

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMSF-078019
1b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator KTO Energy Inc.		7. Unit or CA Agreement Name and No.
3a. Address 2700 Farmington Ave., Bldg. K. Ste 1 Farmington, NM		8. Lease Name and Well No. EH Pipkin #8F
3b. Phone No. (include area code) 505-324-1090		9. API Well No. 30-045-32640
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 1460' FSL x 2600' FWL in Sec 1, T27N, R11W At proposed prod. zone		10. Field and Pool, or Exploratory Kutz Gallup/Basin Dakota
14. Distance in miles and direction from nearest town or post office* Approx 9 air miles South of the Bloomfield, NM Post Office		11. Sec., T., R., M., or Blk. and Survey or Area K Sec 1, T27N, R11W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 1460'	16. No. of Acres in lease 2560.96	12. County or Parish San Juan
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 300'	19. Proposed Depth 6525'	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5750' Ground Level		17. Spacing Unit dedicated to this well SP 320 DK / 40 Gallup NE 1/4 SW 1/4
22. Approximate date work will start* winter 2005		20. BLM/BIA Bond No. on file This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4
23. Estimated duration 2 weeks		

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature Kyla Vaughan	Name (Printed/Typed) Kyla Vaughan	Date 10/15/04
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Title Regulatory Compliance Tech		
Approved by (Signature) Jim Lohr	Name (Printed/Typed)	Date 12/7/04
Title Asst Field Manager - Minerals	Office	

Application/approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

HOLD C104 FOR **NLSL in Kutz gHP**

NMOCD

APD/ROW

DISTRICT I
1025 N. Fench Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, NM 87504-2088

Form C-102

Revised June 10, 2003

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-32640	² Pool Code 71599	³ Pool Name Basin Dakota
⁴ Property Code 22853	⁵ Property Name E.H. PIPKIN	⁶ Well Number 8F
⁷ GORI No. 1107067	⁸ Operator Name XTO ENERGY INC.	⁹ Elevation 5750

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	1	27-N	11-W		1460	SOUTH	2600	WEST	SAN JUAN

¹¹Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 3.20 3/2		¹³ Unit or Info		¹⁴ Consolidation Code		¹⁵ Order No.			

16 NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 4		LOT 3		LOT 2		LOT 1	
X						X	
QTR. CORNER FD 2 1/2" BC GLO 1913							
N 06-11-33 E 2642.1' (M)		2600'		LAT: 36°38'04" N. (NAD 27) LONG: 107°57'17" W. (NAD 27)			
X		X		X		X	
SEC. CORNER FD 2 1/2" BC GLO 1913		N 89-44-42 E 2645.7' (M)		QTR. CORNER FD 2 1/2" BC GLO 1913			

