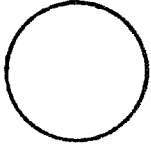
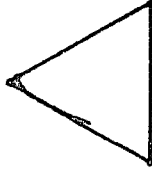


Post 2000
- Chacra



Post 2000
- Pictured Cliffs



XTO ENERGY INC.

SAN JUAN BASIN

SEC 24 T29N R10W

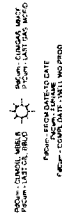
CUM PROD @ 6/2009

San Juan County, New Mexico

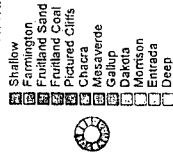
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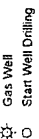
POSTED WELL DATA



ATTRIBUTE MAP



WELL SYMBOLS

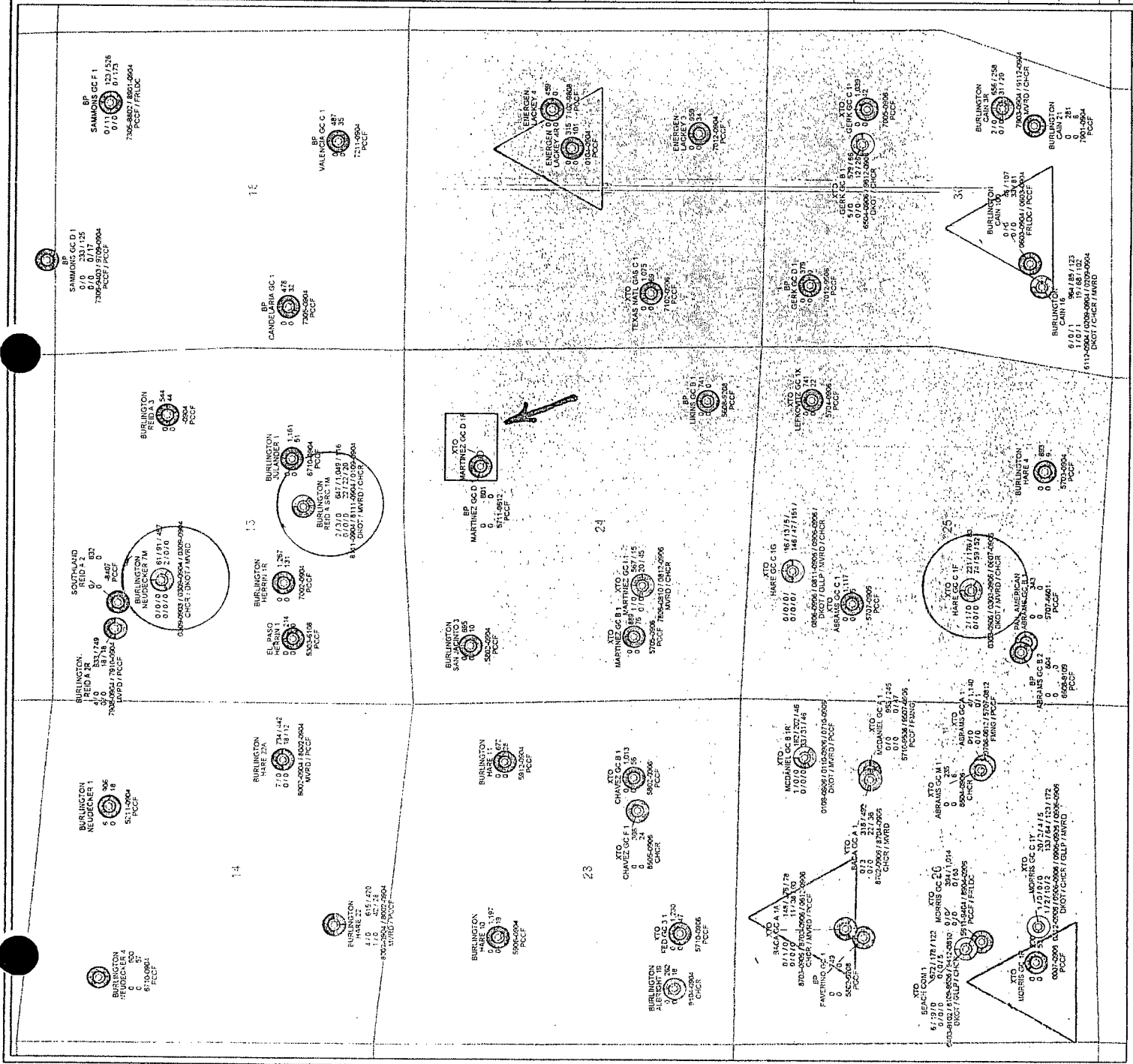


REMARKS

Pictured Cliffs/Chacra Products

By: Jane Foster

August 14, 2009



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 and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

Single Well

Establish Pre-Approved Pools

EXISTING WELLBORE

Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

XTO ENERGY INC. 382 CR 3100 AZTEC, NM 87410
Operator Address

MARTINEZ GAS COM D #1R SEC 24B- T29N-R10 W SAN JUAN
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 5380 Property Code 36139 API No. 30-045-34063 Lease Type: Federal State X Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	AZTEC PICTURED CLIFFS		OTERO CHACRA
Pool Code	71280		82329
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1942' - 2096'		2926' - 3189
Method of Production (Flowing or Artificial Life)	ARTIFICIAL LIFE		ARTIFICIAL LIFE
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)			
Producing, Shut-In or New Zone	NEW ZONE		NEW ZONE
Date and Oil/Gas/Water Rates of Last Production (Note: For new zones with no production history, applicants shall be required to attach production estimates and supporting data.)	Date: Rates:	Date: Rates:	Date: Rates:
	Date: Rates:	Date: Rates:	Date: Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil: 0 % Gas: 69 %	Oil: % Gas: %	Oil: 100 % Gas: 31 %

Are all working, overriding, and royalty interests identical in all commingled zones?
If not, have all working, overriding, and royalty interests been notified by certified mail?

Yes No
Yes No

Are all produced fluids from all commingled zones compatible with each other?

