



May 7, 2010

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

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RE: Application for Exception to Rule 303-C – Downhole Commingling
State C Tract 13 #14
Unit F, Section 36, T-21-S, R-37-E
Blinebry Oil & Gas (Oil), Tubbs Oil & Gas (Oil) & Drinkard
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, appearing to read 'S. Mackay', with a stylized flourish at the end.

**Sophie Mackay
Engineering Technician**

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Drinkard	Blinbry	Tubb	Drinkard	Blinbry	Tubb	Drinkard
SARKEYS	2	3002506779	25D 21S 37E	36142	22081		1203106	617978		20520	5304	
EVA OWENS A	1	3002506780	25M 21S 37E	81382	85869	6959	3315364	2566472		15206	5365	
SARKEYS	1	3002506781	25E 21S 37E	38844	34734		1272863	533892		30326	16211	
CHEVRON S E CONE	1	3002506783	26K 21S 37E	145620	4466	111350	3436752	180691	1239119	26376	3938	12325
SARKEY A	1	3002506784	26G 21S 37E	175541		101857	3610186		2590287	26506		4931
S J SARKEYS	1	3002506785	26B 21S 37E	115428	8064	9822	2781238	2436040		18807	18	
S E CONE	1	3002506786	26J 21S 37E	55418	28772	119992	2762977	1773572	1149309	12443	13339	31240
J R CONE AB	1	3002506787	26M 21S 37E C SW SW	89007	10290	102379	4228911	801347	1195799	31687	1119	5915
J R CONE A	2	3002506788	26L 21S 37E C NW SW	64833	15903	91312	816586	1262308	3881220	30154	941	17694
J R CONE B	1	3002506789	26N 21S 37E	29185	1432	104762	767022	4720215	2033	8429	616	
ELMER C HILL	1	3002506790	26P 21S 37E	120433			1260343			7282		61
S J SARKEYS	1	3002506791	26E 21S 37E C SW NW	58878	21329	120420	1439301	2490525	3159081	7418	36243	5543
S J SARKEYS 26	2	3002506792	26D 21S 37E C NW NW	332022		116633	4667205		1546941	38498		3257
S J SARKEYS	3	3002506793	26C 21S 37E C NE NW	105402		108245	4525774		1167335	7131		6489
S J SARKEYS	4	3002506794	26F 21S 37E	91391	25963	78934	3304159	2477251		18043		
J R CONE B	2	3002506860	26O 21S 37E	108919		202964	2868979		1230250	42815		1492
OWEN	1	3002507021	35P 21S 37E SE SE	45749		222562	278469		1151266	6639		209
OWEN	2	3002507023	35O 21S 37E	3213		226436	1338419		815187	21		1006
OWEN	3	3002507024	35J 21S 37E	9204	36802	205046	194226	2821039	1236600	5857		
OWEN	7	3002507028	35I 21S 37E	63009		212012	539403		572101	178845		
LOCKHART B 35	1	3002507029	35G 21S 37E	59010	88308	113118	418787	5301018	550309	17988	18077	3526
LOCKHART A 35	1	3002507030	35D 21S 37E	39881		211348	3264814		888086	59703		2319
LOCKHART A 35	2	3002507031	35F 21S 37E	74739	6732	191681	683402	268189		20266	4473	
LOCKHART A 35	3	3002507032	35C 21S 37E	49283	22692	169925	1641828	2727601	2957508	9325	4685	8998
LOCKHART B 35	2	3002507033	35B 21S 37E	61575		151317	1920423			25025		
LOCKHART B 35	3	3002507034	35H 21S 37E	62499	13221	188555	899196	202229	964461	31547	19334	23799
LOCKHART B 35	4	3002507035	35A 21S 37E SW NE NE	82298	2040	191362	813335	57945	1181779	31778	14083	12207
E M ELLIOTT	1	3002507036	35E 21S 37E	52539		226740	5197238		2066033	17010		16996
MARK OWEN	1	3002507037	35L 21S 37E NW SW		3351	252458		1675143	2538811		6407	3819
MARK OWEN	2	3002507038	35M 21S 37E	43856		140087	5149788		2117535	2726		2128
MARK OWEN	3	3002507039	35N 21S 37E	18804	36635	128285	1839425	4547846		1532381	3912	1994 2056
MARK OWEN	4	3002507040	35K 21S 37E	20132		178243	957140		2261665	9796		673
STATE 367	1	3002507043	36M 21S 37E C SW SW	56021		212201	2447916		3737623	18114		13687
STATE 367	2	3002507044	36L 21S 37E C NW SW	67798		200815	1716877		2543690	17799		15194
STATE 367	3	3002507045	36K 21S 37E C NE SW	48235	44863	25737	3192625	1235749		2073	12	