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Heery K Smaller

Printed Name: Heery K Smaller

Title: Drilling Assistant

Date: 10/16/04

¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: 10/16/04

Signature: JOHNA VUKONICH

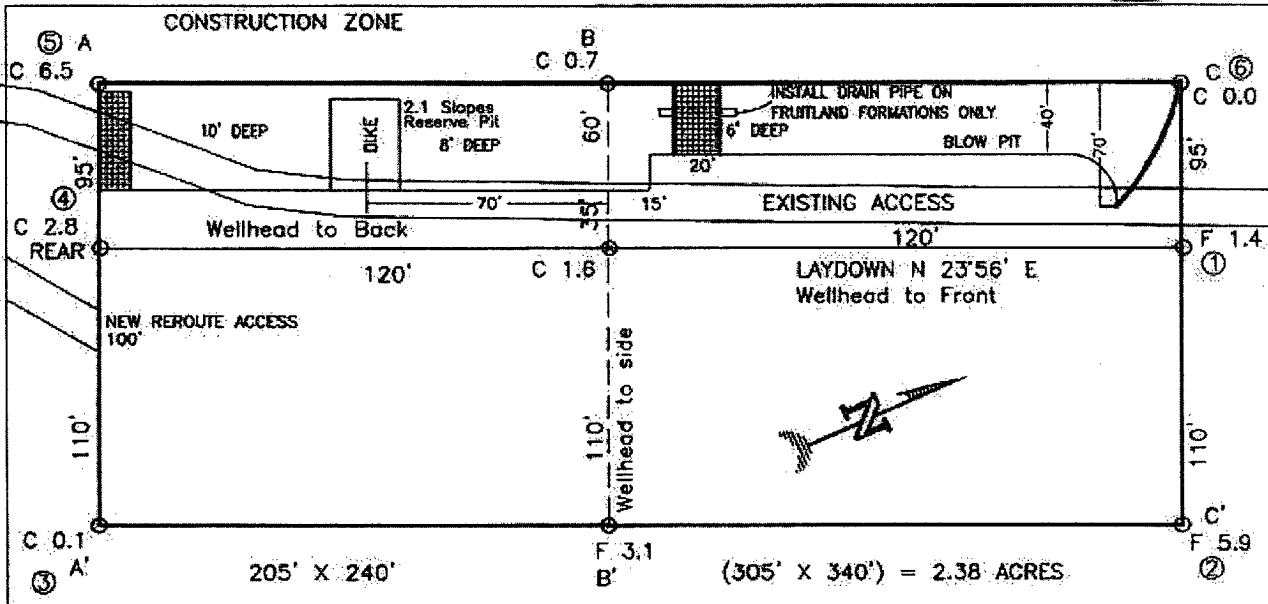
Printed Name: JOHNA VUKONICH

Title: REGISTERED PROFESSIONAL SURVEYOR

Certificate Number: 14831

XTO ENERGY INC.
 E.H. PIPKIN No. 8F, 1460 FSL 2600 FWL
 SECTION 1, T27N, R11W, N.M.P.M., SAN JUAN COUNTY, N. M.
 GROUND ELEVATION: 5750, DATE: MAY 13, 2004

LAT: 36°36'04" N.
 LONG: 107°57'17" W.
 NAD 27

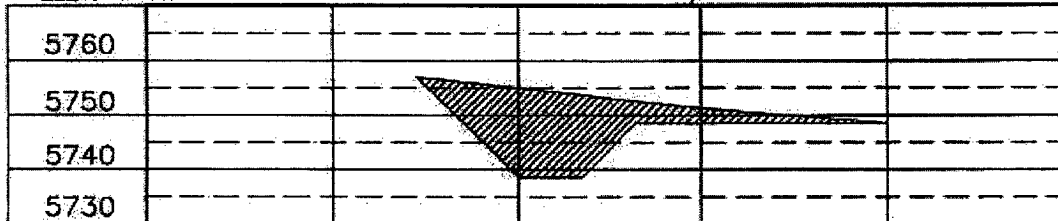


RESERVE PIT DIKE: TO BE 8' ABOVE DEEP SIDE (OVERFLOW - 3' WIDE AND 1' ABOVE SHALLOW SIDE).
 BLOW PIT: OVERFLOW PIPE HALFWAY BETWEEN TOP AND BOTTOM AND TO EXTEND OVER PLASTIC LINER AND INTO BLOW PIT.

NOTE: DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.

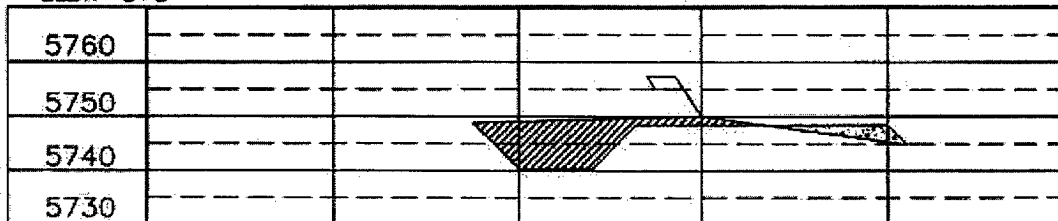
ELEV. A-A'

C/L



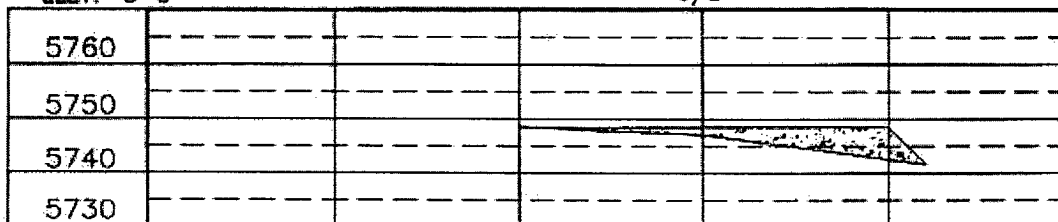
ELEV. B-B'

C/L



ELEV. C-C'

C/L



NOTE: CONTRACTOR SHOULD CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED BURIED PIPELINES OR CABLES ON WELL PAD AND OR ACCESS ROAD AT LEAST TWO (2) WORKING DAYS PRIOR TO CONSTRUCTION.

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15068 • Farmington, NM 87401
 Phone (505) 325-1772 • Fax (505) 326-6019
 NEW MEXICO L.S. No. 14831
 CIRCLE 08285578



DATE: 05/24/04
 SHEET: 08285578

EXHIBIT D

XTO ENERGY INC.