Yes X No

Will commingling decrease the value of production?

Yes No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes No

NMOCD Reference Case No. applicable to this well:

ATTACHMENTS:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Date to support allocation method or formula.
- Notification list of all offset operators.
- Notification list of working, overriding, and royalty interests for uncommon interest cases.
- Any additional statements, data, or documents required to support commingling.

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
 - List of all operators within the proposed Pre-Approved Pools
 - Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
 - Bottomhole pressure data.
- I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Lorri D. Bingham TITLE REGULATORY ANALYST DATE 7/14/09

TYPE OR PRINT NAME LORRI D. BINGHAM TELEPHONE NO. (505) 333-3204

E-MAIL Lorri.bingham@xtoenergy.com

RECEIVED OGD
2009 JUL 15 P 1:44

Wells in 9 Section Surrounding Sec 24 T29N R10W

DB ID	LEASE NAME	NO. RESERVOIR	SEC LOCATION FIELD	OPERATOR	1st PROD	LAST PROD	CUM OIL	REM OIL	CUM GAS	REM GAS	CUM WATER	EUR OIL	EUR GAS	DLY OIL	DLY GAS	DLY WAT	DECLINE
526166	ABRAMS GAS COM M	1 CHACRA	26 29 N 10 W OTERO	XTO ENERGY	19860430	20080801	132	0	233,159	37,321	925	132	270,480	0	36	0.9	7
528252	CHAVEZ GAS COM F	1 CHACRA	23 29 N 10 W OTERO	XTO ENERGY	19860531	20080801	64	0	300,025	183,578	87	64	483,603	0	36	0	7
452611	BACA GAS COM A	1 CHACRA	26 29 N 10 W OTERO	XTO ENERGY	19870228	20080801	10	0	311,700	111,458	71	1	423,158	0	22	0	7
452618	BACA GAS COM A	1A CHACRA	26 29 N 10 W OTERO	XTO ENERGY	19870331	20080801	75	0	145,023	74,642	1,669	75	219,665	0	15	0	7
ALBRIGHT		19 CHACRA	23 29 N 10 W OTERO	BURLINGTON	19910001	20071001	10	0	252,680	102,865	335	0	355,565	0	20	0.9	7
CAIN		3R CHACRA	30 29 N 9 W OTERO	BURLINGTON	19911201	20080501	418	0	251,473	147,700	117	418	399,243	0	29	0.2	7
507827	BEACH COM	1 CHACRA	26 29 N 10 W OTERO	XTO ENERGY	19941231	20080801	18	0	121,219	60,016	280	0	181,235	0	12	0.1	7
682329	GERK GAS COM B	1 CHACRA	30 29 N 9 W OTERO	XTO ENERGY	19861231	20080801	18	0	57,184	64,555	0	8	121,739	0	13	0	7
					Pre 2000 Chacra Average		87	0	209,058	97,778	436	87	306,836	0	19	0	7
1M	REID A SRC	TM CHACRA	13 29 N 10 W OTERO	BURLINGTON	20010901	20071001	107	0	102,220	140,710	0	107	242,930	0	28	0	7
NEUDECKER		7M CHACRA	13 29 N 10 W OTERO	BURLINGTON	20030901	20071001	35	347	51,718	124,067	181	382	175,765	0.1	25	0.5	7
533748	HARE GAS COM C	1F CHACRA	25 29 N 10 W OTERO	XTO ENERGY	20060701	20080801	19	0	65,039	262,255	115	19	327,294	0	52	0	7
					Post 2000 Chacra Average		54	116	72,992	175,677	299	469	248,669	0	35	0	7
DB ID	LEASE NAME	NO. RESERVOIR	SEC LOCATION FIELD	OPERATOR	1st PROD	LAST PROD	CUM OIL	REM OIL	CUM GAS	REM GAS	CUM WATER	EUR OIL	EUR GAS	DLY OIL	DLY GAS	DLY WAT	DECLINE
NEUDECKER		1 PICTURED CLIFFS	14 29 N 10 W AZTEC	BURLINGTON	19521101	20071001	3,663	0	894,855	144,744	304	3,663	1,039,599	0	29	0.8	7
HERRIN		1 PICTURED CLIFFS	13 29 N 10 W AZTEC	EL PASO NATL	19560301	199610801	10	0	159,874	195,874	0	0	374,123	0	32	0	7
LIKINS GAS COM B		1 PICTURED CLIFFS	24 29 N 10 W AZTEC	BP AMERICA R	19560801	19920801	77	0	740,937	93,806	77	0	834,743	0	19	0	7
507817	MORRIS GAS COM	4 PICTURED CLIFFS	25 29 N 10 W AZTEC	XTO ENERGY	19561130	19940401	0	0	394,348	753,982	76	0	1,148,330	0	150	0	7
HARE		1 PICTURED CLIFFS	25 29 N 10 W AZTEC	BURLINGTON	19570301	20071001	0	0	889,664	34,799	450	0	924,463	0	7	0.9	7
507821	LEFKOVITZ GAS COM B	1X PICTURED CLIFFS	25 29 N 10 W AZTEC	XTO ENERGY	19570430	20080801	0	0	726,534	327,314	218	0	1,053,848	0	65	0.1	7
507991	MARTINEZ GAS COM A	1 PICTURED CLIFFS	24 29 N 10 W AZTEC	XTO ENERGY	19570531	20080801	0	0	867,429	386,321	1,399	0	1,253,750	0	77	0.3	7
