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April 28, 2010

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

**RE: Application for Exception to Rule 303-C – Downhole Commingling
State 36 #1
Unit N, Section 36, T-22-S, R-37-E
Blinebry Oil & Gas (Oil), Tubb Oil & Gas (Oil) & Brunson; Drinkard-Abo, S
Lea County, New Mexico**

Dear Mr. Kautz,

Enclosed please find form C-103 and attachments for downhole commingling the captioned well. The ownerships (WI, NRI and ORRI) of these pools are identical in this wellbore. The fluids from each of these pools are compatible as seen in other similar commingles in the area. Combining these fluids will not result in any damage to these pools. Commingling will improve the efficiency of present and future recovery operations. Cross flow will not be a problem due to having a production lift system capable of keeping the well pumped off thereby maximizing production. This commingling will not reduce the value of the total remaining production.

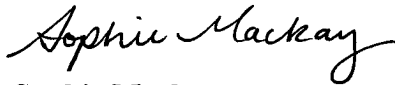
The allocation method used for this well was determined by analyzing the cumulative oil, gas and water production in a nine section area of review surrounding this well. Supporting documentation is shown on the attached spreadsheet. Production for active and inactive wells was grouped by pool in the area of review. The totals for each phase were then divided by the number of wells associated with this pool yielding an average. This average was used to determine the percentage allocation.

The main reason for using this method is based on economics and minimizing reservoir damage. Past completion practices had all three zones perforated and fracture stimulated during one full week. Each zone was isolated by a retrievable bridge plug to allow for production testing of each zone for allocation purposes. This testing period lasted as long as one month before a stabilized rate was observed thus allowing the next zone to be brought on and tested. During this time period the completion fluids used were still confined to the other reservoirs causing gel damage. It is a common practice to get these fluids out of the wellbore as soon as possible to help maximize productivity. On a cost basis it is more expensive to have a completion rig move in and out multiple times to bring on each new zone. Several other factors such as weather, other new completions and regulatory well work may interfere with these new wells.

The area of review used encompasses what has been accepted as a good statistical representation for allocation purposes. By using this allocation method all zones will be brought online in a more effective and efficient manner. This will in turn generate a higher productive rate and quicker revenue streams not only for the operator but for the State of New Mexico too.

If you need additional information or have any questions, please give me a call at (918) 491-4864.

Sincerely,

A handwritten signature in black ink that reads "Sophie Mackay". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

