



TWO WARREN PLACE / SUITE 1500 / 6120 S YALE / TULSA, OKLAHOMA 74136-4224

WWW.APACHECORP.COM
Telephone (918) 491-4900

November 24, 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
Chesterfield #2 - House Field – API 30-025-39573
Unit H, Section 14, 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 Chesterfield #2 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 Chesterfield #2. 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,

Jeff Frederick, P.E.
Production Engineer

Enclosures

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Dnnkard	Blinbry	Tubb	Dnnkard	Blinbry	Tubb	Dnnkard
RHINO	2	3002538484	11N 20S 38E SE NE SW	6826	1814	3628	18613	12319	0	0	0	0
MAGNOLIA	1	3002538660	11E 20S 38E NE SW NW	3932	3415	2403	53774	10235	10199	13851	1873	22533
DIXIE QUEEN	2	3002538661	11P 20S 38E NE SE SE	7110	1883	2031	30019	13152	19145	0	0	0
HESTER 12	10	3002538662	12O 20S 38E NE SW SE	2971	91	722	18538	1898	5067	18005	1023	2660
HESTER 12	11	3002538663	12P 20S 38E SW SE SE	1041	857	1537	56849	55392	5201	4588	5793	3089
BIG KICK	2	3002538664	13C 20S 38E SE NE NW	5509	894	2197	15563	0	39133	26201	10405	3466
HOUSE	2	3002538665	13D 20S 38E SE NW NW	3427	1478	0	21373	1798	0	0	0	0
M & M	7	3002538666	24E 20S 38E NE SW NW	827	340	0	4237	1649	0	3430	1077	0
PAYDAY	4	3002538667	24L 20S 38E NE NW SW	3256	6441	0	6216	32491	0	6044	5751	0
LUCKY STRIKE	2	3002538688	14I 20S 38E SW NE SE	2529	402	0	13364	1844	0	0	0	0
BUGLER	2	3002538689	13L 20S 38E SW NW SW	3629	350	0	31069	4914	0	9490	1308	0
MELOT	2	3002538700	11C 20S 38E NW NE NW	10360	2841	1116	25444	3782	11030	12247	11994	8994
HESTER 12	9	3002538791	12K 20S 38E NE NE SW	1246	810	2582	27530	3972	2963	14280	4314	7378
MAGNOLIA	2	3002539090	11D 20S 38E NE NW NW	658	210	1762	29801	16255	44252	7756	1662	1662
TOTALS				1,648,473	773,427	1,355,802	15,041,895	7,771,895	9,587,934	2,082,396	654,243	706,252
AVERAGES				16,651	7,812	13,695	151,938	78,504	96,848	21,034	6,609	7,134

Proposed Allocations	Oil	Gas	Water
Blinbry	44%	46%	60%
Tubb	20%	24%	19%
Dnnkard	36%	30%	21%
TOTAL	100%	100%	100%