STATE Q	1	3002507046	36N 21S 37E	46650	27943	113914	1842363	3337657		14594	7223	
STATE C TR 13	8	3002507050	36D 21S 37E	10493	20545	26353		1209499				
STATE C TR 13	5	3002507051	36E 21S 37E	40984	4288	138724	7240298	3713067		4607	3087	
ALICE PADDOCK	3	3002509936	1P 22S 37E	22645	95476		124456	6716971		5566	10845	
ANNIE CHRISTMAS	1	3002509937	1N 22S 37E SE SW	26618		36423	1076641		668656	5734		1210
ALICE PADDOCK	1	3002509938	1O 22S 37E	62342			3301999			20784		
ALICE PADDOCK	2	3002509939	1J 22S 37E C NW SE	84495			1904952			17938		
ALICE PADDOCK	4	3002509940	1G 22S 37E C SW NE	59367	3289		732122	81169		20191	2697	
ALICE PADDOCK	5	3002509941	1 22S 37E	49349	51823		1661933	3308905		11403	10580	
WALTER LYNCH	1	3002509942	1K 22S 37E NE SW	56629		76330	1383366		1023045	11230		13491
WALTER LYNCH	2	3002509943	1L 22S 37E	62134		22922	1575333		960160	8516		5745
WALTER LYNCH	3	3002509944	1M 22S 37E SW SW	76855		46571	1581120		2467145	8050		13744
LYNCH CHRISTMAS COM	4	3002509945	1L 22S 37E	31014	23044		9163963	4664134		59	893	
WALTER LYNCH	4	3002509949	1D 22S 37E	55356	34494	24522	9532018	7220292		10070	2246	
WALTER LYNCH	5	3002509950	1 22S 37E C NE NW	16299			330800			7292		
NEW MEXICO S STATE	7	3002509956	2N 22S 37E	3687			635062			1554		
NEW MEXICO S	12	3002509961	2A 22S 37E	82838	3549	166902	4658630	49912	2225615	16894	6211	3852
NEW MEXICO S STATE	13	3002509962	2 22S 37E		35020	194612		5404390	3558783		2583	2217
NEW MEXICO S STATE	14	3002509963	2C 22S 37E	79632		163176	6204563		2778023	13929		1016
NEW MEXICO S STATE	16	3002509965	2D 22S 37E						648532			
NEW MEXICO S STATE	20	3002509969	2E 22S 37E		32887	100076		5346299	2293588		5422	15
NEW MEXICO S	21	3002509970	2L 22S 37E	34313	20318	12969	8711027	3884213		3884	525	
NEW MEXICO S	22	3002509971	2M 22S 37E	99889		167921	2865185		1100677	15817		1032
JONES	1	3002512113	6M 22S 38E			285040			284144			171473
NEW MEXICO S STATE	23	3002512555	2P 22S 37E	48406	33761		10282141	5957560		184	523	
NEW MEXICO S STATE	25	3002520283	2N 22S 37E	8430		3835	271175		1643828	346		12
NEW MEXICO S STATE	24	3002520390	2J 22S 37E S2 NW NE	62		1602	26754		839084			53
S E CONE	2	3002521119	26I 21S 37E NW NE SE		401	55423		7283	491054		310	14665
S J SARKEYS A	1	3002521278	26A 21S 37E	90305		32748	77992		346321	10350		1677
STATE C TRACT 13	9	3002521311	36F 21S 37E		41379	44187		693819	423929		16387	13752
SARKEY A	2	3002521602	26H 21S 37E	113316		85708	512845		339417	18442		11106
ELMER C HILL	2	3002521878	26P 21S 37E NW SE SE	1036	503	27156	16879	22938	794345	486	486	11625
S J SARKEYS B	2	3002521920	26B 21S 37E	15949		10268	128994		82532	2870		1855
S J SARKEYS 26	5	3002522023	26C 21S 37E NE NE NW		18570			563388		6996		
S J SARKEYS	4	3002522090	26F 21S 37E		30933	56177		2842552	1784534		310	21686
S E CONE	4	3002522141	26I 21S 37E	75001			362777			28715		
GULF SARKEYS	1	3002522733	25C 21S 37E	68296			280142			98529		
FEDERAL GPS	1	3002522768	6O 22S 38E	17661		56457	21419		48156	34569		91601
GULF SARKEYS	2	3002522816	25F 21S 37E	44836		16766	228211		67502	74876		30998
ROYALTY HOLDING	1	3002522851	25B 21S 37E	730		3090	3348		17121	2421		4866
ROYALTY HOLDING	2	3002522852	25G 21S 37E	16473			56681			31443		
ART YEAGER	1	3002522888	25J 21S 37E	12997		15604	71108		49858	32655		21365
ROYALTY HOLDING	3	3002522892	25H 21S 37E			7452			39904			19252
J R CONE B	3	3002522959	26O 21S 37E S2 SW SE		1260			66647			2088	
L B JONES	2	3002522964	6K 22S 38E			422			389			7999
JONES	3	3002522980	6E 22S 38E SW NW	1603		28245	1710		48927	11396		151999

