

DATE IN 6-17-10	SUSPENSE	ENGINEER P.E.	LOGGED IN 6-17-10	TYPE PC	APP NO. 101685552
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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



RECEIVED, OCD

Devon

2010 JUN 17 P 1:07

NBU #334

NORTHEAST BLANCO UNIT #334

ADMINISTRATIVE APPLICATION CHECKLIST

30-045-32297

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☒ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Mike Pippin		Petroleum Engineer	June 15, 2010
Print or Type Name	Signature	Title	Date
		mike@pippinllc.com	
		e-mail Address	

PC-1225

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

June 15, 2010

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

RE: Application for Surface Commingling
Northeast Blanco Unit #334 – API#: 30-045-32297
Unit Letter "A" Section 26 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 7/15/04 and were 1st delivered in July 2004. The initial rates of this dual completed well were about 610 MCF/D for the Dakota and about 640 MCF/D for the Pictured Cliffs. Their current rates are down to about 180 MCF/D and 100 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 almost 6 years. The attached unit type curve constructed for each zone will then be fitted to the 6 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
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

Form C-103
June 19, 2008

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

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. 30-045-32297
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. FEDERAL LEASE: SF 079010
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>965</u> feet from the <u>NORTH</u> line and <u>1080</u> feet from the <u>EAST</u> line Section <u>26</u> Township <u>31-N</u> Range <u>7-W</u> NMPM San Juan County		8. Well Number #334
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6318' GL		9. OGRID Number 06137
		10. Pool name or Wildcat: Basin Dakota (71599) So. Los Pinos FS PC (80690)

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 COMPL ☐
DOWNHOLE COMMINGLE ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Surface Commingle Application ☒

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.

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.

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 180 MCF/D from perfs at 7840'-7938' with a bottom hole pressure of about 874 psi. The Pictured Cliffs is currently flowing about 100 MCF/D from perfs at 3325'-3414' with a bottom hole pressure of about 1283 psi.

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

SIGNATURE Mike Pippin TITLE Petroleum Engineer - Agent DATE 6/15/10

Type or print name Mike Pippin E-mail address: mike@pippinllc.com PHONE: 505-327-4573

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

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

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

¹ API Number 30-045-32297	² Pool Code 71599	³ Pool Name Basin Dakota
⁴ Property Code 19641	⁵ Property Name Northeast Blanco Unit	
⁷ OGRID No. 6137	⁸ Operator Name Devon Energy Production Company, L.P.	⁶ Well Number 334
		⁹ Elevation 6318' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	26	31-N	7-W		965'	NORTH	1080'	EAST	San Juan

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	26	31-N	7-W		951'	NORTH	1798'	EAST	San Juan

¹² Dedicated Acres 320-E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <u>Mike Pippin</u> Date: 6/15/10 Printed Name: <u>Mike Pippin</u>
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: 10/20/03 Signature and Seal of Professional Surveyor: <u>Gary D. Vann</u> Certificate Number: 7016

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

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

¹ API Number 30-045-32297	² Pool Code 80690	³ Pool Name South Los Pinos Fruitland Sand Pictured Cliffs
⁴ Property Code 19641	⁵ Property Name Northeast Blanco Unit	
⁷ OGRID No. 6137	⁸ Operator Name Devon Energy Production Company, L.P.	⁶ Well Number 334
		⁹ Elevation 6318' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	26	31-N	7-W		965'	NORTH	1080'	EAST	San Juan

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	26	31-N	7-W		951'	NORTH	1798'	EAST	San Juan

¹² Dedicated Acres 160-NE 1/4	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No
---	-------------------------------	----------------------------------	------------------------

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

	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> Signature: <u>Mike Pippin</u> Date: <u>6/15/10</u> Printed Name: <u>Mike Pippin</u>
	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Date of Survey: <u>10/20/03</u> Signature and Seal of Professional Surveyor: <u>Gary D. Vann</u> Certificate Number: <u>7016</u>

