



March 1, 2010

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

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RE: Application for Downhole Commingling
L&M #3 - House Field – API 30-025-39652
Unit N, Section 2, T-20-S, R-38-E
Blinebry, Tubb, and Drinkard Pools
Lea County, New Mexico

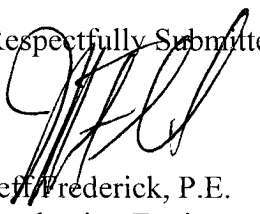
Mr. Kautz:

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 L&M #3 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 crossflow 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 L&M #3. 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	10DIGITAP	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blneby	Tubb	Dnnkard	Blneby	Tubb	Dnnkard	Blneby	Tubb	Dnnkard
L D JONES	1	3002507722	1H 20S 38E SE NE	3476	0	0	186180	0	0	5043	0	0
PHILLIPS HOUSE STATE	1	3002507725	2O 20S 38E	0	0	100935	0	0	471023	0	0	25005
STATE U	1	3002507727	2P 20S 38E	0	0	157611	0	0	97687	0	0	184324
ARNOLD A	1	3002507761	11F 20S 38E	0	27025	670	0	1352396	0	0	4442	0
HOUSE B	1	3002507764	11P 20S 38E	0	9855	0	0	118752	0	0	0	0
BLANKENSHIP	1	3002507766	12E 20S 38E	0	0	54657	0	0	16638	0	0	7010
BLANKENSHIP	2	3002507767	12L 20S 38E	3791	0	134312	9124	0	1177187	2063	0	37126
BLANKENSHIP	3	3002507768	12M 20S 38E NE SW SW	4252	8553	39616	26660	45412	2435461	2879	14635	22235
CONE A	1	3002507770	12F 20S 38E	0	16597	206383	0	65480	235977	0	56289	83804
CONE B	1	3002507771	12J 20S 38E	0	0	239833	0	0	591551	0	0	69199
HESTER 12	3	3002507772	12O 20S 38E	0	0	150171	0	0	853402	0	0	32702
HESTER 12	2	3002507773	12N 20S 38E	0	0	82932	0	0	540453	0	0	17896
HESTER 12	1	3002512549	12K 20S 38E	0	0	97448	0	0	457760	0	0	16669
HOWSE C	1	3002522165	11H 20S 38E SE NE	0	0	26370	0	0	143078	0	0	6340
CONE B	2	3002525921	12G 20S 38E	0	0	398	0	0	86772	0	0	1460
WERTA FEDERAL	1	3002527696	35O 19S 38E SW SE	40459	14640	11778	197694	10262	24012	48571	10929	29470
L & M	1	3002528287	2L 20S 38E C S2 SW	0	9140	0	0	127083	0	0	0	0
FRANCES EVELYN	1	3002532163	35N 19S 38E SE SW	5470	0	0	61072	0	0	35070	0	0
PICAYUNE	1	3002534734	11J 20S 38E C NW SE	0	12856	24017	193	63583	369081	0	0	17895
DREESSEN	1	3002534857	1G 20S 38E C SW NE	2199	0	0	7175	0	0	23039	0	0
HOWSER	1	3002534970	1J 20S 38E C NW SE	1371	0	0	28097	0	0	35934	0	0
MERIT	1	3002535240	11O 20S 38E E2 SW SE	0	9027	0	0	564424	0	0	7350	0
REDTAG	1	3002535333	2J 20S 38E NW NW SE	23459	3936	384	60972	9314	3892	3480	0	0
MERIT II	1	3002535448	11G 20S 38E C SW NE	1485	15873	21816	6848	24740	150566	0	11887	19464
DUKES	1	3002535614	11K 20S 38E E2 NE SW	0	7818	28814	0	38544	120251	0	8390	26341
REDTAG	2	3002535630	2K 20S 38E NE NE SW	13675	0	0	828126	0	0	2484	0	0
DIXIE QUEEN	1	3002536421	11P 20S 38E S2 SE SE	0	6860	0	0	482762	0	0	0	0
WHITE OWL	1	3002536689	2 20S 38E NW NW NW	29580	0	0	109911	0	0	9450	0	0
HESTER 12	6	3002536795	12N 20S 38E SW SE SW	23728	7353	8428	295604	163203	50078	20242	4795	4301
HESTER 12	4	3002536800	12O 20S 38E SW SW SE	14299	3626	3223	248388	90941	82478	30000	0	1771
PLOW BOY FEDERAL	1	3002536962	35J 19S 38E NW NW SE	19975	0	0	58990	0	0	0	0	0
ROUND-UP	1	3002537100	35H 19S 38E SW SE NE	0	0	5777	0	0	9331	0	0	0
SALEM	1	3002537316	3A 20S 38E SE NE NE	1638	0	8264	5455	0	24769	2557	0	945
HESTER 12	8	3002538076	12K 20S 38E SW NE SW	10716	2920	2798	109593	69730	44221	7818	8821	3409
HESTER 12	5	3002538211	12P 20S 38E NW SE SE	16621	4620	8651	158147	65948	61479	31425	4884	0
HESTER 12	7	3002538369	12N 20S 38E NE SE SW	4732	5512	2039	40486	38426	21525	13075	6563	7512
MELOT	1	3002538370	11C 20S 38E SW NE NW	3212	4130	1834	33069	25720	14700	15808	15358	14005
BLANKENSHIP	4	3002538397	12L 20S 38E NE NW SW	2020	2172	4816	9176	15416	17122	6937	2869	2153
BLANKENSHIP	5	3002538399	12M 20S 38E SW SW SW	9264	3331	4067	34953	60020	180026	13718	3048	2288
BLANKENSHIP	6	3002538400	12L 20S 38E SW NW SW	5330	3687	825	22301	1122	40375	4779	351	6524
RHINO	2	3002538484	11N 20S 38E SE NE SW	6622	1751	3503	17974	11856	0	0	0	0
MAGNOLIA	1	3002538660	11E 20S 38E NE SW NW	3772	3219	2243	51486	9771	9635	13478	1784	21218
DIXIE QUEEN	2	3002538661	11P 20S 38E NE SE SE	6721	1772	1737	27270	11850	15962	0	0	0
HESTER 12	10	3002538662	12O 20S 38E NE SW SE	2851	58	461	17265	1224	3269	16856	648	1686
HESTER 12	11	3002538663	12P 20S 38E SW SE SE	1007	818	1455	54416	52800	4937	4393	5494	2887
MELOT	2	3002538700	11C 20S 38E NW NE NW	9867	2615	1027	24697	3612	10536	11904	10966	8223
HESTER 12	9	3002538791	12K 20S 38E NE NE SW	1187	775	2409	25797	3826	2754	13680	4236	6945
MAGNOLIA	2	3002539090	11D 20S 38E NE NW NW	559	179	1501	25507	13912	37875	6731	1442	1442
TOTALS				273,338	190,718	1,443,203	2,782,626	3,542,129	8,405,863	381,414	185,181	682,249
AVERAGES				5,695	3,973	30,067	57,971	73,794	175,122	7,946	3,858	14,214

Proposed Allocations	Oil	Gas	Water
Blneby	14%	19%	31%
Tubb	10%	24%	15%
Dnnkard	76%	57%	54%
TOTAL	100%	100%	100%