**Sophie Mackay
Engineering Technician**

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard
AMANDA	1	3002510449	25J 22S 37E	35221	26557		3358422	2187910		7545	43	
ELLA	1	3002510450	25A 22S 37E	98982		27370	1150338		1219115	10903		711
ELLA DRINKARD	1	3002510451	25C 22S 37E	73447			8511153			32199		
SIMS	1	3002510452	25F 22S 37E	39836	20610		5887479	1200988		920	4499	
SIMS	2	3002510453	25F 22S 37E		20347			1250534			7044	
SIMS	3	3002510454	25K 22S 37E		9			170214				
DRINKARD ESTATE	4	3002510455	25H 22S 37E	113894		53375	6441865		1065578	13218		376
DRINKARD ESTATE	5	3002510456	25G 22S 37E		4823	57772		973595	1416797			
GULF SIMS	1	3002510457	25P 22S 37E N2 SE SE	7620		28138	556557		1881511	4368		270
AMANDA SIMS	1	3002510458	25I 22S 37E			73370			2366048			111
ALLIE M LEE	1	3002510462	26I 22S 37E	31922			210543			91		
BAKER A	1	3002510463	26D 22S 37E			116748			121934			28754
BAKER A	5	3002510467	26E 22S 37E			47093			376325			28388
BAKER C	1	3002510469	26A 22S 37E	62524			1717733			27678		
MAY	1	3002510588	35B 22S 37E	302						1016		
STATE BD 36	1	3002510589	36J 22S 37E	29232	308	2514	343229	4976	14285	7951	1245	621
STATE 36	1	3002510590	36K 22S 37E	80289			760538					
GULF STATE	1	3002510591	36A 22S 37E	20947	16910		981418	2543532				
SHELL STATE	1	3002510592	36D 22S 37E	750			11668					
DRINKARD NCT B	2	3002512157	30J 22S 38E	123502		153383	2744874		2476239	22311		9706
DRINKARD NCT B	1	3002512158	30P 22S 38E	45383		140001	2709129		1022153	7202		9548
VIVIAN	1	3002512159	30C 22S 38E	79736	49850	296139	1680238	3217479	2518378	24197	2392	17318
VIVIAN	2	3002512160	30G 22S 38E	80615	30345	56143	1813018	4033670		55159	322	
VIVIAN	3	3002512161	30E 22S 38E	54333		68647	1931050		852624	16221		2231
VIVIAN	4	3002512162	30H 22S 38E	118814		69300	2827738		79702	49429		3766
VIVIAN	5	3002512163	30D 22S 38E	202858			6966932			18509		
VIVIAN	6	3002512164	30B 22S 38E	84978			1019533			26664		
GULF DRINKARD	1	3002512165	30M 22S 38E	17089	149	28969	3154051	7561	3066719	473	472	30628
A M DRINKARD	1	3002512167	30I 22S 38E NE SE	18751	45282	84271	389625	2061070	2586822	2080		338
DRINKARD B	2	3002512168	30L 22S 38E		25997	16891		1603894	2033800			
SCARBOROUGH ESTATE	1	3002512169	31A 22S 38E	66354	9168	96418	1233940	442671	1625905	12110	59461	5189
SCARBOROUGH	2	3002512170	31H 22S 38E	69969	46937	8967	2065245	5684737		45590	7345	
SCARBOROUGH ESTATE	3	3002512171	31I 22S 38E C NE SE	29767	6390	16538	828636	153065	700096	6869	7751	3742
SCARBOROUGH ESTATE	4	3002512172	31F 22S 38E	16102	32664	19429	801697	3295551	202047		644	20271
SCARBOROUGH ESTATE	5	3002512173	31J 22S 38E	77876			2150911			7654		
SCARBOROUGH ESTATE	6	3002512174	31G 22S 38E	39205			792121			3957		
NCT 3	1	3002512175	31D 22S 38E	58984	26762		2938282	2833059		2167	900	
NCT-3	2	3002512176	31B 22S 38E	63291			841748			14533		
NCT-4	1	3002512177	31P 22S 38E	66723	31545	52798	1112915	2681012	1589131	8151	4499	11419
NCT 4	2	3002512178	31O 22S 38E	40078		53476	347988		885446	15893		11395
ELLIOTT FEDERAL	1	3002512199	6G 23S 38E	26006	23919	12579	14822	138218		3417	12208	
H V PIKE	1	3002512200	6 23S 38E	146437	12704		898070	294958		59080	1516	
PIKE FEDERAL	1	3002512201	6 23S 38E	56956	21897	31644	1066466	1936470	504260	22709	8036	9429
PARCELL FEDERAL	1	3002512202	6I 23S 38E			27031						
NCT-3	3	3002520026	31E 22S 38E	96768		14386	1409532		246391	16392		4243
VIVIAN	7	3002520186	30A 22S 38E	72364			1997482			23691		
NCT 4	3	3002520211	31O 22S 38E	11462	1148		54469	528388		1950	137	
SCARBOROUGH ESTATE	8	3002520342	31L 22S 38E	60888	184895		1142699	1318339		6281	28131	
SCARBOROUGH ESTATE	7	3002520435	31K 22S 38E	98876		9916	1424707		31762	35321		1601
STATE B	1	3002520594	36I 22S 37E	92526		56428	2024454		1528317	38089		19238
NEW MEXICO D	1	3002520783	36H 22S 37E	75875		12442	2686276		2048630	21733		11854
NCT 4	4	3002520921	31M 22S 38E	28464		42545	408830		349115	7483		8771
NCT-4	5	3002520922	31N 22S 38E	50268		22275	568337		133435	13512		4323
STATE JJ 36	1	3002521020	36G 22S 37E	73877			2345869			18284		
STATE BD 36	2	3002521456	36P 22S 37E	49364			524463			58538		
E E DRINKARD	2	3002522132	25E 22S 37E	19894			392691			21874		
BAKER	2	3002522621	26A 22S 37E		3254				540978			919
BAKER	1	3002522884	26B 22S 37E		28996				1737950			6338
DRINKARD NCT B	3	3002523470	30O 22S 38E	13950		49457	104865		3225445	4955		78781
VIVIAN	1	3002523904	30F 22S 38E			162532			4962528			14291
VIVIAN	2	3002523976	30K 22S 38E			52949			3999777			14926
VIVIAN	3	3002523977	30N 22S 38E			46249			2527738			45858
MONUMENT DRAW 6	1	3002524116	6M 23S 38E			44392			104928			53140
KEOHANE	1	3002524620	26I 22S 37E	7079	10	4455	41444	105	3260	19202	21	232
VIVIAN	8	3002524736	30D 22S 38E NW NW			17778			4486265			8109
ELLA	2	3002524950	25B 22S 37E	17061		12556	409162		155983	12979		3598
VIVIAN	2	3002525213	30G 22S 38E SW NE		34493	45653		4581526	509746		831	28044
VIVIAN	10	3002525257	30B 22S 38E SW NW NE			42054			666228			25536
VIVIAN	11	3002525291	30A 22S 38E		8280	76988		168870	478341		8109	18054
VIVIAN	12	3002525414	30C 22S 38E NE NW			37015			545141			11393
A M DRINKARD	2	3002525451	30I 22S 38E			94843			1144969			4285
DRINKARD NCT B	4	3002525462	30J 22S 38E		6484			349933			21172	
DRINKARD NCT B	5	3002525519	30O 22S 38E			219			9830			1282
DRINKARD ESTATE	5	3002525544	25G 22S 37E NE SW NE	2599	4823	37448	58878	973595	1435504	1113		5577
DRINKARD NCT B	1	3002525599	30P 22S 38E	57906		39624	3093899		663918	10491		20064
H V PIKE	2	3002525688	6 23S 38E	41215			299307			41788		
DRINKARD ESTATE	7	3002525777	25H 22S 37E W2 SE NE		1255	87286		41083	2671039		124	5433
SCARBOROUGH ESTATE	9	3002526428	31G 22S 38E			5179			363240			5203
ELLIOTT	2	3002526600	6H 23S 38E			6950			517703			4856
AMANDA SIMS	2	3002526711	25I 22S 37E	13619		8088	1474995		86092	60545		
NCT 3	4	3002527624	31C 22S 38E NE NW	54701		75165	1234739		722056	24034		9431
GULF STATE	1	3002528425	2N 23S 37E			193						355
DRINKARD NCT B	7	3002528590	30K 22S 38E	13574	11651		328349	1353799		22701	25606	
VIVIAN	13	3002528591	30F 22S 38E	73752	2082		831592	498357		43702	9546	
DRINKARD NCT B	8	3002528594	30N 22S 38E	26445	10979		568031	837510		33995	25138	