ABRAMS GAS COM B		1 PICTURED CLIFFS	25 29 N 10 W AZTEC	PAN AMERICA	19570701	19960101	0	0	342,809	435,242	0	0	778,051	0	86	0	7
507880	ABRAMS GAS COM C	1 PICTURED CLIFFS	25 29 N 10 W AZTEC	XTO ENERGY	19570731	20080801	0	0	1,140,166	5,548	712	0	1,145,714	0	1	0	7
MC DANIEL GAS COM A		1 PICTURED CLIFFS	26 29 N 10 W AZTEC	BP AMERICA R	19571001	19950601	0	0	1,115,643	30,260	283	0	1,145,903	0	6	0	7
507973	FEDERAL GAS COM 3	1 PICTURED CLIFFS	23 29 N 10 W AZTEC	XTO ENERGY	19571031	20080801	0	0	952,915	2,017	70	0	954,932	0	0	0	7
507681	MC DANIEL GAS COM A	1 PICTURED CLIFFS	26 29 N 10 W AZTEC	XTO ENERGY	19571031	19950601	0	0	1,215,784	230,481	1,659	0	1,446,265	0	46	0	7
507681	MC DANIEL GAS COM A	1 PICTURED CLIFFS	26 29 N 10 W AZTEC	BP AMERICA R	19571031	19950601	0	0	952,915	2,017	70	0	954,932	0	0	0	7
MARTINEZ GAS COM D		1 PICTURED CLIFFS	24 29 N 10 W AZTEC	BP AMERICA R	19571101	19961201	0	0	801,029	504	68	0	801,533	0	0	0	7
FAVERINO GAS COM D		1 PICTURED CLIFFS	26 29 N 10 W AZTEC	BP AMERICA R	19580201	19920801	0	0	749,321	62,033	60	0	811,354	0	12	0	7
SAN JACINTO		3 PICTURED CLIFFS	24 29 N 10 W AZTEC	BURLINGTON	19580201	20071001	0	0	690,140	53,964	304	0	744,104	0	11	0.8	7
508004	CHAVEZ GAS COM B	1 PICTURED CLIFFS	23 29 N 10 W AZTEC	XTO ENERGY	19580228	20080801	0	0	990,209	399,938	653	0	1,390,147	0	79	0.2	7
HARE		10 PICTURED CLIFFS	23 29 N 10 W AZTEC	BURLINGTON	19590601	20071001	0	0	1,182,106	195,178	344	0	1,377,284	0	39	0.8	7
ABRAMS GAS COM B		2 PICTURED CLIFFS	23 29 N 10 W AZTEC	BP AMERICA R	19591201	19971001	156	347	653,804	124,067	212	503	763,871	0.1	25	0.2	7
JULANDER		1 PICTURED CLIFFS	25 29 N 10 W AZTEC	BP AMERICA R	19590801	19910901	0	0	604,342	307,141	12	0	911,483	0	61	0	7
NEUDECKER		4 PICTURED CLIFFS	14 29 N 10 W AZTEC	BURLINGTON	19671001	20071001	0	0	1,134,883	236,029	304	0	1,370,912	0	47	0.8	7
REID A		2 PICTURED CLIFFS	13 29 N 10 W AZTEC	BURLINGTON	19671001	20071001	0	0	872,801	203,752	304	0	1,076,553	0	40	0.8	7
REID A		3 PICTURED CLIFFS	13 29 N 10 W AZTEC	SOUTHLAND R	19690201	19840701	0	0	632,189	542,665	2	0	1,174,854	0	108	0	7
1R		1 PICTURED CLIFFS	13 29 N 10 W AZTEC	BURLINGTON	19691101	20071001	0	0	524,124	187,109	1,402	0	711,233	0	37	2.2	7
HERRIN		1 PICTURED CLIFFS	30 29 N 9 W AZTEC	XTO ENERGY	19700201	20071001	46	0	1,214,336	428,695	304	46	1,643,021	0	85	0.8	7
520598	GERK GAS COM C	1 PICTURED CLIFFS	30 29 N 9 W AZTEC	BP AMERICA R	19700531	19950601	0	0	1,026,373	262,759	385	0	1,289,132	0	52	0	7
GERK GAS COM D		3 PICTURED CLIFFS	19 29 N 9 W AZTEC	ENERGEN RE	19701201	20080501	0	0	379,481	72,120	61	0	451,601	0	14	0	7
LACKEY		4 PICTURED CLIFFS	19 29 N 9 W AZTEC	ENERGEN RE	19710228	19981001	0	0	946,683	206,795	335	0	1,155,478	0	41	0	7
520723	TEXAS NATIONAL GAS COM	1 PICTURED CLIFFS	18 29 N 9 W AZTEC	XTO ENERGY	19710228	20080801	0	0	459,005	39,338	239	0	498,343	0	8	0	7
VALENCIA GAS COM C		1 PICTURED CLIFFS	18 29 N 9 W AZTEC	BP AMERICA R	19721101	20080501	0	0	1,053,373	371,696	127	0	1,425,069	0	74	0.1	7
CANDELARIA GAS COM C		1 PICTURED CLIFFS	18 29 N 9 W AZTEC	BP AMERICA R	19730501	20080501	0	0	475,715	200,726	247	0	676,441	0	40	0	7
SAAMONS GAS COM F		1 PICTURED CLIFFS	18 29 N 9 W AZTEC	BP AMERICA R	19730501	20080501	0	0	468,560	137,179	205	0	605,739	0	27	0	7
CAIN		21 PICTURED CLIFFS	30 29 N 9 W AZTEC	BURLINGTON	19730501	19980201	0	0	123,320	37,825	32	0	161,145	0	8	0	7
2R		1 PICTURED CLIFFS	13 29 N 10 W AZTEC	BURLINGTON	19790101	20080501	0	0	277,185	41,356	347	0	316,541	0	29	0.6	7
REID A		22 PICTURED CLIFFS	14 29 N 10 W AZTEC	BURLINGTON	19791001	20071001	0	0	730,963	148,275	450	0	879,238	0	8	0	7
HARE		22A PICTURED CLIFFS	14 29 N 10 W AZTEC	BURLINGTON	19800201	20071001	0	0	405,020	151,364	183	0	561,364	0	31	0	7
					Pre 2000 Pictured Cliffs Average		104	9	736,976	196,827	324	114	933,803	0	39	0	7

