

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

RECEIVED

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM-14923	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A	
2. Name of Operator XTO ENERGY INC		7. If Unit or CA Agreement, Name and No. VALENCIA CANYON	
3a. Address 2700 FARMINGTON AVE., BLDG. K-1 FARMINGTON, NM 87401		8. Lease Name and Well No. VALENCIA CANYON UNIT 40 B	
3b. Phone No. (include area code) (505) 324-1090		9. API Well No. 30-039- 29604	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 2410 FSL & 2175 FWL At proposed prod. zone Same		10. Field and Pool, or Exploratory BLANCO MESA VERDE	
11. Sec., T. R. M. or Blk. and Survey or Area K 35-28N-4W NMPM		12. County or Parish RIO ARRIBA	
13. State NM		14. Distance in miles and direction from nearest town or post office* 26 AIR MILES SOUTHWEST OF DULCE	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 2175'		16. No. of acres in lease 640	
17. Spacing Unit dedicated to this well S2 320		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1,753' (#46)	
19. Proposed Depth 6,900'		20. BLM/BIA Bond No. on file BLM NATIONWIDE 57 91 73	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7,281' GL		22. Approximate date work will start* OCTOBER 1, 2005	
23. Estimated duration 4 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:

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

25. Signature 	Name (Printed/Typed) BRIAN WOOD	Date 07-23-2005
Title CONSULTANT		
PHONE: (505) 466-8120 FAX: (505) 466-9682		
Approved by (Signature) 	Name (Printed/Typed) A. M. ...	Date 3/30/06
Title FFO		

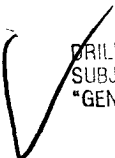
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

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.

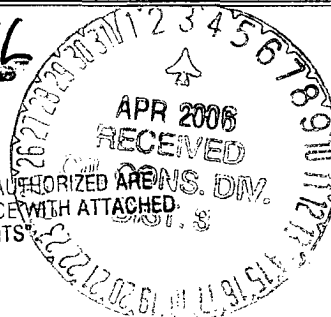
*(Instructions on page 2)

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

HOLD C104 FOR NSL



DRILLING OPERATIONS AUTHORIZED ARENS. DM.
SUBJECT TO COMPLIANCE WITH ATTACHED
GENERAL REQUIREMENTS



NMOC

A

✓

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., 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 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

2005 JUL 26 PM 1 58

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-29604		*Pool Code 72319	*Pool Name BLANCO MESA VERDE
*Property Code 02849	*Property Name VALENCIA CANYON UNIT		*Well Number 40B
*OCRD No. 167067	*Operator Name XTO ENERGY INC.		*Elevation 7281


10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	35	28-N	4-W	.	2410	SOUTH	2175	WEST	RIO ARriba

11 Bottom 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
*Dedicated Acres 320			*Joint or Infill		*Consolidation Code		*Order No. NSL		

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

16	LOCATION IS STAKED RELATIVE TO EXISTING WELLS AND DRY HOLES ON RECORD WITH N.M. OIL & GAS CONSERVATION COMMISSION. SECTION AND QUARTER CORNERS ARE NON- EXISTANT IN THE AREA. DEPENDENT RESURVEY OF THE TOWNSHIP IS REQUIRED TO OBTAIN EXACT DIMENSIONS FROM THE SECTION LINES.	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature <u>Brian Wood</u> Printed Name <u>BRIAN WOOD</u> Title <u>CONSULTANT</u> Date <u>JULY 23, 2005</u>
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 <u>2004</u> Signature and Seal of Registered Surveyor  Certificate Number	Diagram showing well location relative to section lines. The diagram is a 36x36 grid. The well location is marked with a dot at the intersection of the 35th section line and the 2410' line. The diagram also shows the 2175' line and the 2410' line. The coordinates are LAT: 36°36'58" N. (NAD 27) and LONG: 107°13'17" W. (NAD 27).	