Rate/Time Graph

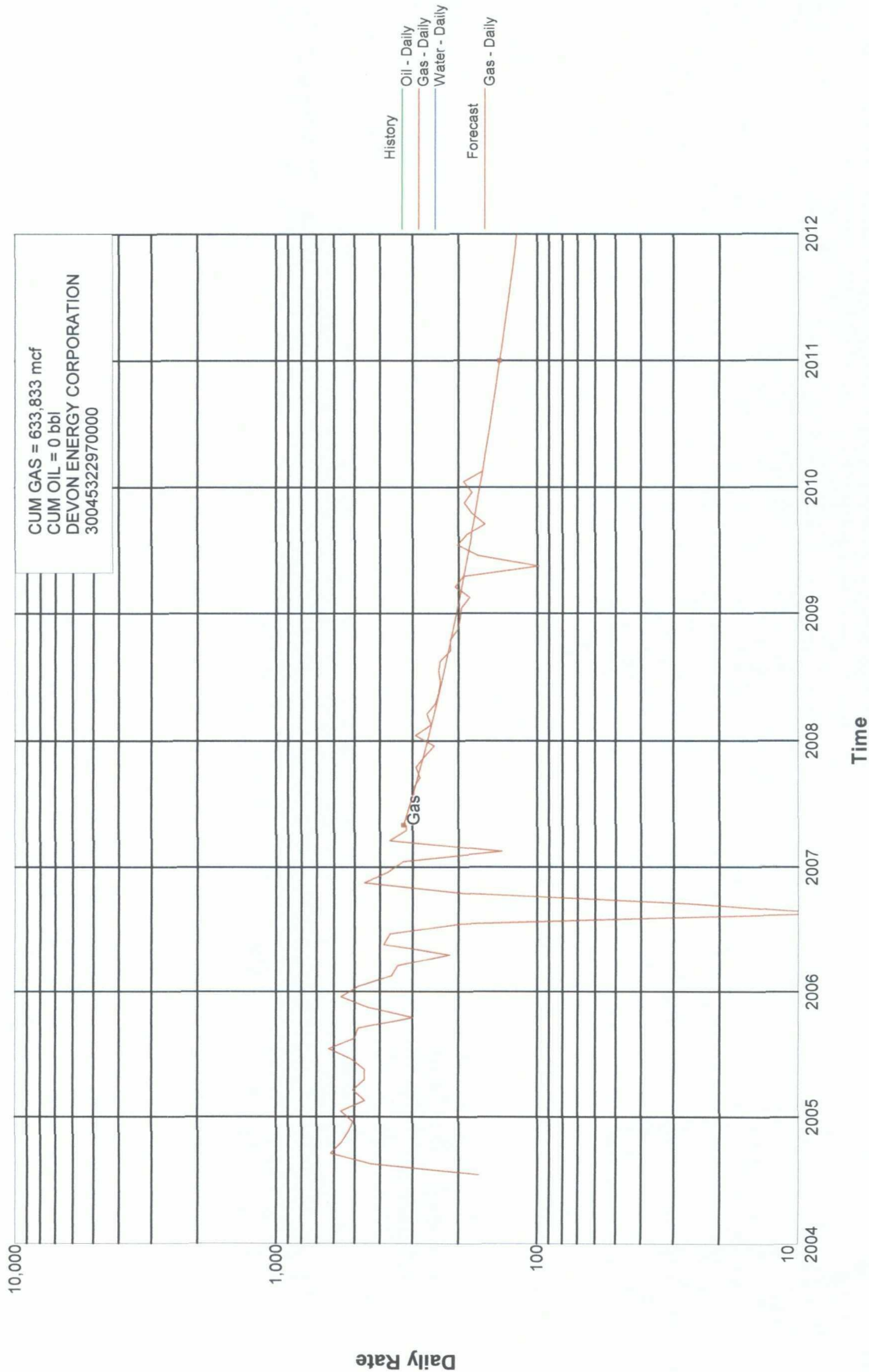
Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\NEBU#334.mdb

Date: 6/15/2010
Time: 10:45 AM

Lease Name: NORTHEAST BLANCO UNIT (334)
County, ST: SAN JUAN, NM
Location: 26B 31N 7W SW NE NE

