

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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| WELL API NO. 30-045-31114 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> |
| 6. State Oil & Gas Lease No. NMSF081239 |
| 7. Lease Name or Unit Agreement Name L C Kelly |
| 8. Well Number 11 |
| 9. OGRID Number 167067 |
| 10. Pool name or Wildcat Aztec Pictured Cliffs/Basin Fruitland coal |

| | |
|---|--|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) | |
| 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other | |
| 2. Name of Operator XTO ENERGY INC. | |
| 3. Address of Operator 2700 FARMINGTON AVE, SUITE K-1, FARMINGTON, NM 87401 | |
| 4. Well Location Unit Letter <u>M</u> : <u>735</u> feet from the <u>South</u> line and <u>1050'</u> feet from the <u>West</u> line Section <u>05</u> Township <u>30N</u> Range <u>12W</u> NMPM <u>San Juan</u> County | |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) | |

| | |
|--|----------------------|
| Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/> | |
| Pit type | Depth to Groundwater |
| Distance from nearest fresh water well | |
| Distance from nearest surface water | |
| Pit Liner Thickness: | mil |
| Below-Grade Tank: | Volume |
| bbls; Construction Material | |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Downhole Commingle ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

XTO Energy Inc. requests approval for exception to 303-C to permit DHC of Production from the Aztec Pictured Cliffs (71280) & the Basin Fruitland Coal (71629). It is proposed to downhole commingle production upon recompletion of the Basin Fruitland Coal zone.

XTO Energy Inc. proposes to use the DECLINE RATE allocation based on the following information:

The Pictured Cliffs will be allocated a starting rate of 23 MCFPD and a decline rate of 10% will be applied.
The Fruitland Coal will be allocated the remaining volume of gas produced from the LC Kelly #11. The PC will be allocated 100% of the oil and 86% of the water based on historical production.

Both pools are included in the NMOCD pre-approved pool combinations for DHC in San Juan Basin for downhole commingling in the San Juan Basin. Working interest, net royalty interest and overriding royalty interest owners have been notified by certified, return receipt mail on April 12, 2005. The BLM has been notified with form 3160-5 of our intent to DHC. Downhole commingling will offer an economical method of production while protecting against reservoir damage, waste of reserves and violation of correlative rights.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Melissa M Osborne TITLE Regulatory Compliance Tech DATE 04/12/2005
Type or print name Melissa M Osborne E-mail address: Regulatory@xtoenergy.com Telephone No. 505-566-7925
For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 23 DATE APR 15 2005



2700 Farmington Ave, K-1 Farmington, NM 87401
Phone: (505) 324-1090 FAX: (505) 564-6700

April 12, 2005

RE: Notice of Intent to Apply for Downhole Commingling
ALLOCATION CORRECTION

Kelly LC #11
M Sec 05, T30N, R12W; 735' FSL & 1050' FWL
San Juan County, NM

To: All working interest, royalty interest and overriding royalty interest owners.

XTO Energy Inc. is applying for permission to downhole commingle the Basin Basin Fruitland Coal and the Aztec Pictured Cliffs pools in the Kelly LC #11. We propose to downhole commingle production from both pools upon approval from the NMOCD. NMOCD requires all interest owners be notified of intent to downhole commingle if ownership is different between pools.

Both of these pools are included in the New Mexico Oil Conservation Division pre-approved pool combinations for downhole commingling in the San Juan Basin. XTO Energy Inc. proposes to use the DECLINE RATE of Allocation based on the following information:

The Pictured Cliffs will be allocated a starting rate of 23 mcfpd and a decline rate of 10% will be applied. The Fruitland Coal will be allocated the remaining volume of gas produced from the LC Kelly #11. The PC will be allocated 100% of the oil and 86% of the water based on historical production.

If you need additional information or have any questions, I may be contacted at (505) 566-7925. If you are opposed to commingling production from these two pools please respond in writing within 20 days of the date of this letter to XTO Energy Inc., 2700 Farmington Avenue, Suite K-1, Farmington, NM 87401.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Melissa M. Osborne'.

Melissa M. Osborne
Regulatory Compliance Tech

xc: Well File
FW Land Dept.