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

WELL API NO.	30-039-29604
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. NMNM-14923	
7. Lease Name or Unit Agreement Name VALENCIA CANYON UNIT	
8. Well Number	40 B
9. OGRID Number	167067
10. Pool name or Wildcat BLANCO MESA VERDE	

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 ☐ Gas Well ☒ Other

2. Name of Operator XTO ENERGY INC.

3. Address of Operator 2700 FARMINGTON AVE., BLDG. K-1,
FARMINGTON, NM 87401

4. Well Location
Unit Letter K : 2410 feet from the SOUTH line and 2175 feet from the WEST line
Section 35 Township 28N Range 4W NMPM County RIO ARRIBA

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
7,281' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type DRILLING Depth to Groundwater >100' Distance from nearest fresh water well >5,280' Distance from nearest surface water >300'

Pit Liner Thickness: 12 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 ☐

OTHER: DRILLING PIT ☒

SUBSEQUENT REPORT OF:

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

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.

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 & closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brian Wood TITLE CONSULTANT DATE 7-23-05

Type or print name BRIAN WOOD E-mail address: brian@permitswest.com Telephone No. (505) 466-8120

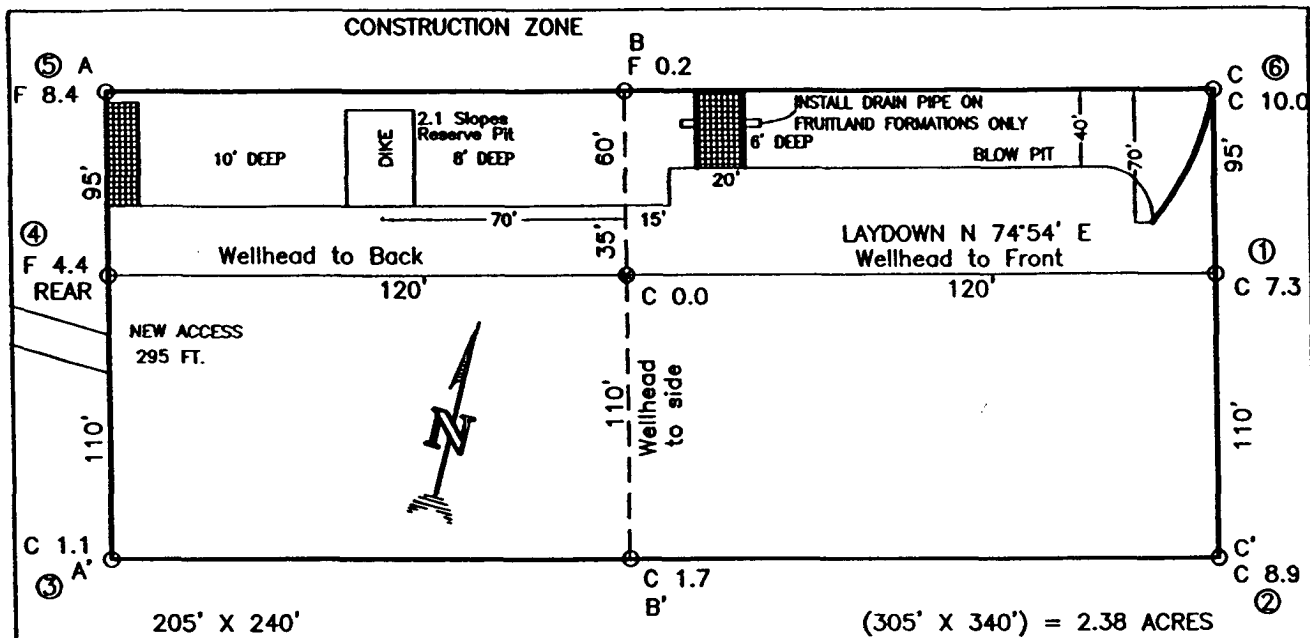
For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. DATE APR 03 2006

Conditions of Approval (if any):