Operator: DEVON ENERGY CORPORATION
Field Name: BASIN

NORTHEAST BLANCO UNIT - 334 DAKOTA 26B 31N 7W SW NE NE 07/2004



Rate/Time Graph

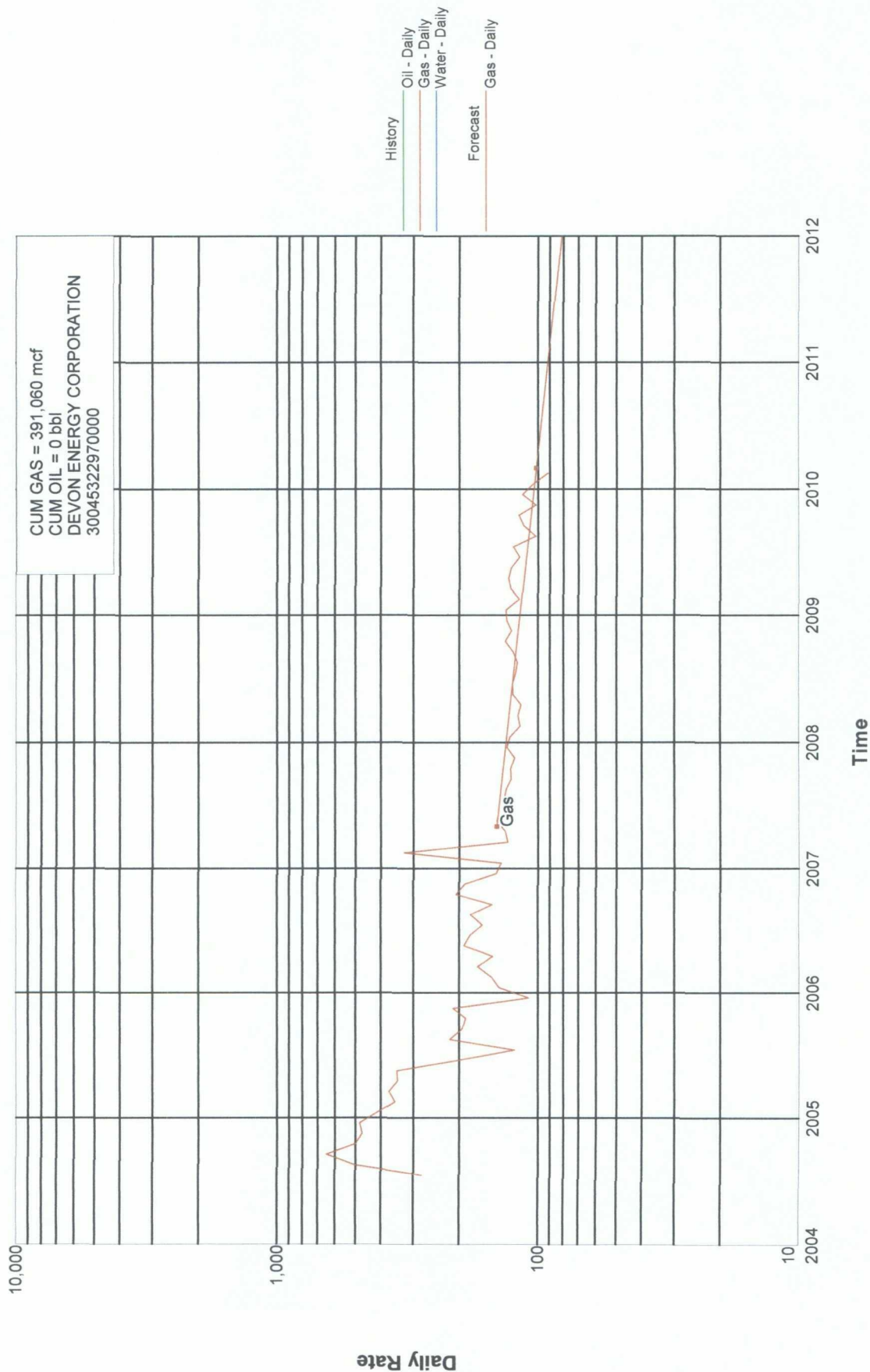
Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\NEBU#334.mdb

Date: 6/15/2010
Time: 10:48 AM

Lease Name: NORTHEAST BLANCO UNIT (334)
County, ST: SAN JUAN, NM
Location: 26B 31N 7W SW NE NE