506471	MORRIS GAS COM	1R	PICTURED CLIFFS	26/29 N 10 W	AZTEC	XTO ENERGY	20000731	20080801	0	0	183,374	275,367	550	0	458,741	0	55	0.2	7
	LACKEY	4R	PICTURED CLIFFS	19/29 N 9 W	AZTEC	ENERGEN RES	20010401	20080501	0	0	281,240	509,379	195	0	790,619	0	101	0	7
	CAIN	100	PICTURED CLIFFS	30/29 N 9 W	AZTEC	BURLINGTON	20060301	20080501	0	0	79,319	455,920	548	0	535,239	0	90	1	7
524897	BACA GAS COM A	1A	PICTURED CLIFFS	28/29 N 10 W	CHOZA M	XTO ENERGY	20061201	20080801	0	0	60,218	353,035	80	0	413,253	0	70	0	7
							Post 2000 Pictured Cliffs Average		0	0	151,038	398,425	343	0	548,463	0	79	0	7

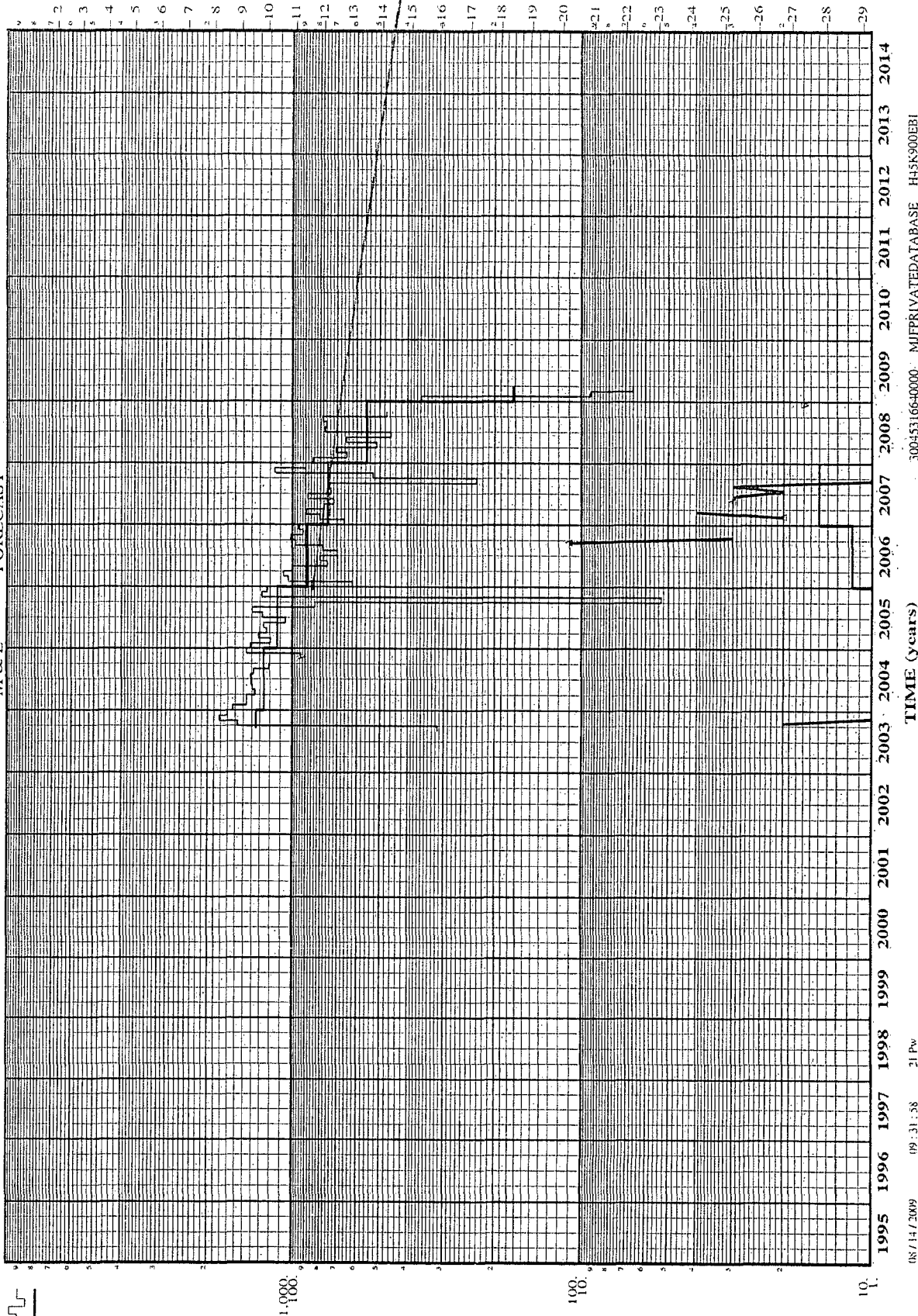
	Bbls EUR OIL	MMCF EUR GAS	Bbls CUM WATER
Pictured Cliffs	0	550	343
Chacra	168	248	99
Total	168	798	442

	% OIL	% GAS	% WATER
Pictured Cliffs	0%	69%	78%
Chacra	100%	31%	22%
Total	100%	100%	100%

Allocation based on the EUR of wells in the surrounding 9 sections completed in the Pictured Cliffs or Chacra zones.

[illegible]

GAS (mcf/mo)