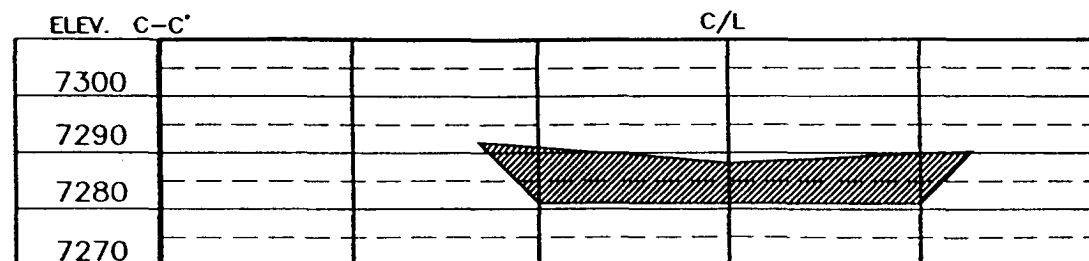
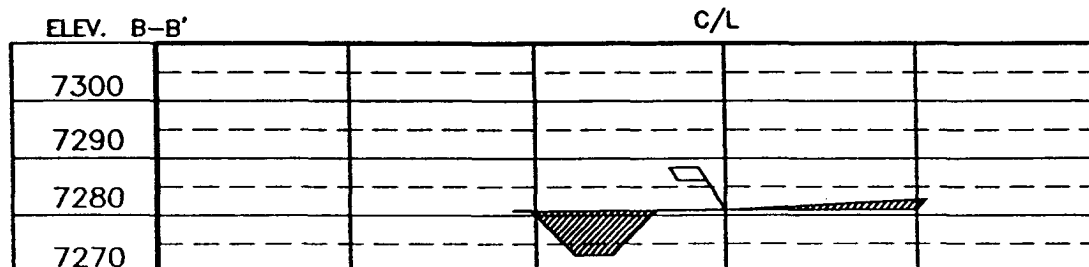
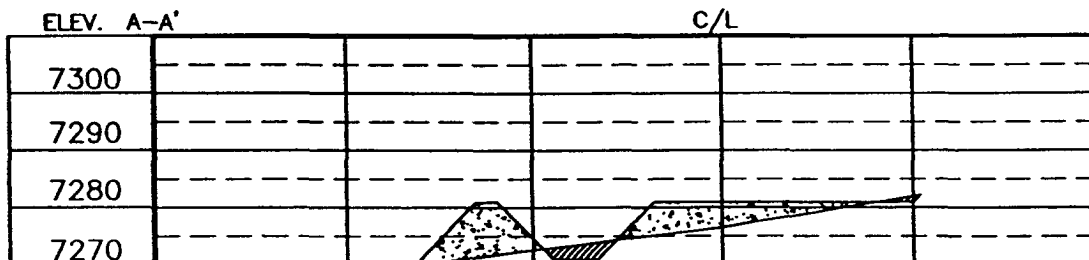
XTO ENERGY INC.
 VALENCIA CANYON UNIT No. 40B
 SECTION 35, T28N, R4W, N.M.P.M., RIO ARRIBA COUNTY, N. M.
 GROUND ELEVATION: 7281', DATE: SEPTEMBER 14, 2004

LAT. = 36°36'58" N.
 LONG. = 107°13'17" 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.



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.

DATE	9/21/04	BY	B.L.
REVISION			
<p>Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15068 • Farmington, NM 87401 Phone (505) 326-1772 • Fax (505) 326-4019 NEW MEXICO L.S. No. 14831</p>			
DATE	08/13/04	BY	B.L.
REVISION			

XTO Energy Inc.
Valencia Canyon Unit 40 B
2410' FSL & 2175' FWL
Sec. 35, T. 28 N., R. 4 W.
Rio Arriba County, New Mexico

PAGE 1

Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
San Jose	000'	12'	+7,281'
Ojo Alamo Sandstone	3,556'	3,568'	+3,725'
Fruitland Coal	3,756'	3,768'	+3,525'
Pictured Cliffs Ss	4,056'	4,068'	+3,225'
Cliff House Sandstone	6,006'	6,018'	+1,275'
Mesa Verde Sandstone	6,041'	6,053'	+1,240'
Menefee Shale	6,081'	6,093'	+1,200'
Point Lookout Sandstone	6,456'	6,468'	+825'
Mancos Shale	6,681'	6,693'	+600'
Total Depth	6,900'	6,912'	+381'

2. NOTABLE ZONES

<u>Gas or Oil Zones</u>	<u>Water Zones</u>	<u>Coal Zones</u>
Fruitland	San Jose	Fruitland
Pictured Cliffs	Ojo Alamo	Menefee
Mesa Verde	Fruitland	

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the geologist's recommendations.