Operator: DEVON ENERGY CORPORATION
Field Name: LOS PINOS SOUTH FS

NORTHEAST BLANCO UNIT - 334 PICTURED CLIFFS 26B 31N 7W SW NE NE 07/2004

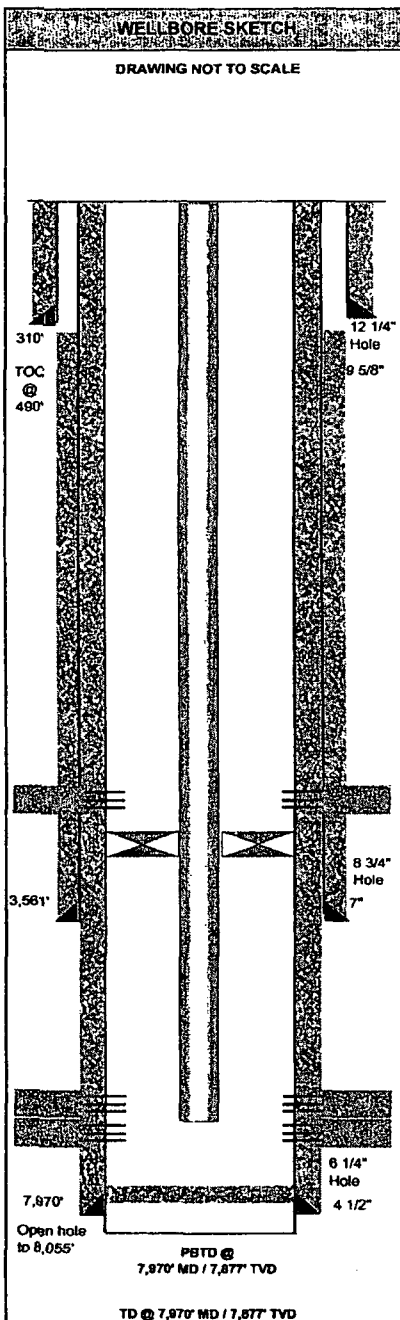


devon	OPERATOR: Devon Energy Prod. Co.	LEASE / WELL: NEBU 334	SURFACE LOCATION: 965' FNL & 1,080' FEL Sec. 26 - T31N - R7W	BOTTOM HOLE LOCATION: 950' FNL & 1,800' FEL Sec. 26 - T31N - R7W
	DRILLING RIG: D-J 1 COMPLETION RIG:	FORMATION: Dakota COUNTY / STATE: San Juan County, NM	Picture Cliffs AFE #: DK 110513 PROPERTY #: 015575-010-S01	API#: 30-045-32297 SPUD DATE: 5/29/2004

WELL DATA				
DIRECTIONAL	350'	TVD	STRAIGHT	
KOP:	3.00	deg @	100'	MD
BEGIN BUILD	15.57	deg @	868'	MD
BEGIN HOLD	(3.00)	deg @	3030'	MD
BEGIN DROP		deg @	3549'	MD
BEGIN VERTICAL		deg @		MD

TUBULAR DATA							
Tubulars	Size	Weight	Grade	Thread	MD	TVD	TOL
CONDUCTOR							
SURFACE	9 5/8"	32.3#	H-40	ST&C	310'		
INTERMEDIATE	7"	23#	J-55	LT&C	3,561'		
PRODUCTION	4 1/2"	11.6#	J-55	LT&C	7,970'		
PROD TIEBACK							
PROD LINER							
TUBING (Long String)							

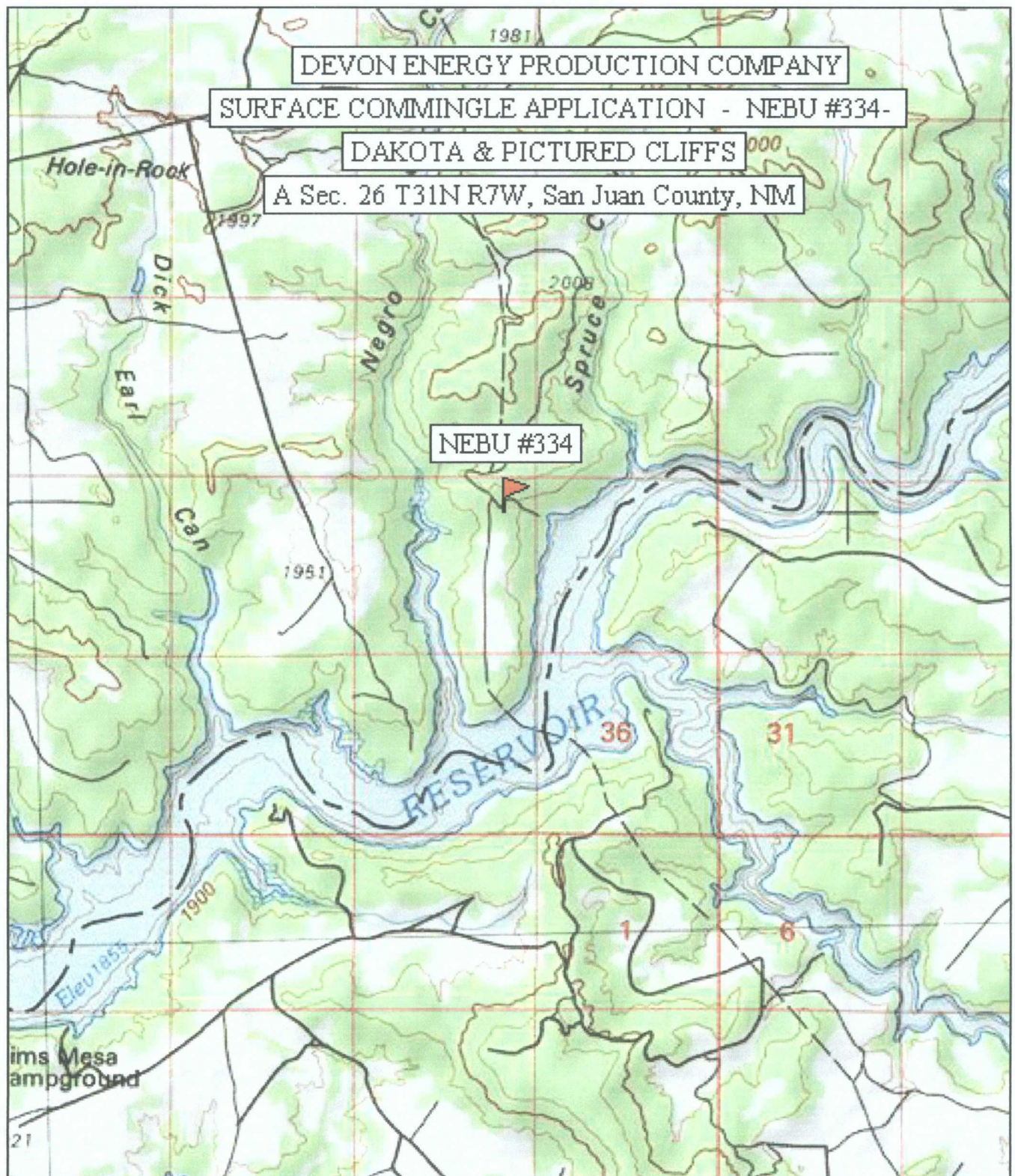
WELLHEAD DATA	
ELEVATIONS:	GROUND
RKB-THF:	ELEVATION
RKB-ELEV:	6,318'
FIELD:	San Juan