MORRIS GAS COM IR

XTO ENERGY
AZTEC (PICTURED CLIFFS)
SAN JUAN, NEW MEXICO

SAN JUAN
71947

BASE
506471

26M 29N 10W
RWT

JIC FDR LWF

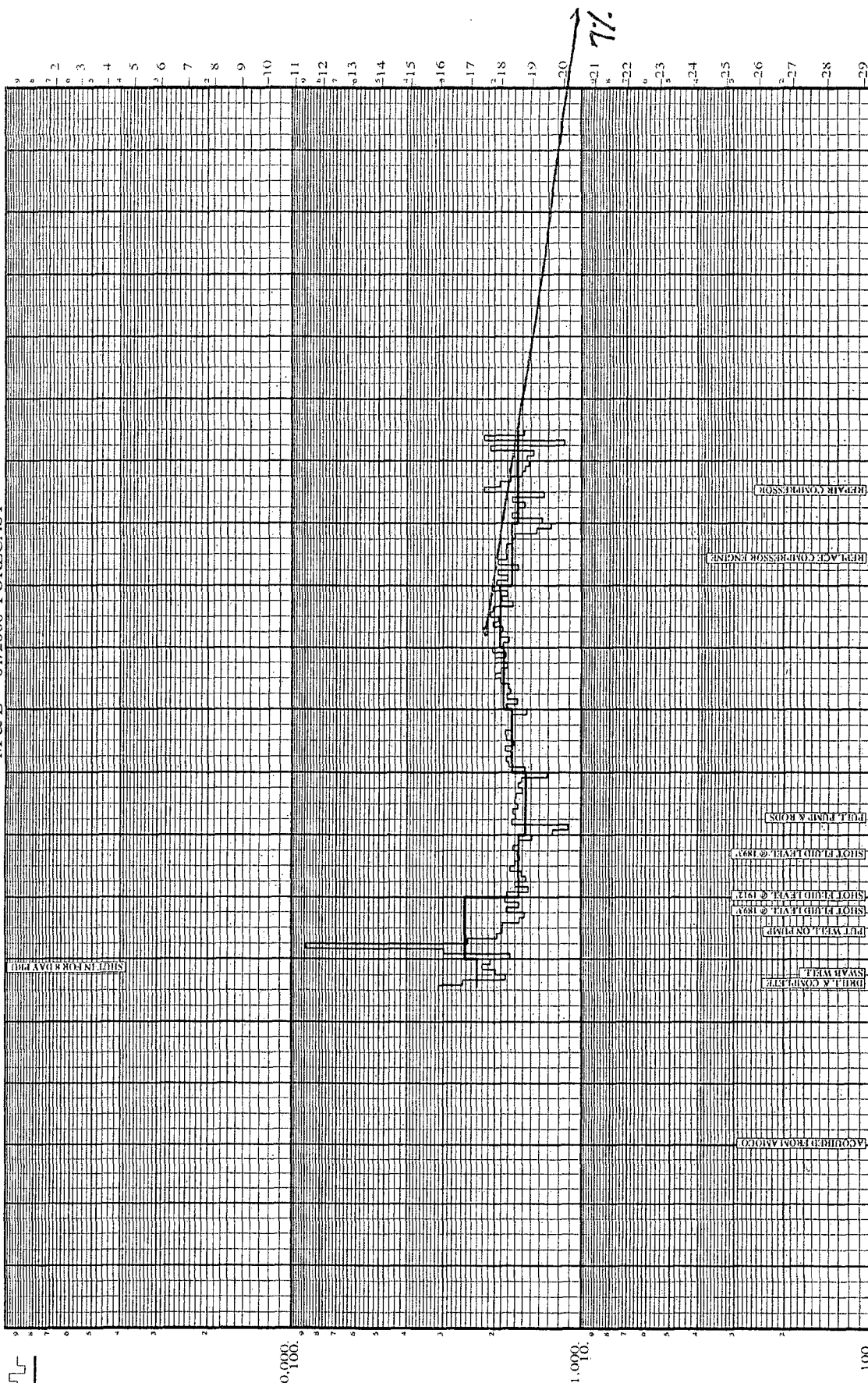
M & L - 01/2006 FORECAST

Oil (bbls/mo)	Gas (mcf/mo)	Oil (bbls)	Gas (mcf)	Res. Cat. Life	PDP
0	1,243	0	126,001	As-of-Date	23,500
0	328	0	243,560	Settings	01/2006
0.0 %	7.0 %	0	369,561	Scenario	RR06SEC
			165,552	DBS	CTOC
					SAN JUAN
Oil Price (\$/bbl)	Gas Price (\$/mcf)	Flat Life (years)	Final Production	2004 Net Cash Flow	P.W. @ 10.0 %
100.00000 %	5.48	16.9	07000106009	\$ 63,734	\$ 614,338
NR1 - 87.69531 %	0.00				

Run Date: 02/08/06
Run Time: 13:12:07

GAS (mcf/mo)
OIL (bbls/mo)

