



June 1, 2010

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HOBBSOCD

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
Walter Lynch #10
Unit C, Section 1, T-22-S, R-37-E
Blinebry Oil & Gas (Oil), Tubb Oil & Gas (Oil) & Brunson; Drinkard-Abo, South
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', written in a cursive style.

**Sophie Mackay
Engineering Technician**

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)		Cum Gas (MCF)		Cum Water (BBL)	
				Blinbry	Tubb	Blinbry	Tubb	Blinbry	Tubb
OWEN	1	3002507021	35P 21S 37E SE SE	45749		222562	278469	1151266	6639
OWEN	2	3002507023	35O 21S 37E	3213		226436	1338499	815187	21
OWEN	3	3002507024	35J 21S 37E	9247	36802	205046	194445	2821039	1236600
OWEN	7	3002507028	35I 21S 37E	63028		212012	539901	572101	179097
LOCKHART B 35	1	3002507029	35G 21S 37E	59047	88383	113118	420028	5302334	550309
LOCKHART A 35	1	3002507030	35D 21S 37E	39881		211348	3265007	888086	59721
LOCKHART A 35	2	3002507031	35F 21S 37E	74739	6732	191681	683971	268613	20284
LOCKHART A 35	3	3002507032	35C 21S 37E	49283	22692	169925	1642329	2727813	2957566
LOCKHART B 35	2	3002507033	35B 21S 37E	61575		151317	1920456		25025
LOCKHART B 35	3	3002507034	35H 21S 37E	62518	13296	188555	900480	203025	964461
LOCKHART B 35	4	3002507035	35A 21S 37E SW NE NE	82404	2227	191362	815969	60740	1181779
E M ELLIOTT	1	3002507036	35E 21S 37E	52549		226751	5201668	2067140	17034
MARK OWEN	1	3002507037	35L 21S 37E NW SW		3354	252471		1677826	2540600
MARK OWEN	2	3002507038	35M 21S 37E	43874		140105	5152087		2119834
MARK OWEN	3	3002507039	35N 21S 37E	18859	36639	128295	1846584	4548741	1533276
MARK OWEN	4	3002507040	35K 21S 37E	21627		178243	1011551		2263486
STATE 367	1	3002507043	36M 21S 37E C SW SW	56067		212261	2449212		3739023
STATE 367	2	3002507044	36L 21S 37E C NW SW	67815		200846	1716955		2544129
STATE 367	3	3002507045	36K 21S 37E C NE SW	48235	44863	25737	3192625	1235749	
STATE Q	1	3002507046	36N 21S 37E	46671	27948	113914	1842471	3338087	14612
STATE C TR 13	8	3002507050	36D 21S 37E	10493	20545	26353		1209499	
STATE C TR 13	5	3002507051	36E 21S 37E	41003	4288	138724	7241245	3713195	4607
ALICE PADDOCK	3	3002509936	1P 22S 37E	22645	95522		124456	6718126	5566
ANNIE CHRISTMAS	1	3002509937	1N 22S 37E SE SW	26665		36423	1077829		668656
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
ALICE PADDOCK	5	3002509941	1 22S 37E	49349	51823		1661933	3308905	11403
WALTER LYNCH	1	3002509942	1K 22S 37E NE SW	56676		76330	1385125		1023045
WALTER LYNCH	2	3002509943	1L 22S 37E	62278		22922	1578600		960160
WALTER LYNCH	3	3002509944	1M 22S 37E SW SW	77000		46571	1584471		2467145
LYNCH CHRISTMAS COM	4	3002509945	1L 22S 37E	31014	23044		9163963	4664276	59
WALTER LYNCH	4	3002509949	1D 22S 37E	55415	34494	24522	9533643	7222052	10070
WALTER LYNCH	5	3002509950	1 22S 37E C NE NW	16299			330800		7292
NEW MEXICO S STATE	7	3002509956	2N 22S 37E	3687			635179		1554
NEW MEXICO S	12	3002509961	2A 22S 37E	82841	3576	166902	4658640	50108	2225615
NEW MEXICO S STATE	13	3002509962	2 22S 37E		35023	194659		5406711	3561484
NEW MEXICO S STATE	14	3002509963	2C 22S 37E	79694		163176	6206629		2778023