E.H. Pipkin #8F

APD Data

October 14, 2004

Location: 1,460' FSL x 2,600' FWL Sec 1, T27N R11W

County: San Juan

State: New Mexico

GREATEST PROJECTED TD: 6,525'

APPROX GR ELEV: 5,750'

OBJECTIVE: Basin Dakota

Est KB ELEV: 5,762' (12' AGL)

1. MUD PROGRAM:

INTERVAL	0' to 360'	360' to 4,000'	4,500' to TD
HOLE SIZE	12-1/4"	7-7/8"	7-7/8"
MUD TYPE	FW/Spud Mud	FW/Polymer	LSND / Gel Chemical
WEIGHT	8.6-9.0	8.4-8.8	8.6-9.0
VISCOSITY	28-32	28-32	45-60
WATER LOSS	NC	NC	8-10

Remarks: Use fibrous materials as needed to control seepage and lost circulation. Pump high viscosity sweeps as needed for hole cleaning. Raise viscosity at TD for logging. Reduce viscosity after logging for cementing purposes.

2. CASING PROGRAM:

Surface Casing: 8-5/8" casing to be set at \pm 360' in a 12-1/4" hole filled with 8.8 ppg mud

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-360'	360'	24.0#	J-55	STC	1370	2950	244	8.097	7.972	7.32	7.95	29.39

Production Casing: 5-1/2" casing to be set at TD (\pm 6,575') in 7-7/8" hole filled with 9.0 ppg mud.

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-TD	6,575'	15.5#	J-55	STC	4040	4810	222	4.950	4.825	1.22	1.45	2.02

200

3. WELLHEAD:

- Casing Head: Larkin Fig 92 (or equivalent), 9" nominal, 2,000 psig WP (4,000 psig test) with 8-5/8" 8rnd thread on bottom and 11-3/4" 8rnd thread on top.
- Tubing Head: Larkin Fig 612 (or equivalent), 6.456" nominal, 2,000 psig WP (4,000 psig test), 5-1/2" 8rnd female thread on bottom, 8-5/8" 8rnd thread on top.

EXHIBIT E

4. CEMENT PROGRAM (Slurry design may change slightly, but the plan is to circulate cement to surface on both casing strings):

A. Surface: 8-5/8", 24#, J-55, STC casing to be set at $\pm 360'$ in 12-1/4" hole.

210 sx of Type III cement (or equivalent) typically containing accelerator and LCM, mixed at 14.5 ppg, 1.39 ft³/sk, & 6.70 gal wtr/sk.

Total slurry volume is ²⁹⁷297 ft³, 100% excess of calculated annular volume to 360'.

B. Production: 5-1/2", 15.5#, J-55 (or K-55), STC casing to be set at $\pm 6,575'$ in 7-7/8" hole. DV Tool set @ $\pm 4,000'$

1st Stage

LEAD:

200 sx of Premium Lite HS (Type III/Poz/Gel) with 2% salt, 1/4 pps cello, 0.2% dispersant, 0.5% fluid loss & 2% LCM mixed at 12.5 ppg, 2.01 ft³/sk, 10.55 gal wtr/sx.

TAIL:

150 sx Type III with 5% bonding additive, 1/4 pps cello, 2% LCM, 0.3% dispersant & 0.2% fluid loss mixed at 14.2 ppg, 1.54 cuft/sx, 8.00 gal/sx.

2nd Stage

LEAD:

350 sx of Type III with 8% gel, 1/4 pps cello & 2% LCM mixed at 11.9 ppg, 2.54 ft³/sk, 15.00 gal wtr/sx.

TAIL:

100 sx Type III neat mixed at 14.5 ppg, 1.39 cuft/sx, 6.3 gal/sx.

Total estimated slurry volume for the 5-1/2" production casing is 1,661 ft³.

Note: The slurry design may change slightly based upon actual conditions. Final cement volumes will be determined from the caliper logs plus 40%. It will be attempted to circulate cement to the surface.

5. LOGGING PROGRAM:

A. Mud Logger: The mud logger will come on at 4,600' and will remain on the hole until TD. The mud will be logged in 10' intervals.

B. Open Hole Logs as follows: Run Array Induction/MSFL/SP/GR/Cal fr/TD to bottom of the surface casing and run the Neutron/Lithodensity/Pe/GR/Cal fr/TD to 4,525'.

EXHIBIT E

BOP SCHEMATIC FOR DRILLING OPERATIONS CLASS 1 (2M) NORMAL PRESSURE

TESTING PROCEDURE

1. Test BOP after installation:

Pressure test BOP to 200-300
psig (low pressure) for ~~5~~¹⁰ min.

Test BOP to Working Press or
to 70% internal yield of surf csg
(10 min).