✓
A



TIME (years) 300453007000000 ADPRIVATEDATABASE SISPLIT00851 CONVENTIONAL 506471

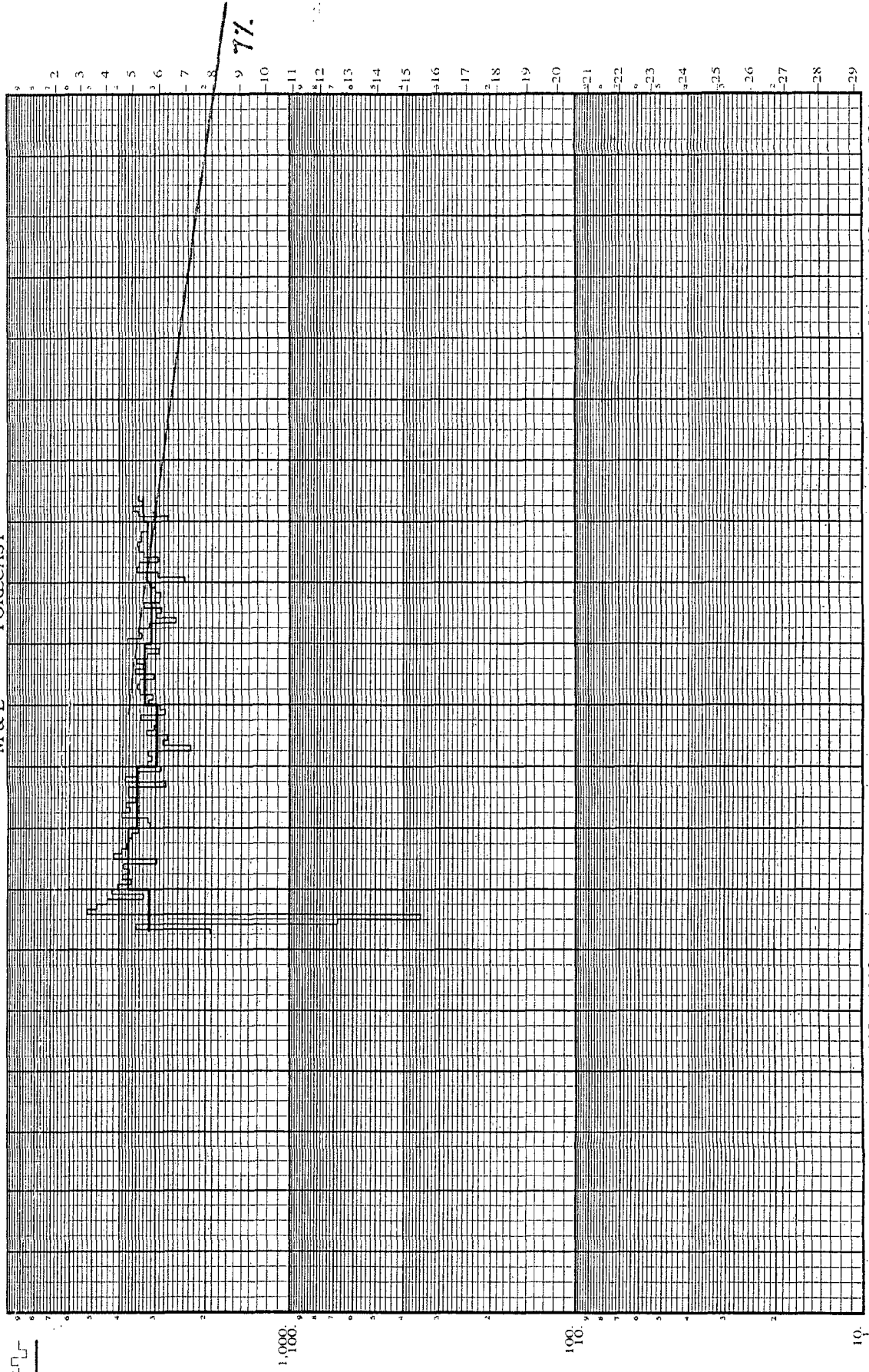
LACKEY 4R
ENERGEN RESOURCES CORPORATION
AZTEC (PICTURED CLIFFS)
SAN JUAN, NM
19NE 29N 9W
MJF

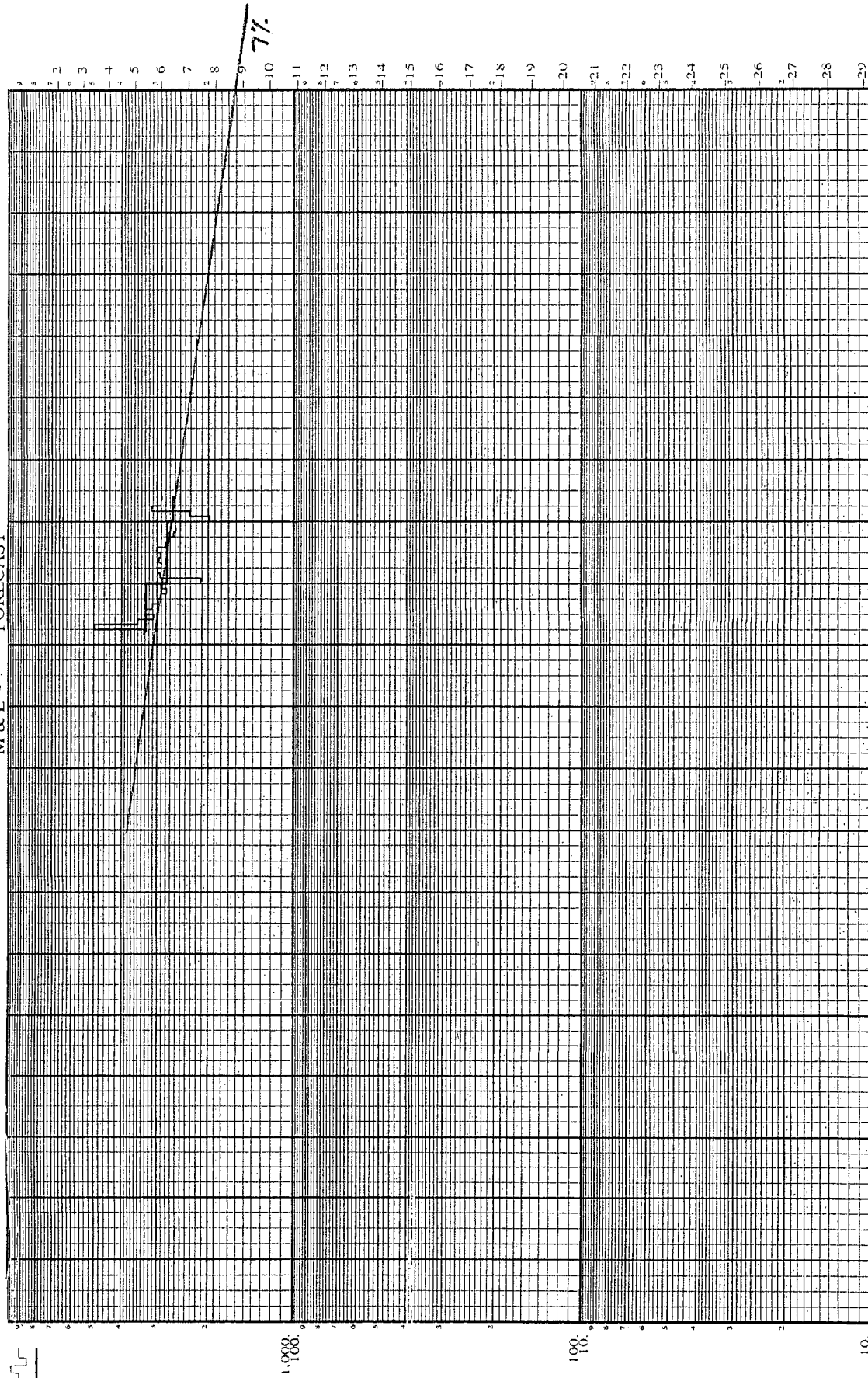
Oil (bbls/mo)	Gas (mcf/mo)	Oil (bbls)	Gas (mcf)	Res. Cur. Life	0.000
Q1	0	0	281,340	As-of-Date	
Q2	0	0		Settings	CTOC08
Decline	0.0 %	0.0 %		Scenario	SANJUAN
				DBS	
Oil Price (\$/bbl)	Gas Price (\$/mcf)	OPC (\$/bbl)	Flat Life (Years)	First Last Production	Net Cash Flow
0.00	0.00	0.00	0.0	04/01/05	08/08/08
Oil Price (\$/bbl)	Gas Price (\$/mcf)	OPC (\$/bbl)	Flat Life (Years)	First Last Production	Net Cash Flow
0.00	0.00	0.00	0.0	04/01/05	08/08/08
Oil Price (\$/bbl)	Gas Price (\$/mcf)	OPC (\$/bbl)	Flat Life (Years)	First Last Production	Net Cash Flow
0.00	0.00	0.00	0.0	04/01/05	08/08/08
Oil Price (\$/bbl)	Gas Price (\$/mcf)	OPC (\$/bbl)	Flat Life (Years)	First Last Production	Net Cash Flow
0.00	0.00	0.00	0.0	04/01/05	08/08/08