3. PRESSURE CONTROL

The drilling contract has not yet been awarded, thus the exact BOP model to

XTO Energy Inc.

PAGE 2

Valencia Canyon Unit 40 B

2410' FSL & 2175' FWL

Sec. 35, T. 28 N., R. 4 W.

Rio Arriba County, New Mexico

2005 AUG 15 PM 1 39

RECEIVED
070 FARMINGTON NM

be used is not yet known. (A typical 2,000 psi model is on PAGE 3.) An 8-5/8" x 11" 2,000 pound double ram BOP system with a choke manifold and mud cross will be tested to 200 psi and then to 1,000 psi. Upper and lower Kelly cocks with valve handle and subs to fit all drill string connections which are in use will be available on the rig floor.

Tests will be run when:

- 1) installed
- 2) anytime a pressure seal is broken (test only affected equipment)
- 3) at least every 30 days
- 4) blind & pipe rams will be activated each trip, but no more than daily

BOP systems will be consistent with API RP 53. Blowout preventers will be installed and tested before drilling surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated daily to ensure good mechanical working order and this inspection recorded on the daily drilling report. Preventers and casing will be pressure tested before drilling casing cement plugs. Maximum expected bottom hole pressure is \approx 2,800 psi. BOP and mud system will control pressure.

4. CASING & CEMENT

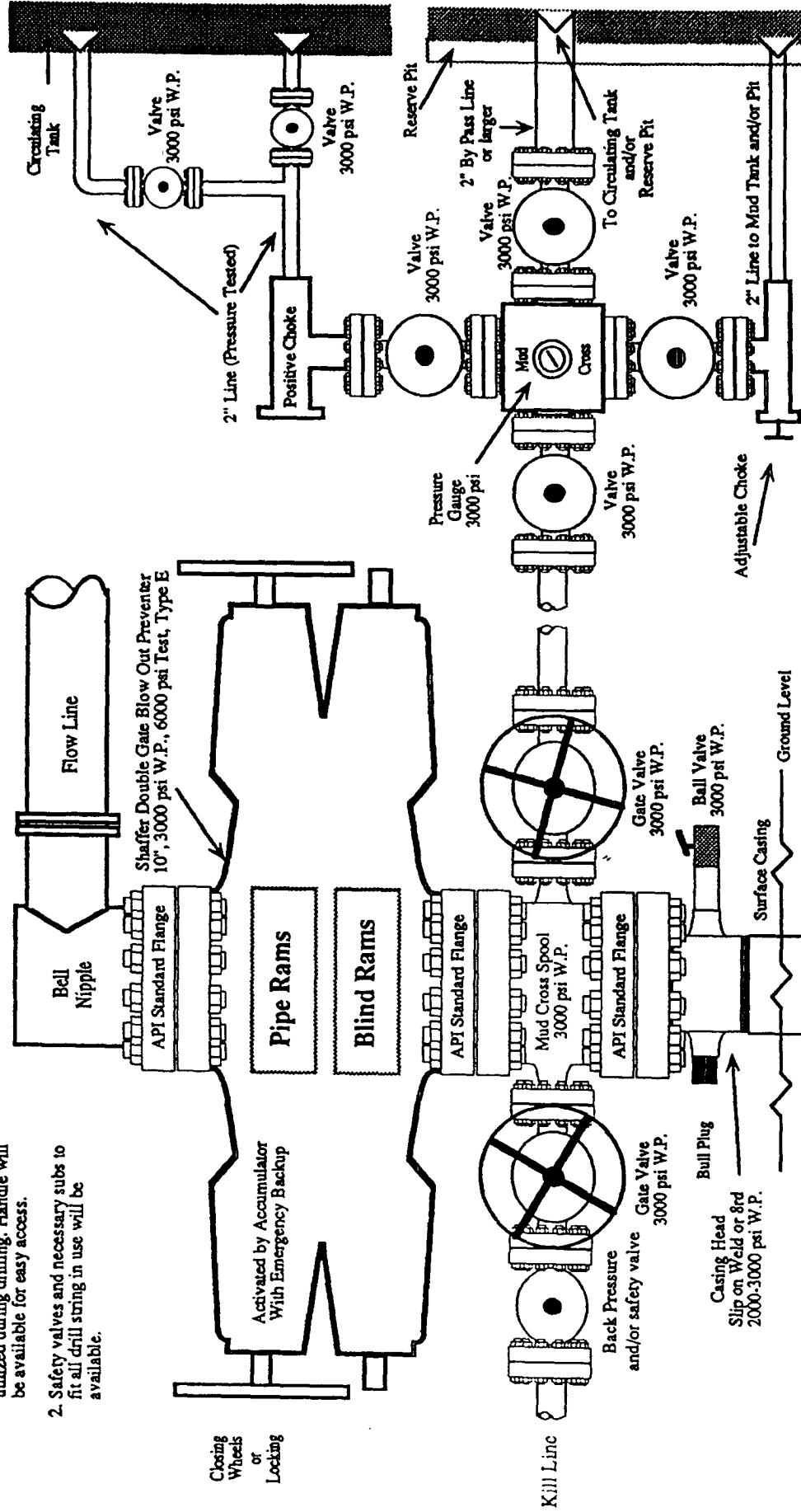
<u>Hole Size</u>	<u>O. D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Age</u>	<u>Connections</u>	<u>Setting Depth</u>
12-1/4"	9-5/8"	36	J-55	New	ST & C	320'
8-3/4"	7"	20	J-55	New	ST & C	4,000'
6-1/4"	4-1/2"	10.5	J-55	New	ST & C	6,900'