EQUIPMENT DESCRIPTION		DEPTH TVD	DEPTH MD
CEMENT DETAILS:			
(5/30/04)	9 5/8" csg to 310', cmt w/175 sx (37 bbls) Class "B". Circ 10 bbls to surface		
(6/4/04)	7" csg to 3,561', cmt Lead w/475 sx (122 bbls) 50/50 POZ & tail w/75 sx (19 bbls) 50/50 POZ. No returns to surface.		
(6/3/04)	4 1/2" csg to 7,840', cmt Lead w/235 sx 50/50 POZ & tail w/450 sx 50/50 POZ. Circ 25 bbls cmt to surface.		
Tubing Details:			
Saw Tooth Collar			
2 3/8"x2" Pup jt			
2 3/8" x 1.78" F-Profile Nipple			
137 jts 2 3/8" tbg			
4 1/2" x 2 3/8" Model R Dual Grip Pkr			3,456'
106 jts 2 3/8" tbg			
EOT			7,919'
Packer and tubing were run into hole on 8/19/04 between 7:30 am and 10:00 am.			
Perforate Pictured Cliffs:			
3325', 3326', 3327', 3333', 3340', 3341', 3349', 3350', 3351', 3352', 3388', 3397', 3398', 3412', 3413', 3414'			
18 Holes.			
(8/20/04) Frac'd w/ 11,412 gals 70Q 20# Linear gel w/69,500# 20/40 Brady. Screen out of 23.7 BPM @ 4500 psi			
Avg rate 24.3. Avg pressure 2679 psi (max 4509 psi). F. G. = 1.24 psi/ft.			
Perforate Dakota:			
7938', 7937', 7923', 7922', 7914', 7913', 7898', 7897', 7882', 7881', 7880', 7879', 7878', 7844', 7843', 7842'			
7840', 18 Holes.			
(8/19/04) Frac'd w/72,459 gals 25# & 20# Delta 200 w/55,000# Ottawa. V-12 overheated could not get 30-35 BPM. F. G. = 0.79 psi/ft.			
(8/19/04) Cmt retainer set @ 7,965'.			
COMMENTS:			
AFE # 110514 = PC		Working Interest:	
Property # 015576-010-S01 = PC		Net Revenue Interest:	
Completed in Dakota & Pictured Cliffs		PLUG BACK DEPTH:	7877'
		TOTAL WELL DEPTH:	7877'
		PREPARED OR REVISED BY:	DATE:
		Melisa Zimmerman	November 22, 2004

CURRENT

DIRECTIONS TO LOCATION:

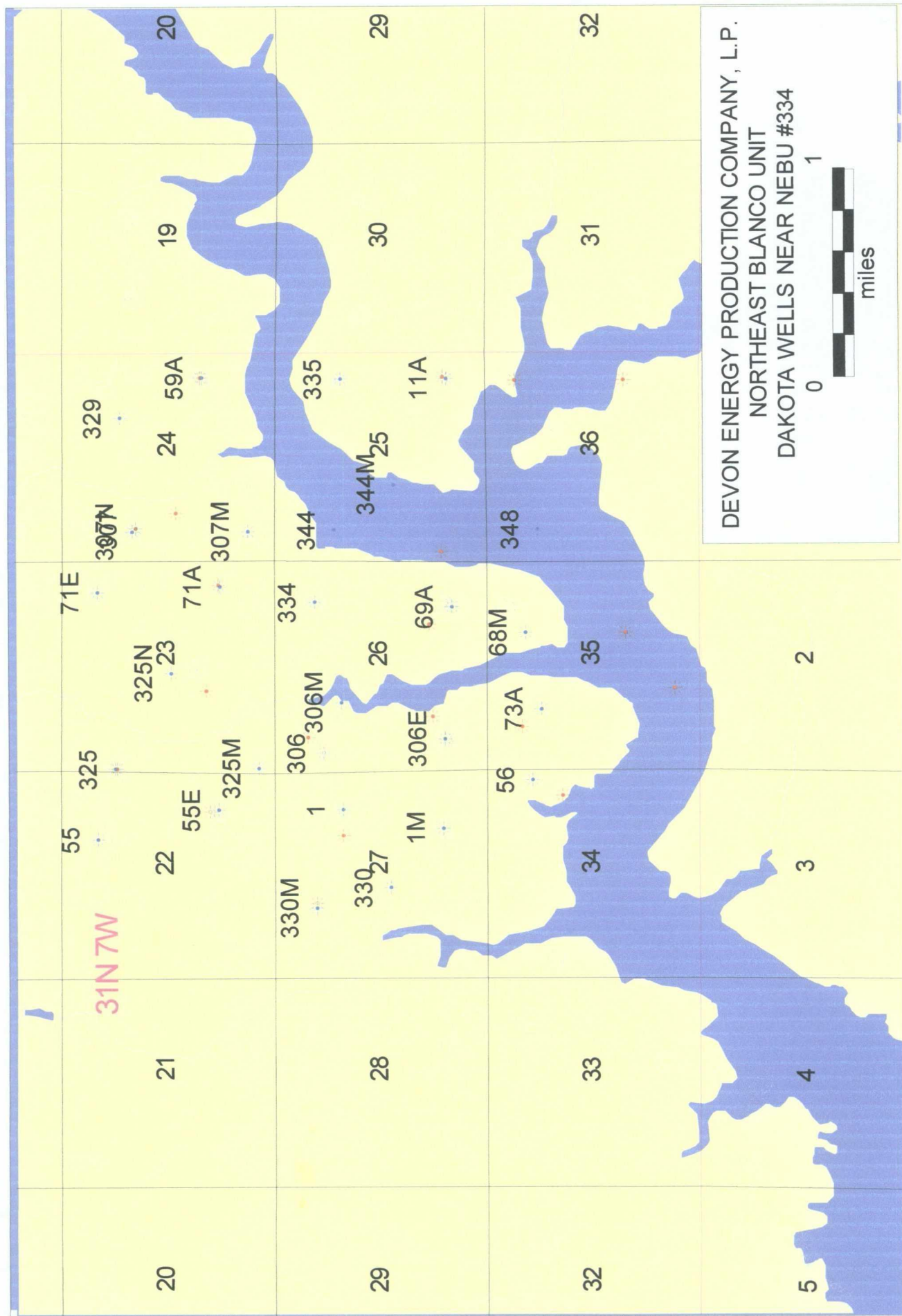


0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 miles
0 1 2 3 4 5 km

Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)

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

Date: 6/16/2010
Time: 8:05 AM



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

DEVON ENERGY PRODUCTION COMPANY, L.P.
NORTHEAST BLANCO UNIT
PICTURED CLIFFS WELLS NEAR NEBU #334

0 1 miles

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

SF 079010

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

Northeast Blanco Unit

8. Well Name and No.

Northeast Blanco Unit #334

9. API Well No.

30-045-32297

10. Field and Pool, or Exploratory Area

Basin Dakota & S. Los Pinos FS PC

AND

San Juan County, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Devon Energy Production Company, L.P.

3a. Address

PO Box 6459, Navajo Dam, NM 87419

3b. Phone No. (include area code)

505-327-4573

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

965' FNL & 1080' FEL Unit A

OGRID#: 06137

Sec. 26, T31N, R07W

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Surface
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <input type="checkbox"/> Commingle
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Devon requests administrative approval to surface commingle the South Los Pinos Fruitland Sand Pictured Cliffs (80690) & Basin Dakota (71599) in this dually completed gas well. Surface commingling will eliminate redundant surface equipment & maximize productivity while not hindering the recovery of liquids & gas. Notice has been filed concurrently on form C-103 with the State. Since the two intervals do not have common ownership, Devon will utilize the test period described in the attached method of allocation. All of the interest owners of both intervals have been notified.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Mike Pippin

Title

Petroleum Engineer (Agent)

Signature

Mike Pippin

Date

June 15, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

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

June 15, 2010

RE: Permit to Surface Commingle
Northeast Blanco Unit #334 – API#: 30-045-32297
Unit Letter “A” Section 26 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 #333
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**

Revised 3/26/09

Method of Allocation

Devon Energy recommends the following procedure to allocate downhole 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 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.
- 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.