Run Date :
 Run Time :

GAS (mcf/mo) ☐
 OIL (bbls/mo) ☒

M & L - FORECAST



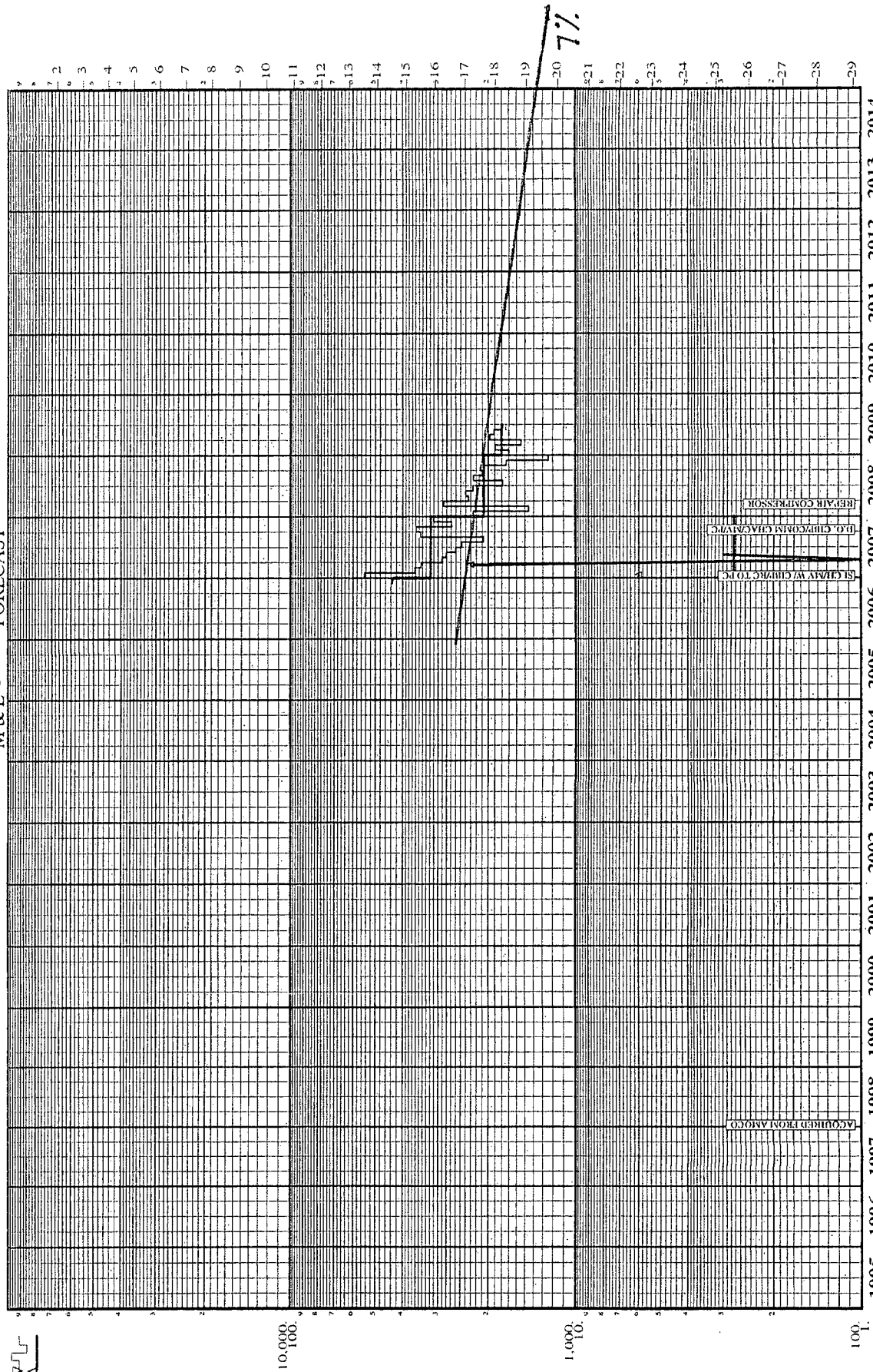
[illegible]OIL (bbls/mu)
S (mcf/mu)

Oil (bbls/mo)		Gas (mcf/mo)	Oil (bbls)		Gas (mcf)	Res. Cat.	POP
Oil	0	0	33	78,217	78,217	Life	0.000
Gel	0	0	0	0	0	As-of-Date	
Decline	0.0 %	0.0 %	33	78,217	78,217	Scenario	CTOC
			Net Remaining	0	0	DBS	SANJUAN
Oil Price (\$/bbl)		Gas Price (\$/mcf)	OPC (\$/bbl)	First Last Production	Net Cash Flow	P.W. @ 0.0 %	
0.00		4.86	0.00	1 06609	\$ 0	\$ 0	
W1: 75.00000 %							
NRI: 65.62500 %							