NEW MEXICO S STATE	16	3002509965	2D 22S 37E						648532
NEW MEXICO S STATE	20	3002509969	2E 22S 37E		32918	100076		5348012	2293588
NEW MEXICO S	21	3002509970	2L 22S 37E	34344	20318	12969	8712459	3884213	3912
NEW MEXICO S	22	3002509971	2M 22S 37E	99951		167921	2865913		1100677
S E LONG	2	3002510202	11J 22S 37E			12418			6569240
S E LONG	3	3002510203	11O 22S 37E SW SE			8165			1541242
S E LONG	5	3002510206	11O 22S 37E	22885	846	94769	2104217	26958	425264
S E LONG	7	3002510208	11I 22S 37E S2 NE SE	10509	4363	73226	1229358	87371	2594398
S E LONG	8	3002510209	11J 22S 37E	24773	32724	7770	9368342	4659886	15428
LOU WORTHAN	4	3002510213	11G 22S 37E	131675			1409847		717
LOU WORTHAN	5	3002510214	11C 22S 37E	48251			3194788		246
LOU WORTHAN	11	3002510215	11F 22S 37E		25244			5121640	
LOU WORTHAM	9	3002510218	11E 22S 37E NW SW NW	50822	25966	16876	13696165	4286684	
LOU WORTHAN	10	3002510219	11D 22S 37E		35479	77123		1199444	3461207
LOU WORTHAN	11	3002510220	11F 22S 37E NE SE NW	3961	31260	44374	339169	4711124	1950448
LOU WORTHAN	12	3002510221	11H 22S 37E	63261		28872	14376389		279248
THOMAS LONG	1	3002510222	11N 22S 37E SE NW			110295			4035273
THOMAS LONG	2	3002510223	11M 22S 37E			99356			4572482
THOMAS LONG	3	3002510224	11K 22S 37E			101291			4212134
THOMAS LONG	4	3002510225	11L 22S 37E			98408			3787654
THOMAS LONG	5	3002510230	11N 22S 37E	35274	24712		8228626	5755221	
ELLIOTT HINTON	1	3002510233	12E 22S 37E	31747	14352		14754813	3792915	
HINTON	3	3002510236	12N 22S 37E	28804	17981		6464523	5785485	
HINTON	4	3002510237	12I 22S 37E	178688			2912064		83542
HINTON	5	3002510238	12P 22S 37E	66126	29369		3097198	3952037	75229
HINTON 14	8	3002510241	12J 22S 37E	16024	134	11047	236504	2037	35448
HINTON	9	3002510242	12I 22S 37E			80901			936950
ROGERS	2	3002510246	12H 22S 37E NW SE NE	88459	96	32576	425166	3225	434325
ALEXANDER RODGERS	2	3002510247	12A 22S 37E NE NE		150109			3164443	
S E LONG	6	3002511373	11P 22S 37E	21509		84273	889277		2558088
JONES	1	3002512113	6M 22S 38E			285168			284674
H P SAUNDERS	1	3002512115	7O 22S 38E SW SW SE	1936	2080	101098	3936	8251	216252
BELCHER	1	3002512116	7L 22S 38E	11369	75391	30928		709514	278554
MCALLISTER	1	3002512117	7D 22S 38E	5329	36264			21227	
NEW MEXICO S STATE	23	3002512555	2P 22S 37E	48406	33761		10282141	5959118	
NEW MEXICO S STATE	25	3002520283	2N 22S 37E	8430		3835	27175		1643828
NEW MEXICO S STATE	24	3002520390	2J 22S 37E S2 NW NE	62		1602	27341		839084
MCALLISTER	1	3002521197	7E 22S 38E SW NW	15034	30355		53339	125694	
STATE C TRACT 13	9	3002521311	36F 21S 37E		41402	44221		693855	424566
BELCHER	1	3002522267	7M 22S 38E	45831	44722	32493	222239	1625900	1276564
BELCHER A	1	3002522662	7N 22S 38E	28688	39707	37144	114584	174031	190757
MCALLISTER	1	3002522695	7C 22S 38E	559		220653	2537		651331
FEDERAL GPS	1	3002522768	6O 22S 38E	17661		56472	21419		48184
SIMS FEDERAL	1	3002522846	7B 22S 38E			29747			39143
SIMS FEDERAL	2	3002522904	7G 22S 38E SW NE	567		21151	770		28283
SIMS FEDERAL	3	3002522905	7H 22S 38E			12595			19729
L B JONES	2	3002522964	6K 22S 38E			422			389

