



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

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Telephone: (918) 491-4900

June 7, 2010

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

RE: Application for Exception for Downhole Commingling
Chesterfield #3-House Field-API # 30-025-39721
Unit H, Section 14, T-20-S, R-38-E
Blinebry Oil & Gas (Oil), House; Tubb and House; Drinkard Pools
Lea County, New Mexico

Dear 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 #3 completion. The ownership (WI, NRI, and ORRI) of these pools are identical in this well. The fluids from each of these 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 #3. By analyzing the average oil, gas and water production for the Blinebry, Tubb and Drinkard pools, I was unable to calculate the percentage production allocation for each zone. Please refer to the attached spreadsheets for my calculations.

If you need additional information or have any questions, please give me a call at (918) 491-4968.

Sincerely,


Amber Cooke

Production Engineering Tech

Lease Name	Well Number	100DIGITAP	Location	Cum Oil (BBL)	Cum Gas (MCF)	Cum Water (BBL)
ARNOLD A	1	3002507761	11F 20S 38E	0	27203	670
HOUSE B	1	3002507764	11P 20S 38E	0	9555	0
BLANKENSHIP	1	3002507766	12E 20S 38E	0	54657	0
BLANKENSHIP	2	3002507767	12L 20S 38E	3821	134312	9274
BLANKENSHIP	3	3002507768	12M 20S 38E NE SW SW	4354	8567	39616
CONE A	1	3002507770	12F 20S 38E	0	16653	206383
CONE B	1	3002507771	12J 20S 38E	0	0	239833
HESTER 12	3	3002507772	12O 20S 38E	0	0	150171
HESTER 12	2	3002507773	12N 20S 38E	0	0	82932
HESTER 12	1	3002512549	12K 20S 38E	0	0	97448
CROWN	1	3002520195	13B 20S 38E NW NW NE	0	7517	57149
HOWSE C	1	3002522165	11H 20S 38E SE NE	0	0	26370
LINDA FEDERAL	1	3002524724	23K 20S 38E C NE SW	52877	84874	0
LINDA FEDERAL	2	3002525758	23L 20S 38E	21514	0	147797
LINDA FEDERAL	3	3002525759	23E 20S 38E	3866	0	38008
LINDA FEDERAL	4	3002525760	23F 20S 38E	26869	0	174360
LLANO FEDERAL	1Y	3002525870	23M 20S 38E	72804	0	166428
CONE B	2	3002525921	12G 20S 38E	0	0	398
LINDA FEDERAL	5	3002526043	23N 20S 38E SE SW	16080	45943	0
TUBB WF	70	3002526841	22P 20S 38E	14229	0	56448
SIMS FEDERAL	1	3002527653	23O 20S 38E	52201	25547	0
KYTE	1	3002530793	23J 20S 38E C NW SE	72863	2380	7749
HOUSE	1	3002531006	13D 20S 38E NW NW	32766	126	35865
FEDERAL 24	1	3002533182	24M 20S 38E C SW SW	16690	71832	0
KYTE	3	3002533427	23I 20S 38E C NE SE	31012	74847	0
KYTE	4	3002533683	23H 20S 38E C SE NE	33904	18222	0
PAYDAY	1	3002533706	24I 20S 38E	68822	87160	0
FEDERAL 24	2	3002533779	24N 20S 38E C SE SW	24924	22735	0
PAYDAY	2	3002533833	24K 20S 38E	30255	0	369695
NMFU FEDERAL	1	3002533836	23P 20S 38E C SE SE	22700	29060	0
M & M	1	3002533837	24E 20S 38E	18140	36387	0
M & M	2	3002533879	24F 20S 38E	45109	0	406180
M & M	3	3002533880	24D 20S 38E	40554	0	544581
KYTE	5	3002533927	23G 20S 38E C SW NE	20871	4531	0
M & M	4	3002534018	24C 20S 38E	40423	0	436883
SHARPS	1	3002534080	13M 20S 38E	37417	0	196877
SHARPS	2	3002534061	13N 20S 38E	31752	0	133711
FEDERAL 24	4	3002534104	24P 20S 38E S2 SE SE	12987	269	0
KYTE	7	3002534107	23A 20S 38E SE NE NE	26343	0	734734
TERRY	1	3002534157	24G 20S 38E SW NE	13956	24198	0
JOE CAMEL	1	3002534160	13K 20S 38E NE SW	36806	0	63475
BULL DURHAM	1	3002534187	14P 20S 38E S2 SE SE	48327	5072	0