Surface casing will be cemented to surface with \approx 256 cubic feet (\approx 200 sacks) Type III + 1/4 pound per sack cello-flake + 2% CaCl₂. Yield = 1.28 cubic feet per sack. Weight = 15.2 pounds per gallon. Excess: >100%.

2,000 PSI BOP SYSTEM

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

XTO Energy Inc.
Valencia Canyon Unit 40 B
2410' FSL & 2175' FWL
Sec. 35, T. 28 N., R. 4 W.
Rio Arriba County, New Mexico

PAGE 4

Conventional centralizers will be set on the bottom two joints of the surface casing and every fourth joint to surface.

Intermediate casing will be cemented to the surface with >70% excess. Lead with ≈ 315 sacks (≈ 819 cubic feet) Type III + 8% gel + 1% CaCl_2 . + 1/4 pound per sack cello flake mixed at 11.9 pounds per gallon and 2.60 cubic feet per sack. Tail will be ≈ 150 sacks (≈ 211 cubic feet) Type III + 1% CaCl_2 . + 1/4 pound per sack cello flake mixed at 14.5 pounds per gallon and 1.41 cubic feet per sack. Casing will be set at least 50' into the Kirtland shale.

Production casing hole will be cemented to $\approx 3,300'$ (i. e., $\approx 700'$ overlap) with $\approx 100\%$ excess. Lead with ≈ 150 sacks (≈ 455 cubic feet) Type III + 8% gel + 0.5% FL-52 + 0.2% CD-32 + 2% Pheno seal mixed at 11.4 pounds per gallon and 3.03 cubic feet per sack. Tail with ≈ 150 sacks Premium Light HS + 2% KCl + 0.2% CD-32 + 0.5% FL-52 + 1/2 pound per sack cello flake + 2% Pheno seal mixed at 12.5 pounds per gallon and 2.01 cubic feet per sack.

Conventional centralizers will be set on the bottom two joints, every second joint to $\approx 6,000'$ and every fourth joint from $\approx 2,000'$ to surface.

5. MUD PROGRAM

<u>RANGE</u>	<u>MUD TYPE</u>	<u>WEIGHT</u>	<u>VISCOSITY</u>	<u>WATER LOSS</u>	<u>ADDITIVES</u>
0' - 320'	Fresh-Spud	8.5-8.8	30	NC	Gel, lime
320' - 4,000'	Fresh Water	8.5-8.8	28	NC	Gel, lime sweeps
4,000' - TD	Fresh Water	8.5-8.8	35	10 cc	Gel, soda ash, LCM

6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. Induction logs will be run from TD to $\approx 3,000'$. Neutron density - GR logs will be run from TD to base of surface casing.