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinebry	Tubb	Drnkard	Blinebry	Tubb	Drnkard	Blinebry	Tubb	Drnkard
JONES	3	3002522980	6E 22S 38E SW NW	1603		28270	1710		48927	11396		152129
COSSATOT	1	3002523783	12G 22S 37E	250	262	209671	5251	5630	5482442	216	251	8208
COSSATOT A	1	3002523906	12B 22S 37E	29391		134337	3668370		2057342	3747		13113
COSSATOT A	2	3002523907	12A 22S 37E	246		112772	1031		2340371	194		7283
COSSATOT B	1	3002523933	12O 22S 37E W2 SW SE	2298	377	66573	132227	11880	1352794	1839	342	5195
COSSATOT B	2	3002523934	12M 22S 37E SE SW SW	15183	36	44662	214178	365456	1215672	6343		116
COSSATOT B	3	3002523967	12N 22S 37E	30414		37791	551767		1247478	23950		4142
HINTON	11	3002524229	12F 22S 37E SE NW		474	32006		1165347	1269596		8223	4231
HINTON	12	3002524373	12K 22S 37E	426	8067	53629	7364	219536	2347192	570	2458	72376
HINTON	13	3002524426	12L 22S 37E NE NW SW	21214		22574	2919393		1212059	10920		11063
ELLIOTT B-12-2	3	3002524503	12E 22S 37E		14352	86607		4427961	1305431			14659
COSSATOT K	1	3002524565	7D 22S 38E SW NW NW	154	185		1497	1686		74	94	
COSSATOT K	2	3002524689	7F 22S 38E SW SE NW		378			2040			180	
ALICE PADDOCK	6	3002524815	1O 22S 37E		85	40554		6397	252376		1319	36328
HINTON	14	3002524832	12J 22S 37E			35142			199135			3041
LOU WORTHAN	13	3002524943	11C 22S 37E			2552			2395552			3390
THOMAS LONG A	1	3002525052	11K 22S 37E	33283			1255279			21952		
THOMAS LONG A	2	3002525089	11L 22S 37E	28414			1058602			20123		
WHITAKER & PERKINS	2	3002525110	12C 22S 37E SW NE NW	1038	1041	87232	52324	52318	4242038	827	827	17781
MARK OWEN	3	3002525130	35N 21S 37E E2 SE SW		37628			5198342			1996	
WALTER LYNCH	6	3002525131	1F 22S 37E	14565		52123	441034	43717	739099	7347		12638
ELLIOTT B 12	2	3002525137	12D 22S 37E NW NW NW	17628	59811	27560	383279	714528	3369445	9122	9298	23548
NEW MEXICO S	27	3002525144	2K 22S 37E	57607		674	1458221		351898	4889		
LOU WORTHAN	14	3002525255	11A 22S 37E NE NE		19483	319		899851	529573		12627	100
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	85956		2704	1608659		553731	18046		
NEW MEXICO S	30	3002525280	2I 22S 37E			179			633293			
NEW MEXICO S	31	3002525281	2H 22S 37E	9346		696	941362		88974	26810		
NEW MEXICO S STATE	33	3002525299	2P 22S 37E	138473		2845	1698636		1940665	2969		
LOU WORTHAN	15	3002525304	11G 22S 37E		15227	2630		552650	1822429		1328	4370
S E LONG	8	3002525322	11J 22S 37E NW SE		33236			5573234			1858	
NEW MEXICO S	34	3002525330	2O 22S 37E	50462		2776	794585		1046326	1512		394
LOU WORTHAN	16	3002525383	11B 22S 37E		59543			637211			24309	
LOU WORTHAN	17	3002525405	11E 22S 37E			2951			465363			4744
NEW MEXICO S STATE	36	3002525456	2 22S 37E	33111			193898			7232		
OWEN	8	3002525479	35I 21S 37E NE SE		10044			436198			2117	
MARK OWEN	2	3002525481	35M 21S 37E	49207	7459		11114313	628947		4190	7792	
WALTER LYNCH	7	3002525486	1 22S 37E			28984			1357502			15214
NEW MEXICO S STATE	38	3002525508	2E 22S 37E	33720			1858690			8901		
NEW MEXICO S STATE	39	3002525513	2 22S 37E	77520			1132321			2312		
NEW MEXICO S STATE	40	3002525514	2M 22S 37E		4441			629913			4100	
LYNCH CHRISTMAS COM	5	3002525522	1M 22S 37E		8558			1461561			3167	
LOU WORTHAN	18	3002525568	11H 22S 37E NW SE NE		121794			1156979			3396	
WALTER LYNCH	8	3002525644	1E 22S 37E	11307		6245	1290123		236180	5615		5889
H P SAUNDERS	2	3002525651	7J 22S 38E SW NW SE		5837	78447		8403	124589		9099	30021
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		6174	32606		637104	194735		3127	13445
STATE 367	4	3002526560	36J 21S 37E C NW SE	16676	31457		374725	89685		10475	13546	
ALICE PADDOCK	9	3002527055	1P 22S 37E			27287			212582			21408
ALICE PADDOCK	10	3002529117	1I 22S 37E NE SE	39029			193675			29531		
MARK OWEN	9	3002529468	35L 21S 37E NW SW	23189			227162			7913		
LOU WORTHAN	19	3002529469	11D 22S 37E NW NW	14783			1113353			3098		
HINTON	7	3002530607	12I 22S 37E NE SE			26591			361175			35779
LOU WORTHAN	21	3002533426	11B 22S 37E	32172			3326590			2072		
THOMAS LONG A	3	3002534035	11M 22S 37E	24385			1089374			20516		
THOMAS LONG	6	3002536055	11N 22S 37E NE SE SW		2175			360459			1252	
STATE Q	3	3002537483	36O 21S 37E NW SW SE	9331	4760	6527	48930		40944	8618	5050	2518
LOCKHART B 35	9	3002539037	35A 21S 37E NE NE NE	1272	599	215	9931	3356		1119	3682	2673
LOCKHART A 35	5	3002539050	35F 21S 37E NW SE NW	1502	523	689	29348	8896	11705	3999	1129	1484
TOTALS				3,867,449	1,758,099	7,904,207	230,549,484	140,977,939	132,472,801	1,404,906	331,507	1,506,110
AVERAGES				37,818	24,762	77,492	2,328,783	1,958,027	1,424,439	14,336	5,023	18,367

Proposed Allocations	Oil	Gas	Water
Blinebry	27%	41%	38%
Tubb	18%	34%	13%
Drnkard	55%	25%	49%
TOTAL	100%	100%	100%