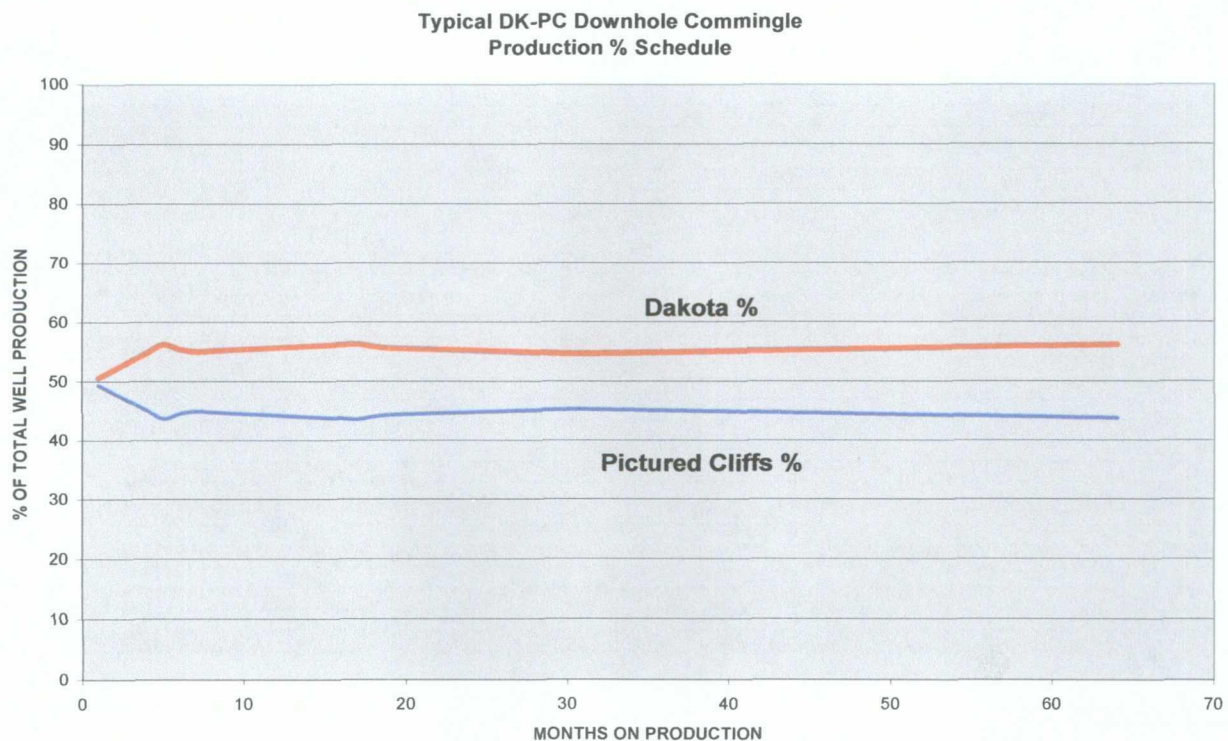


Figure 1

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%.