Run Date:
Run Time:

GAS (mcf/mo)
OIL (bbls/mo)

M & L - FORECAST



I. During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 percent.
[1-1-50...2-1-96; 19.15.5.301 NMAC - Rn, 19 NMAC 15.E.301, 5-15-00]

19.15.5.302 SUBSURFACE PRESSURE TESTS:

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the division within 30 days after the completion of such discovery well. On or before December 1 of each calendar year the division shall designate the months in which subsurface pressure tests shall be taken in designated pools. Included in the designated list shall be listed the required shut-in pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the division's list, the division shall issue a supplementary bottom hole pressure schedule. Tests as designated by the division shall only apply to flowing wells in each pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall be calibrated against an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one percent. Unless otherwise designated by the division all wells shall remain completely shut in for at least 24 hours prior to the test. In the event a definite datum is not established by the division the subsurface determination shall be obtained as close as possible to the mid-point of the productive sand of the reservoir. The report shall be on form C-124 and shall state the name of the pool, the pool datum (if established), the name of the operator and lease, the well number, the wellhead elevation above sea level, the date of the test, the total time the well was shut in prior to the test, the subsurface temperature in degrees fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge (corrected for calibration and temperature), the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane and any other information as required by form C-124.

[1-1-50...2-1-96; 19.15.5.302 NMAC - Rn, 19 NMAC 15.E.302, 5-15-00]

19.15.5.303 SEGREGATION OF PRODUCTION FROM DIFFERENT POOLS OR LEASES:

A. In general

(1) Pool segregation required - Each pool shall be produced as a single common source of supply and wells therein shall be completed, cased, maintained, and operated so as to prevent communication within the wellbore with any other pool. Oil, gas, or oil or gas produced from each pool shall at all times be segregated, and the combination commingling of production, before marketing, with production from any other pool without division approval is prohibited.

(2) Lease segregation required - Oil, gas, or oil and gas shall not be transported from a lease until it has been accurately measured or determined by other methods acceptable to the division. The production from each lease shall at all times be segregated, and the combination or commingling of production, before marketing, with production from any other lease without division approval is prohibited.

(3) Exceptions. Exceptions to Paragraphs (1) and (2) of Subsection A of 19.15.5.303 NMAC may be permitted for surface commingling, downhole commingling and off-lease storage and/or measurement pursuant to Subsections B, C and D of 19.15.5.303 NMAC, respectively. Exceptions granted by previous orders of the division remain in effect in accordance with their terms and conditions.

B. Surface commingling - oil gas or oil and gas

(1) Introduction - To prevent waste, to promote conservation and to protect correlative rights, the division shall have the authority to grant exceptions to permit the surface commingling of oil, gas or oil and gas in common facilities from two or more pools, two or more leases or combinations of pools and leases provided that:

(a) the method used to allocate the production to the various leases or pools to be commingled is approved by the division;

(b) if federal, Indian or state lands are involved, the United States bureau of land management or the commissioner of public lands for the state of New Mexico (as applicable) has been notified of the proposed commingling; and

(c) all other applicable requirements set out in Subsection B of 19.15.5.303 NMAC are met.

(2) Definitions - For purposes of Section 303 of 19.15.5 NMAC only, the following definitions shall apply:

(a) Lease. "Lease" means a contiguous geographical area of identical ownership overlying a pool or portion of a pool. An area pooled, unitized or communitized, either by agreement or by division order, or a participating area shall constitute a lease. If there is any diversity of ownership between different pools, or between different zones or strata, then each such pool, zone or stratum having such diverse ownership shall be considered a separate lease.

(b) Diverse ownership. "Diverse Ownership" exists if leases or pools have any different working, royalty or overriding royalty interest owners or any different ownership percentages of the same working, royalty or overriding royalty interest owners.

(c) Identical ownership. "Identical Ownership" exists if leases or pools have all the same working, royalty and overriding royalty owners in exactly the same percentages.

(3) Specific requirements and provisions for commingling of leases, pools or leases and pools with identical ownership.

(a) Measurement and allocation methods.

(i) Well test method - If all wells or units to be commingled are marginal and are physically incapable of producing the top unit allowable for their respective pools, or if all affected pools are unprorated, commingling shall be permitted without separately measuring the production from each pool or lease. Instead, the production from each well and from each pool or lease may be determined from well tests conducted periodically, but no less than annually. The well test method shall not apply to wells or units that can produce an amount of oil equal to the top unit allowable for the pool but are restricted because of high gas-oil ratios. The operator of any such marginal commingling installation shall notify the division at any time any well or unit so commingled under this subsection becomes capable of producing the top unit allowable for its pool, at which time the division shall require separate measurement.

(ii) Metering method - Production from each pool or lease may be determined by separately metering before commingling.

(iii) Subtraction method - If production from all except one of the pools or leases to be commingled is separately measured, the production from the remaining pool or lease may be determined by the subtraction method as follows: For oil, the net production from the unmetered pool or lease shall be the difference between the net pipeline runs with the beginning and ending stock adjustments and the sum of the net production of all metered pools or leases. For gas, the net production from the unmetered pool or lease shall be the difference between the volume recorded at the sales meter and the sum of the volumes recorded at the individual pool or lease meters.

(iv) Top allowable producers - If any well or unit in a prorated pool to be commingled can physically be produced at top unit allowable rates (even if restricted because of high gas-oil ratios), commingling may be permitted only if the production from such unit is metered prior to commingling, or determined by the subtraction method.

(v) Alternative methods - Production from each pool or lease to be commingled may also be determined by any other method specifically approved by the division prior to commingling. The division shall determine what evidence is necessary to support any request to use an alternative method.

(b) Approval process. Prior to commingling, the applicant shall notify the division by filing form C-103 (sundry notices and reports on wells) in the Santa Fe office with the following information set forth therein or attached thereto: