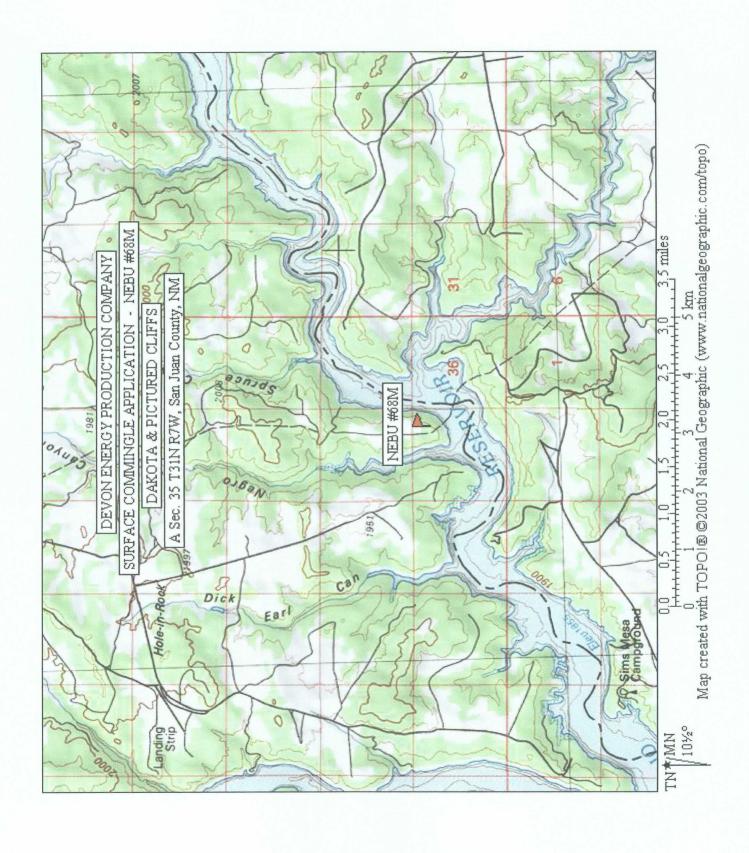
Figure 2

The Fruitland Pictured Cliffs type curve was generated from normalized production of 15 offsetting Fruitland Pictured Cliffs producers. The Fruitland Pictured Cliffs 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 five year period with a variance in cumulative normalized production of only 0.8%.

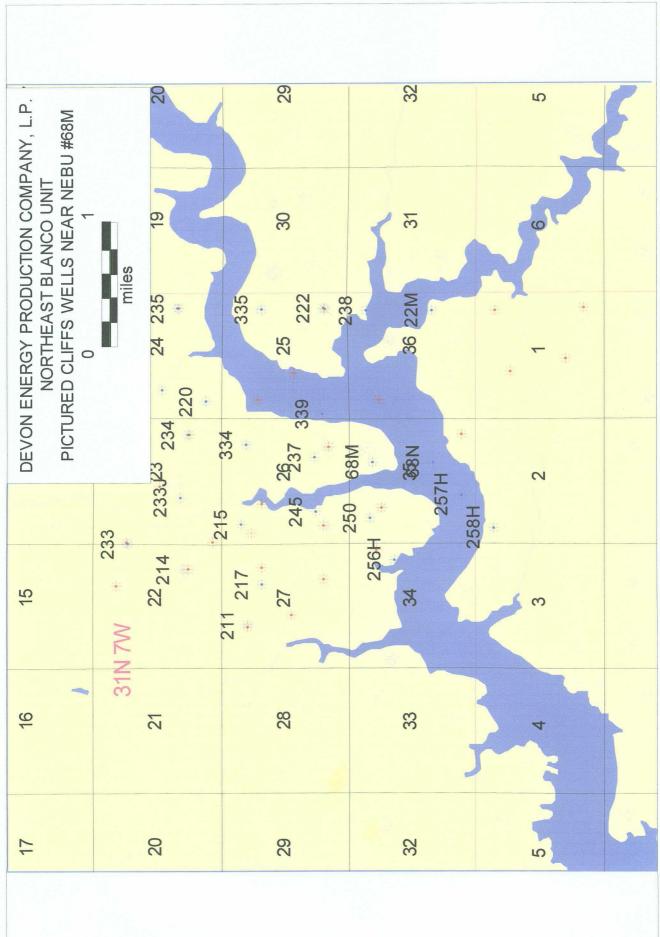
NEBU AREA PICTURED CLIFFS TYPE CURVE 1000 Actual Cum Production After 64 Months = 445,542 MCF Type Curve Production After 64 Months = 449,342 MCF Decline 75.5% FOR 5 MONTHS Actual (MCFD) Decline 33% FOR 12 MONTHS Decline 10 % TO LIFE TYPE CURVE (MCFD) 100 48 60 72 0 6 12 18 36

MONTHS

Figure 3

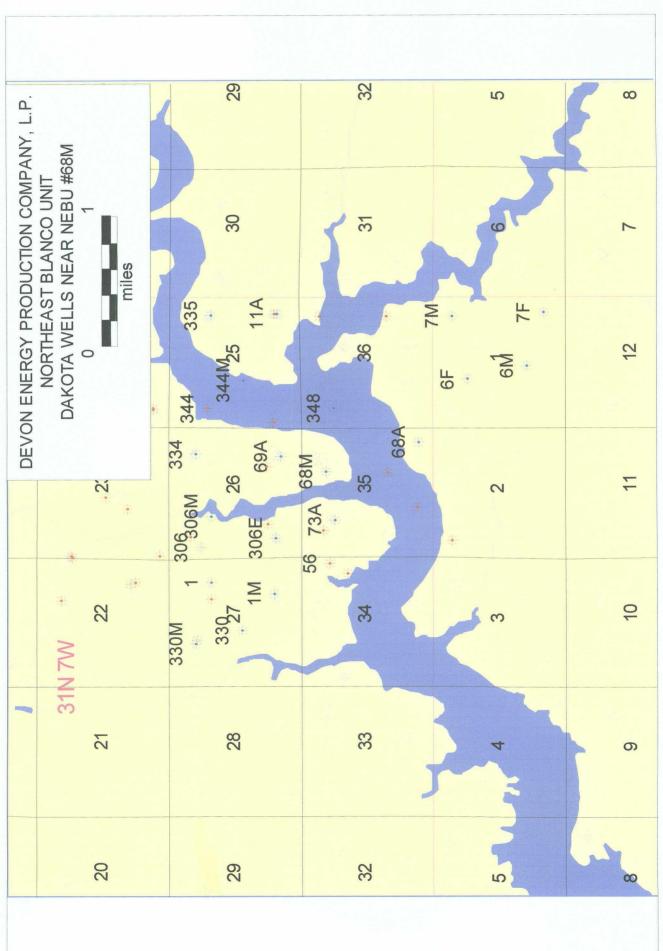


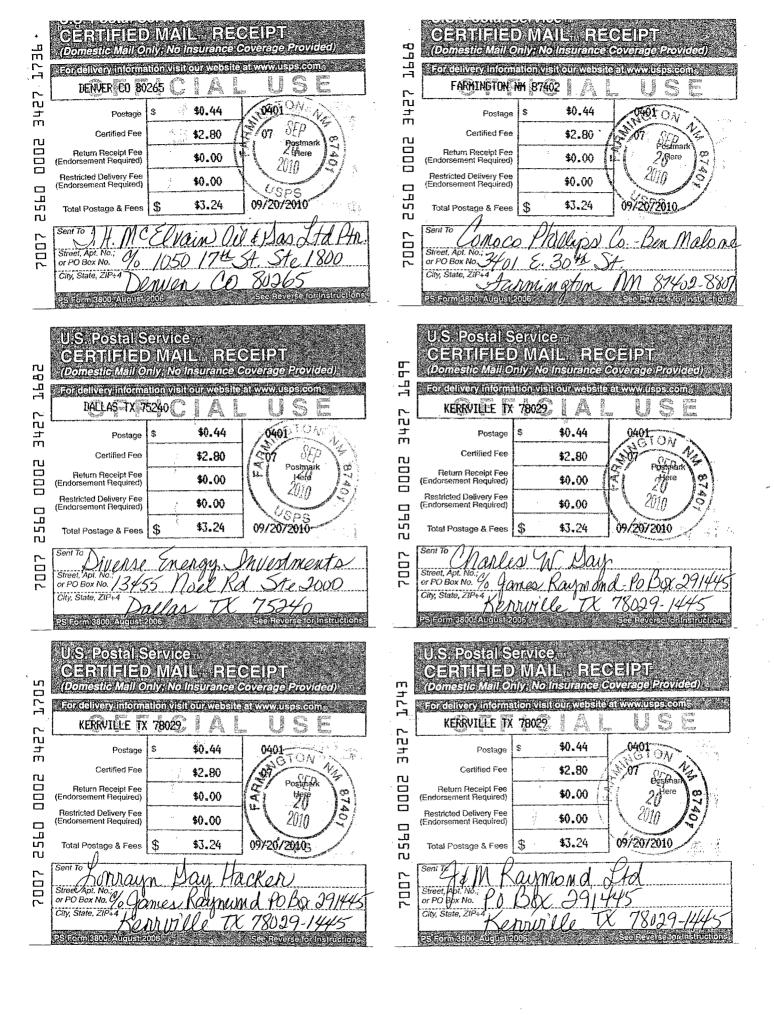
Date: 9/16/2010 Time: 11:10 AM



Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\NEBU#334.mdb

Date: 9/16/2010 Time: 11:06 AM





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