FEDERAL 24	5	3002534199	24J 20S 38E C NW SE	14534	21607	0
FEDERAL 24	6	3002534200	24I 20S 38E S2 NE SE	6671	2867	8222
JOE CAMEL	2	3002534211	13F 20S 38E SW SE NW	18119	961	0
CAPPS FEDERAL	1	3002534267	24B 20S 38E C NW NE	32743	0	207068
DIAMONDBACK	1	3002534274	14J 20S 38E NW SE	28983	0	192876
PEARL	1	3002534275	13J 20S 38E NW SE	11006	0	33021
LUCKY STRIKE	1	3002534285	14I 20S 38E NE SE	76389	0	1042820
CAPPS FEDERAL	2	3002534288	13O 20S 38E SW SE	32406	6820	0
KYTE	8	3002534298	23B 20S 38E NW NE	20718	1422	0
BULL DURHAM	2	3002534393	14O 20S 38E SW SE	36888	39	0
CHESTERFIELD	1	3002534420	14H 20S 38E SE NE	28209	0	734711
KYTE	9	3002534457	23C 20S 38E C NE NW	12498	0	49054
BUGLER	1	3002534505	13L 20S 38E NW NW SW	72217	434	0
MOONEY	1	3002534569	13I 20S 38E NE SE	0	0	21316
PAIGE	1	3002534570	13P 20S 38E SE SE	7176	0	18872
VICEROY	1	3002534625	13E 20S 38E SW NW	29814	0	499598
PALL MALL	3	3002534634	14A 20S 38E NE NE	0	0	29967
KOOL	1	3002534642	14B 20S 38E NW NE	36016	417	2497
PICAYUNE	1	3002534734	14J 20S 38E C NW SE	0	12976	24231
ROITAN	1	3002534735	14G 20S 38E SW NE	23698	4001	0
MARLBORO	1	3002534968	14C 20S 38E S2 NE NW	649	0	7332
GINGER MC	1	3002535203	24A 20S 38E SW NE NE	3034	0	19095
MERIT	1	3002535240	11O 20S 38E E2 SW SE	0	9058	0
BEECHNUT	1	3002535241	14E 20S 38E SE SW NW	540	0	2239
MERIT II	1	3002535448	11G 20S 38E C SW NE	1647	15994	21816
DUKES	1	3002535614	11K 20S 38E E2 NE SW	0	7818	29211
DIXIE QUEEN	1	3002536421	11P 20S 38E S2 SE SE	0	6918	0
BIG KICK	1	3002536745	13C 20S 38E W2 NE NW	13611	670	9229
HESTER 12	6	3002536795	12N 20S 38E SW SE SW	23909	7394	8583
HESTER 12	4	3002536800	12O 20S 38E SW SW SE	14419	3781	3343
JOE CAMEL	3	3002536833	13F 20S 38E NW SE NW	3291	1475	907
HESTER 12	8	3002538076	12K 20S 38E SW NE SW	10944	3023	2897
M & M	5	3002538112	24C 20S 38E NE NE NW	2158	3460	0
HESTER 12	5	3002538211	12P 20S 38E NW SE SE	16818	4710	8866
HESTER 12	7	3002538369	12N 20S 38E NE SE SW	4876	5669	2139
MELOT	1	3002538370	11C 20S 38E SW NE NW	3346	4302	1911
BULL DURHAM	3	3002538379	14P 20S 38E NE SE SE	5109	5523	0
M & M	6	3002538380	24E 20S 38E SW SW NW	3420	3609	0
PAYDAY	3	3002538381	24L 20S 38E SW NW SW	5076	3308	0
BLANKENSHIP	4	3002538397	12L 20S 38E NE NW SW	2088	2245	4936
BLANKENSHIP	5	3002538399	12M 20S 38E SW SW SW	9475	3418	4183
BLANKENSHIP	6	3002538400	12L 20S 38E SW NW SW	5451	3838	858
KOOL	2	3002538439	14B 20S 38E SW NW NE	5920	917	487

Lease Name	Well Number	10DIGIT API	Section	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	6828	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	1088	5067	18005	1023	2660
HESTER 12	11	3002538663	12P	20S 38E SW SE SE	1041	857	1537	56849	65392	5201	4588	5793	3089
BIG KICK	2	3002538664	13C	20S 38E SE NE NW	5508	894	2197	15503	0	39133	28201	10405	3486
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	8441	0	8216	32491	0	8044	5751	0
LUCKY STRIKE	2	3002538668	14I	20S 38E SW NE SE	2529	402	0	13364	1844	0	0	0	0
BUCLER	2	3002538669	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	8804
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	1782	20801	18255	44252	7756	1662	1882
TOTALS					1,648,473	773,427	1,355,802	15,041,896	7,771,896	9,587,934	2,082,396	654,243	708,262
AVERAGES					16,651	7,812	13,696	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%