

RECEIVED

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Bureau of Land Management
Field Office

FEB 13 2009

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM-035634
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 N/A
2. Name of Operator XTO ENERGY INC.		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 382 ROAD 3100 AZTEC, NM 87410	3b. Phone No. (include area code) (505) 333-3159	8. Lease Name and Well No. H B McGRADY A 1 F
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1800' FSL & 805' FEL At proposed prod. zone SAME		9. API Well No. 30-045- 34912
14. Distance in miles and direction from nearest town or post office* 9 AIR MILES SOUTHWEST OF BLOOMFIELD		10. Field and Pool, or Exploratory WC BASIN MANC. & BAS. DK.
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 805'	16. No. of acres in lease 1,120	11. Sec., T. R. M. or Blk. and Survey or Area I 14-27N-12W NMPM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3,415' (A #1)	19. Proposed Depth 6,500'	12. County or Parish SAN JUAN
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,011' GL	22. Approximate date work will start* 07/01/2009	13. State NM
17. Spacing Unit dedicated to this well S2 MANCOS: S2 & DAKOTA: S2		20. BLM/BIA Bond No. on file 478000138 BLM NATIONWIDE UTB-000138
23. Estimated duration 4 WEEKS		

24. Attachments

RCVD OCT 18 '10

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

OIL CONS. DIV.

- 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.

DIST. 3

25. Signature 	Name (Printed/Typed) BRIAN WOOD	Date 02/09/2009
Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
Approved by (Signature) 	Name (Printed/Typed)	Date 10/8/2009
Title AFM	Office FFC	

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. * Test BOPE minimum: 1200psi

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)

NOTIFY AZTEC OCD 24 HRS
PRIOR TO CASING & CEMENT

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

OCT 25 2010

NMOCD

BLM'S APPROVAL OR ACCEPTANCE OF THIS
ACTION DOES NOT RELIEVE THE LESSEE AND
OPERATOR FROM OBTAINING ANY OTHER
AUTHORIZATION REQUIRED FOR OPERATIONS
ON FEDERAL AND INDIAN LANDS

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

A COMPLETE C-144 MUST BE SUBMITTED TO AND
APPROVED BY THE NMOCD FOR: A PIT, CLOSED
LOOP SYSTEM, BELOW GRADE TANK, OR
PROPOSED ALTERNATIVE METHOD, PURSUANT TO
NMOCD PART 19.15.17, PRIOR TO THE USE OR
CONSTRUCTION OF THE ABOVE APPLICATIONS.

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

OIL CONSERVATION DIVISION

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

RECEIVED

MAR 16 2009

Revised October 12, 2005

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

Bureau of Land Management

☒ AMENDED REPORT

Change from 160 acres
to 320 acres

WELL LOCATION AND ACREAGE DEDICATION FIELD OFFICE

¹ API Number 30-045-34912	² Pool Code 97232	³ Pool Name BASIN-MANCOS GAS
⁴ Property Code 22783	⁵ Property Name HB McGRADY A	⁶ Well Number 1F
⁷ OCRID No. 167067	⁸ Operator Name XTO ENERGY INC.	⁹ Elevation 6011'

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
1	14	27-N	12-W		1800	SOUTH	805	EAST	SAN JUAN

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
¹² Dedicated Acres 320		¹³ Joint or Infill			¹⁴ Consolidation Code .		¹⁵ Order No.		

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

<p>16</p>	<p>17</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Brian Wood</i> 3-13-09</p> <p>Signature _____ Date _____</p> <p>BRIAN WOOD</p> <p>Printed Name _____</p>
<p>14</p> <p><u>SURFACE:</u></p> <p>LAT: 36.57286° N. (NAD 83) LONG: 108.07477° W. (NAD 83)</p> <p>LAT: 36°34'22.29" N. (NAD 27) LONG: 108°04'26.94' W. (NAD 27)</p> <p>FD. 2 1/2" BC. 1911 G.L.O.</p>	<p>18</p> <p>FD. 2 1/2" BC. 1911 G.L.O.</p> <p>805'</p> <p>1800'</p> <p>N 00°02'28" E 2641.51' (M)</p> <p>N 89°52'39" W 2640.08' (M)</p> <p>FD. 2 1/2" BC. 1911 G.L.O.</p>	<p>18 SURVEYOR CERTIFICATION</p> <p>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 knowledge and belief.</p> <p>JULY 11, 2008</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor _____</p> <p>ROY A. RUSH NEW MEXICO 8894 REGISTERED PROFESSIONAL LAND SURVEYOR 08-27-08</p> <p>8894</p> <p>Certificate Number _____</p>

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Revised October 12, 2005
 - 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 30-045-34912	² Pool Code 71599	³ Pool Name BASIN DAKOTA
⁴ Property Code 22783	⁵ Property Name HB McGRADY A	⁶ Well Number 1F
⁷ OGRID No. 167067	⁸ Operator Name XTO ENERGY INC.	⁹ Elevation 6011'

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
I	14	27-N	12-W		1800	SOUTH	805	1/2 EAST	SAN JUAN

