



June 1, 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
Eugene Wood #14
Unit G, Section 22, T-22-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 long horizontal flourish extending to the right.

**Sophie Mackay
Engineering Technician**

Lease Name	Well Number	10DIGIT API	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Drinkard	Blinbry	Tubb	Drinkard	Blinbry	Tubb	Drinkard
HUGH	1	3002510257	14D 22S 37E	8387		8950	1183463		1250674	3079		1542
HUGH	3	3002510259	14B 22S 37E	37853		181611	582693		2329786	44381		6940
HUGH	4	3002510260	14A 22S 37E	35291	22018	173438	1105749	3768254	774241	41391	794	1033
HUGH	5	3002510261	14F 22S 37E	17		99430	366068		1258098	1245		5048
HUGH	6	3002510262	14H 22S 37E W2 SE NE	35053	8719	78026	6416865	363963	870550	8429	15810	1038
PARKS	2	3002510263	14M 22S 37E	18474		216327	439124		520696	23454		22345
HUGH	7	3002510264	14C 22S 37E	94611	36749	32591	7877373	3031889		12743	862	
PARKS A	3	3002510266	14P 22S 37E SE SE	26796		88513	1217596		1117401	7372		4995
PARKS A	4	3002510267	14I 22S 37E		74571	96400		3480803	2189438			5615
PARKS A	5	3002510268	14O 22S 37E	86932		73247	7994900		562976	10515		40186
PARKS	6	3002510269	14L 22S 37E NW SW	46951	43579	4977	4778114	4010495	1367288			5991
E W WALDEN	2	3002510270	15K 22S 37E	34996		77096	1803077		605082	58674		400
E W WALDEN	3	3002510271	15N 22S 37E NE SE SW		4181			115564			6153	
E W WALDEN	4	3002510272	15L 22S 37E	23665		22935	206078		1864259	20290		203
E W WALDEN	5	3002510273	15I 22S 37E		45345	82667		919285			11291	
E W WALDEN	6	3002510274	15M 22S 37E	34010	1272	131901	134564	27868	545864	116103		1875
E W WALDEN	7	3002510275	15N 22S 37E	48807		105280	2900043		818229	49709		2295
ELLIOTT B 15	1	3002510277	15G 22S 37E			1295	315977	110061	170016			4424
ELLIOTT B 15	2	3002510279	15I 22S 37E			30798			845923			32004
ELLIOTT B 15	3	3002510281	15I 22S 37E		51347	80742		2203769	1438688		4212	8045
ELLIOTT A 15	4	3002510282	15O 22S 37E			146876			1484355			12678
ELLIOTT A 15	5	3002510283	15P 22S 37E		16611			822911			9207	
ELLIOTT A 15	6	3002510284	15P 22S 37E	33231		114608	5370584		1331396	4945		24891
WALDEN A	5	3002510291	15E 22S 37E SE SW NW	13172		86298	350674		778269	8733		24046
ELLIOTT A 15	2	3002510293	15J 22S 37E SW NW SE		2400	131568		193198	3109005		651	17181
ELLIOTT B 15	1	3002510294	15B 22S 37E			117919			2516379			32697
WALDEN A	3	3002510301	15F 22S 37E SE SE NW	13175		171520	350725		815606	8771		70419
ELLIOTT B 15	4	3002510302	15A 22S 37E	15317		75140	7866428		3051798			6275
E W WALDEN	3	3002510304	15C 22S 37E	20703	106		6440474	741411		2507	31	
E W WALDEN	4	3002510305	15C 22S 37E		1782	149366		1225701	512755		91	1313
E W WALDEN	7	3002510308	15D 22S 37E			70376			1770804			12749
ELLIOTT B 15	1	3002510309	15H 22S 37E C SE NE			9442						
R E COLE NCT A	4	3002510316	16A 22S 37E			36604			719575			34329
R E COLE NCT A	5	3002510318	16I 22S 37E NE NE SE	4643		25949	1112149		1058620			12927
R E COLE NCT A	6	3002510319	16B 22S 37E	47923	466		3158105	134227		28112		
R E COLE NCT A	7	3002510320	16H 22S 37E			13695			230562			3777
GULF STATE	1	3002510327	16C 22S 37E	154169			3840661			1559		