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blaineby	Tubb	Drnkard	Blaineby	Tubb	Drnkard	Blaineby	Tubb	Drnkard
J R CONE B	4	3002523041	26N 21S 37E E2 SE SW	955			24457			1608		
ALICE PADDOCK	6	3002524815	1O 22S 37E		85	40554		6397	252376		1319	36328
MARK OWEN	3	3002525130	35N 21S 37E E2 SE SW		37628			5198342			1996	
WALTER LYNCH	6	3002525131	1F 22S 37E	14521		52078	439723	43272	738514	7347		12638
NEW MEXICO S	27	3002525144	2K 22S 37E	57405		674	1456155		351898	4833		
NEW MEXICO S	28	3002525268	2F 22S 37E	74607		2613	705851		1795755	11551		
NEW MEXICO S STATE	29	3002525276	2L 22S 37E			59			1387180			
NEW MEXICO S	32	3002525277	2G 22S 37E	85800		2704	1607251		553731	17542		
NEW MEXICO S	30	3002525280	2I 22S 37E			179			633293			
NEW MEXICO S	31	3002525281	2H 22S 37E	9315		696	940705		88974	26782		
NEW MEXICO S STATE	33	3002525299	2P 22S 37E	138321		2845	1697240		1940665	2641		
NEW MEXICO S	34	3002525330	2O 22S 37E	50337		2776	793529		1046326	1484		394
NEW MEXICO S STATE	36	3002525456	2 22S 37E	32993			193016			7168		
OWEN	8	3002525479	35I 21S 37E NE SE		10024			435879			2117	
MARK OWEN	2	3002525481	35M 21S 37E	49207	7402		11114313	623551		4190	7771	
WALTER LYNCH	7	3002525486	1 22S 37E			28969			1356384			15214
NEW MEXICO S STATE	38	3002525508	2E 22S 37E	33673			1856391			8901		
NEW MEXICO S STATE	39	3002525513	2 22S 37E	77399			1132051			2284		
NEW MEXICO S STATE	40	3002525514	2M 22S 37E		4435			629068			4072	
LYNCH CHRISTMAS COM	5	3002525522	1M 22S 37E		8540			1459210			3149	
WALTER LYNCH	8	3002525644	1E 22S 37E	11289		6199	1288312		235483	5615		5889
STATE C TRACT 13	10	3002526071	36C 21S 37E	9108		5313	51839		53627	24770		4604
ALICE PADDOCK	8	3002526286	1J 22S 37E NW NW SE		6156	32606		633392	194735		3113	13445
STATE 367	4	3002526560	36J 21S 37E C NW SE	16660	31425		374364	89611		10453	13524	
ALICE PADDOCK	9	3002527055	1P 22S 37E			27287			212582			21408
EVA OWENS A	2	3002528222	25L 21S 37E	13166	8885	36341	90379	53051	303767	5841	3867	21098
EVA OWENS A	3	3002528420	25K 21S 37E	17716	8969	11454	33849	27564	29946	6795	6809	7670
ALICE PADDOCK	10	3002529117	1I 22S 37E NE SE	38957			193360			29503		
MARK OWEN	9	3002529468	35L 21S 37E NW SW	23189			227162			7913		
S J SARKEYS 26	7	3002533851	26D 21S 37E			21598			161497			3711
STATE Q	3	3002537483	36O 21S 37E NW SW SE	9269	4698	6422	48319	22044	39608	8529	5004	2518
LOCKHART B 35	9	3002539037	35A 21S 37E NE NE NE	878	541	194	6356	3064	1022	2898	2320	772
LOCKHART A 35	5	3002539050	35F 21S 37E NW SE NW	1502	523	689	25583	8084	10636	3243	980	1288
TOTALS				4,789,247	1,122,341	7,027,402	175,678,289	103,020,274	80,689,677	1,547,350	287,612	960,847
AVERAGES				52,629	21,583	83,660	1,951,981	1,943,779	1,090,401	17,386	5,870	15,013

Proposed Allocations	Oil	Gas	Water
Blaineby	33%	39%	45%
Tubb	14%	39%	15%
Drnkard	53%	22%	40%
TOTAL	100%	100%	100%