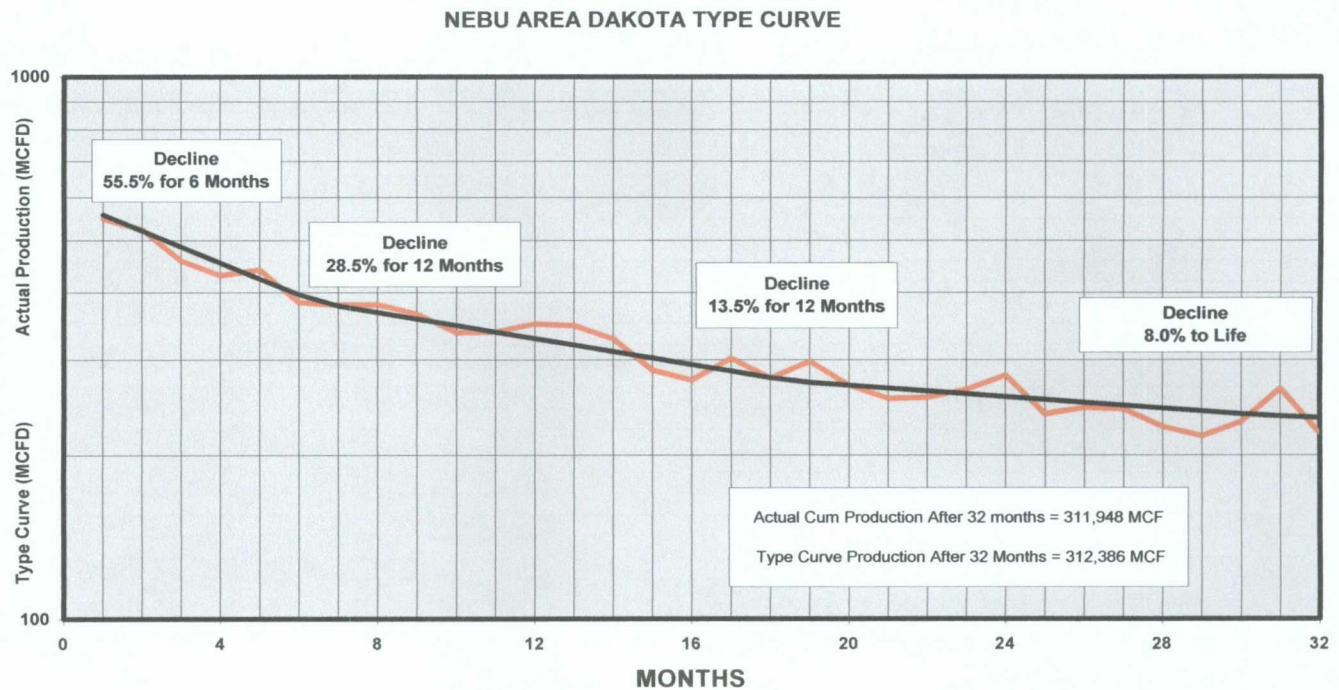


Figure 2

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%.

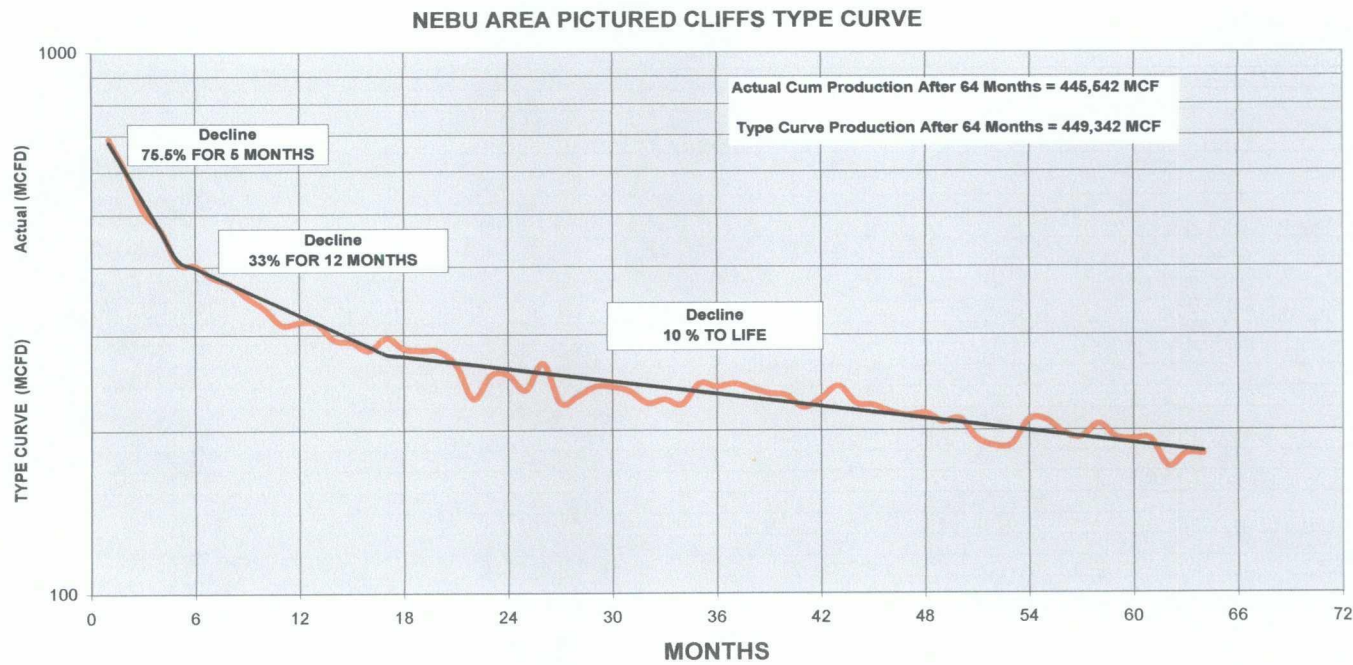


Figure 3

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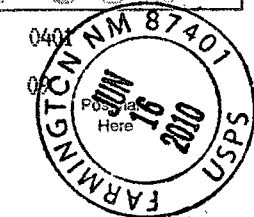
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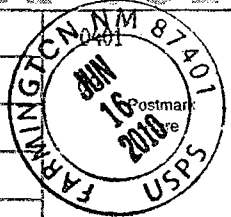
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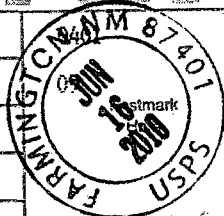
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