EUGENE WOOD	7	3002510392	22A 22S 37E	16665	41297	68435	163686	1469351	563784	40605	2432	167
EUGENE WOOD	8	3002510393	22B 22S 37E			95181			1407489			403
EUGENE WOOD	9	3002510394	22G 22S 37E	17144		50952	133601		1312632	48962		3082
EUGENE WOOD	10	3002510395	22H 22S 37E	53154		64283	2816070		2213452	60252		1932
E M ELLIOTT FEDERAL	3	3002510398	22C 22S 37E	1207	135657			922043		5105	8077	
E M ELLIOTT FEDERAL	4	3002510399	22C 22S 37E			170112			1213845			27277
E M ELLIOTT	5	3002510400	22D 22S 37E	17892		30126	179685		268421	56215		
HSOG	1	3002510402	22I 22S 37E	5961		18146	2882685		237529			4172
W B FERREL	3	3002510403	22J 22S 37E			57577			352353			296
WILL CARY	4	3002510409	22E 22S 37E			34451			37989			7208
WILL CARY	5	3002510410	22F 22S 37E	4986		4427	23098		52374	16371		8453
WILL CARY	7	3002510412	22F 22S 37E	8625		43198	38768		29733	76237		1083
WILL CARY	8	3002510413	22L 22S 37E			45160			1022912			42265
J V BAKER	9	3002510415	22N 22S 37E NE SE SW	3319	3817	62906	35432	17944	456170	6307	7744	23379
EUGENE WOOD	5	3002510420	22B 22S 37E	24056			853394			74979		
PENROSE SAND UT TR16	1	3002510423	23M 22S 37E			55119						
O I BOYD	2	3002510424	23O 22S 37E		13972	184787	125746		228608	19703		1692
O I BOYD	3	3002510425	23K 22S 37E	17540		168163	4577269		242976	6354		2363
BOYD	1	3002510426	23G 22S 37E			112927			1296887			3020
BOYD	2	3002510427	23H 22S 37E	52641			8389538			4417		
BOYD	2Y	3002510428	23H 22S 37E	31214		106713	1588709		1766344	4195		4987
BOYD	3	3002510429	23A 22S 37E C NE NE	33781	257	151337	1502914	12166	1191794	5011	69	25251
BOYD	4	3002510430	23B 22S 37E			2157						
BOYD	5	3002510431	23B 22S 37E		24357	75822		2926717	1831241		1897	6231
BOYD	2	3002510434	23D 22S 37E NW NW	7846	2524	31544	2663032	413416		4402	111	
OLLIE J BOYD	4	3002510436	23F 22S 37E SE NW	12751		70043	7014837		81949	956		
OLLIE J BOYD	5	3002510437	23E 22S 37E			51354			262517			1633
BOYD	1	3002510438	23J 22S 37E			118812			1264158			
LEE	1	3002510439	23I 22S 37E NE SE	85194	261	163687	6227326	3809	1675497	15481	108	1998
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		
J V BAKER	10	3002510485	27A 22S 37E	8794		42791	37820		717154	22904		3753
J V BAKER	11	3002510486	27B 22S 37E	6161		32986	29893		624456	19100		4795
CHRISTMAS	3	3002510500	28B 22S 37E			68664			119403			9191
OLLIE I BOYD	1	3002521444	23N 22S 37E			30551			1338703			150
HUGH	8	3002521625	14E 22S 37E SW SW NW	3253		39279	257333		3197306	5314		11079
R E COLE NCT A	8	3002522109	16K 22S 37E	7423		15315	115866		456460	9394		21367
R E COLE NCT A	9	3002522168	16N 22S 37E			32799	27574	362609	451063	65238		33561
LEE	2	3002522253	23P 22S 37E SE SE	36757		177851	739826		456956	8318		352182
R E COLE NCT A	11	3002522382	16J 22S 37E C NW SE	28491		22069	444398		827866	9858		12604
O I BOYD	4	3002522383	23O 22S 37E			18622			695332			51106
BOYD	2	3002522508	23J 22S 37E			6307			344796			9810
BAKER	2	3002522621	26A 22S 37E			3254			540978			919
BAKER	1	3002522884	26B 22S 37E			28996			1737950			6338
R E COLE NCT A	13	3002523044	16O 22S 37E			12917			426358			12722
KAROLIS	1	3002523205	23L 22S 37E	5523		21553	344560		659161	12677		9284