2. Test operation of (both) rams on every trip.

3. Check and record Accumulator pressure on every tour.

4. Re-pressure test BOP stack after changing out rams.

5. Have kelly cock valve with handle available.

6. Have safety valve and subs to fit all sizes of drill string.

ROTATING HEAD
(OPTIONAL)

FILL UP LINE

FLOW LINE
TO PIT

PIPE
RAMS

BLIND
RAMS

KILL LINE
2" dia min.

TO CHOKE
MANIFOLD
2" dia min.

See Choke Manifold drawing for
specifications

HCR VALVE (OPTIONAL)

2" (MIN) FULL OPENING
VALVE

MUD CROSS

** Remove check or ball
from check valve and
press test to same press
as BOP's. **

EXHIBIT E

CHOKE MANIFOLD SCHEMATIC FOR DRILLING OPERATIONS CLASS 1 (2M) NORMAL PRESSURE

1. Stake all lines from choke manifold to pit.
2. Pressure test choke manifold after installation.
3. Pressure test manifold at the same time with the BOP Stack. Test manifold to the same test pressures.

TESTING PROCEDURE

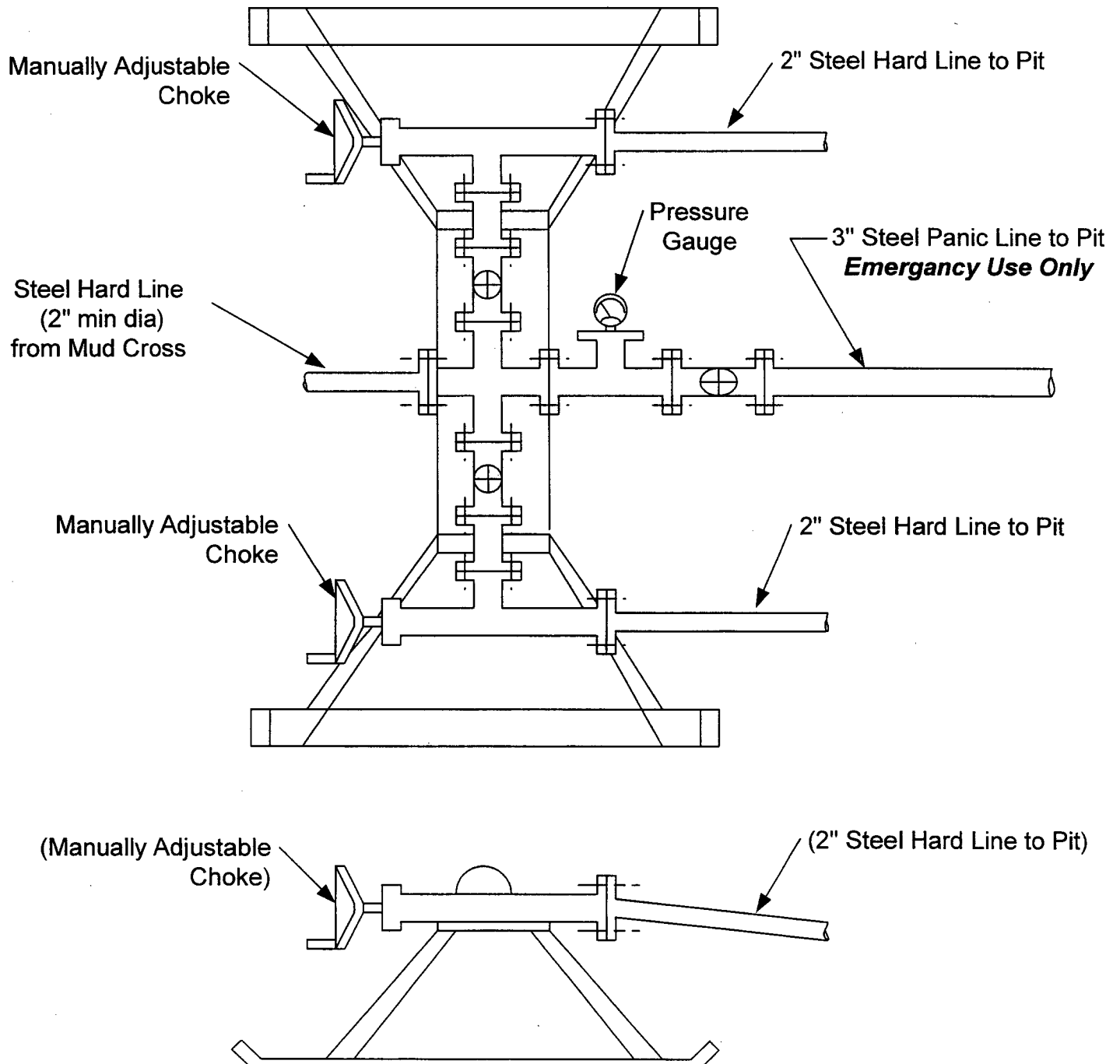


EXHIBIT E