Lease Name	Well Number	10DIGITAP	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinebry	Tubb	Drinkard	Blinebry	Tubb	Drinkard	Blinebry	Tubb	Drinkard
NCT-3	5	3002528814	31D 22S 38E			54266			1979647			18483
LEA ACL STATE	1	3002528910	36B 22S 37E NW NE	14751		13186	111437		308968	16693		20126
AMANDA	3	3002529975	25O 22S 37E SW SE	31792			956080			16965		
SARAH B	3	3002532178	1M 23S 37E SW SW	3853	1755		39738	27252		10782	7935	
NCT-3	6	3002533666	31 22S 38E	14819			402033			7675		
SHIRLEY BOYD	1	3002534808	26D 22S 37E NW NW NW	14979	286		280137	6778		8670	156	
H V PIKE	3	3002534951	6 23S 38E C NW NW			20427			46345			8803
KEOHANE	1	3002535050	26J 22S 37E SW NW SE	6001	3796	1520	27743	18939	10258	73429	50140	30113
SCARBOROUGH ESTATE	10	3002539064	31K 22S 38E NE NE SW	5345	2075		8824	24497		4615	4236	
NCT-3	7	3002539215	31B 22S 38E S2 NW NE	5891	2678		28502	51916		10949	2433	
TOTALS				3,328,731	729,863	2,863,918	95,539,536	47,496,051	66,846,442	1,218,695	302,092	687,471
AVERAGES				49,683	19,726	47,732	1,447,569	1,283,677	1,215,390	19,344	9,745	12,971

Proposed Allocations	Oil	Gas	Water
Blinebry	42%	37%	46%
Tubb	17%	33%	23%
Drinkard	41%	30%	31%
TOTAL	100%	100%	100%