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Dnnkard	Blinbry	Tubb	Dnnkard	Blinbry	Tubb	Dnnkard
WALDEN	1	3002523581	21A 22S 37E			51600			1475959			155018
POLARIS PARKS	7	3002524070	14K 22S 37E			7176			2357298			3038
PARKS A	8	3002524210	14J 22S 37E NW SE	3790		6874	119664		1413806	193		3936
PARKS	9	3002524211	14N 22S 37E SE SW	35196		5645	1192831		1300560	33669		807
COSSATOT F	1	3002524279	23C 22S 37E			16591			2067913			4109
COSSATOT F	3	3002524449	23D 22S 37E			16015			2525558			9587
COSSATOT F	4	3002524532	23F 22S 37E			10497			2042238			2265
KEOHANE	1	3002524620	26I 22S 37E	7079	10	4455	41444	105	3260	19202	21	232
HUGH	9	3002524637	14G 22S 37E	47918		7491	1288411		1019227	54677		990
R E COLE NCT A	15	3002524763	16L 22S 37E E2 NW SW	19874		17296	301315		445926	995822		22006
COSSATOT F	5	3002524913	23E 22S 37E			17574			2020378			8261
HUGH	10	3002525003	14C 22S 37E SE NE NW		37180	14294		3085062	3000311		1081	10276
HUGH	11	3002525069	14B 22S 37E N2 NW NE		111			4042			1798	
MANDA B TR C	1	3002525264	28C 22S 37E	16574	5002	5304	83682	30567	22248	22247	12075	13294
R E COLE NCT A	16	3002525305	16G 22S 37E	33555		11281	380581		493185	58986		8585
R E COLE NCT A	17	3002525356	16P 22S 37E SW SE SE	13467		6399	179631		83673	67430		2838
A L CHRISTMAN (NCT-D)	1	3002525412	28F 22S 37E N2 SE NW	8380			35438			85799		
MANDA	1	3002525438	21N 22S 37E	14984		46526	60071		143495	90430		115830
R E COLE NCT A	18	3002525689	16M 22S 37E NE SW SW	9021		29898	47990		559547	29539		32145
HUGH	4	3002525906	14A 22S 37E SE NE NE		22810			4490260			992	
R E COLE NCT A	21	3002526474	16B 22S 37E			25175			547278			26529
LAURA J MAY	1	3002526480	27H 22S 37E NE SE NE	18057		36413	108358		150563	7023		19364
R E COLE NCT A	22	3002526784	16A 22S 37E	36933			835331			50563		
HUGH	15	3002528292	14E 22S 37E		9556			602983			5613	
PARKS	10	3002528476	14K 22S 37E N2 NE SW	15837			618159			4323		
PARKS A	12	3002528678	14I 22S 37E NE SE	29234			1406575			13278		
OLLIE J BOYD	7	3002532757	23C 22S 37E NE NW	26640			533658			24244		
OLLIE J BOYD	8	3002533546	23E 22S 37E NW SW NW	4466			67073			4698		
PARKS	13	3002534079	14J 22S 37E	32058			876345			34297		
BOYD	8	3002534084	23G 22S 37E	11070			408342			3685		
BOYD	7	3002534088	23B 22S 37E W2 NW NE	49790	1142		642810	14094		16516	316	
ELLIOTT B	3	3002534120	15H 22S 37E	6611		4616	305608		312734	20538		8048
SARAH JOHNSTON	1	3002534497	22O 22S 37E NW SW SE			28529			277018			17757
SARAH JOHNSTON	2	3002534611	22J 22S 37E NW SE			45070			545487			28220
SHIRLEY BOYD	1	3002534808	26D 22S 37E NW NW NW	15072	309		281778	7268		8716	167	
KEOHANE	1	3002535050	26J 22S 37E SW NW SE	6062	3835	1537	27836	19013	10309	73429	50140	30113
SANTA RITA	12	3002536482	27C 22S 37E NE NE NW			7904			46959			13002
SANTA RITA	3	3002537387	22N 22S 37E NW SE SW			11878			213227			17364
CHRISTMAS 28	1	3002538078	28E 22S 37E NW SW NW	12993	950	6123	58613	705	22698	65815	42141	39560
CHRISTMAS 28	2	3002538264	28L 22S 37E NW NW SW	16100	693	703	83911	3239	3400	24993	3425	3114
E W WALDEN	9	3002538371	15K 22S 37E SE NE SW	2803	3460	1384	41568	50765	35054	7706	5494	4788
EUGENE WOOD	12	3002538812	22B 22S 37E SE NW NE	3319	2386	1033	42485	28877	7643	8081	497	4657
EUGENE WOOD	11	3002538824	22G 22S 37E SE SW NE	1169	1033	2264	20893	16552	11002	7939	1112	3466
CHRISTMAS 28	3	3002538826	28M 22S 37E NW SW SW		1077	3435		9949	36889		2406	7273
E W WALDEN	10	3002538876	15N 22S 37E SE SE SW	3381	2127	2519	38983	41572	10824	27599	286	1339
TOTALS				1,967,204	608,997	5,919,073	119,447,286	35,319,898	91,216,855	2,940,451	197,104	1,777,967
AVERAGES				24,901	16,459	55,318	1,493,091	929,471	903,137	38,690	5,973	18,143

Proposed Allocations	Oil	Gas	Water
Blinbry	26%	45%	62%
Tubb	17%	28%	10%
Dnnkard	57%	27%	28%
TOTAL	100%	100%	100%