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
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<p>16</p>	<p>17</p>	<p style="text-align: center;">OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p style="text-align: right;"> Signature </p> <p style="text-align: right;"> 2-9-09 Date </p> <hr/> <p>Printed Name</p> <p style="text-align: center; font-size: 1.2em;">BRIAN WOOD</p>
<p style="text-align: center;">14</p> <p style="text-align: center;"><u>SURFACE:</u></p> <p>LAT: 36.57286° N. (NAD 83) LONG: 108.07477° W. (NAD 83)</p> <p>LAT: 36°34'22.29" N. (NAD 27) LONG: 108°04'26.94" W. (NAD 27)</p>	<p style="text-align: center;">18</p> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p>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 knowledge and belief.</p> <p style="text-align: center;">JULY 11, 2008</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <div style="text-align: center;"> </div> <p style="text-align: center;">8894</p> <p>Certificate Number</p>	<p>FD. 2 1/2" BC. 1911 G.L.O.</p> <p style="text-align: center;">805'</p> <p style="text-align: center;">1800'</p> <p style="text-align: center;">N 00°02'28" E 2641.51' (M)</p> <p style="text-align: center;">N 89°52'39" W 2640.08' (M)</p> <p>FD. 2 1/2" BC. 1911 G.L.O.</p>

XTO Energy Inc.
H B McGrady A 1 F
1800' FSL & 805' FEL
Sec. 14, T. 27 N., R. 12 W.
San Juan County, New Mexico

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Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Nacimiento	0'	12'	+6,011'
Ojo Alamo Sandstone	156'	168'	+5,855'
Fruitland Formation	1,161'	1,173'	+4,850'
Pictured Cliffs Sandstone	1,571'	1,583'	+4,440'
Cliff House Sandstone	3,141'	2,419'	+2,870'
Menefee Shale	3,341'	3,353'	+2,670'
Point Lookout Sandstone	4,001'	4,013'	+2,010'
Mancos Shale	4,311'	4,323'	+1,700'
Gallup Sandstone	5,281'	5,293'	+755'
Greenhorn Limestone	6,026'	6,037'	-15'
Dakota Sandstone	6,181'	6,193'	-170'
Total Depth (TD)	6,500'	6,512'	-489'

2. NOTABLE ZONES

Gas & Oil Zones

Fruitland
Pictured Cliffs
Gallup
Dakota

Water Zones

Nacimiento
Ojo Alamo
Fruitland

Coal Zone

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.

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3. PRESSURE CONTROL

The drilling contract has not yet been awarded, thus the exact BOP model to 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 \approx 200 psi and then to \approx 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 will be \leq 2,600 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"	8-5/8"	24	J-55	New	ST & C	360'
7-7/8"	5-1/2"	15.5	J-55	New	ST & C	6,500'

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Surface casing will be cemented to the surface with ≈ 375 cubic feet (≈ 270 sacks) Type V cement + 1/4 pound per sack cello-flake + 2% CaCl_2 . Yield = 1.39 cubic feet per sack. Weight = 14.5 pounds per gallon. Excess: >100%. Centralizers will be set on the bottom two joints of the surface casing and every fourth joint to the surface.

Production casing will be cemented to the surface in two stages with $\approx 100\%$ excess. DV tool will be set at $\approx 4,600'$. Total first stage volume = 663 cubic feet. Second stage volume = 1,595 cubic feet. Centralizers will be set on the bottom two joints, every second joint to $\approx 5,000'$, and every fourth joint from $\approx 2,000'$ to the surface.

Will cement first stage with ≈ 330 sacks (=663 cubic feet) premium light HS cement with 0.2% CD 32 + 0.5% FL 32 + 1/4 pound per sack cello flake + 2% KCl + 2% phenoseal mixed at 12.5 pounds per gallon and 2.01 cubic feet per sack.

Will cement second stage with ≈ 560 sacks (=1,595 cubic feet) premium light HS cement with 8% gel + 1/4 pound per sack cello flake + 2% phenoseal mixed at 11.9 pounds per gallon and 2.60 cubic feet per sack. Will follow with ≈ 100 sacks (= 139 cubic feet) Type III neat cement mixed at 14.5 pounds per gallon and 1.39 cubic feet per sack.

5. MUD PROGRAM

<u>RANGE</u>	<u>MUD TYPE</u>	<u>WEIGHT</u>	<u>VISCOSITY</u>	<u>WATER LOSS</u>	<u>ADDITIVES</u>
0' - 360'	Fresh-Spud	8.6-9.0	28-32	NC	Gel, lime
360' - 2,500'	Fresh-Poly	8.4-8.8	28-32	NC	Gel, lime sweeps
2,500' - TD	Fresh Water	8.6-9.2	45-60	8-10 cc	Gel, soda ash, LCM

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6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. Mud logger will arrive at $\approx 3,000'$ and collect samples every $\approx 10'$ from there to TD. These open hole logs will be run:

Array Induction/SFL/GR/SP from TD to $\approx 360'$
Neutron/Lithodensity/Pe/GR/Cal from TD to $\approx 3,000'$

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be $\leq 2,600$ psi.

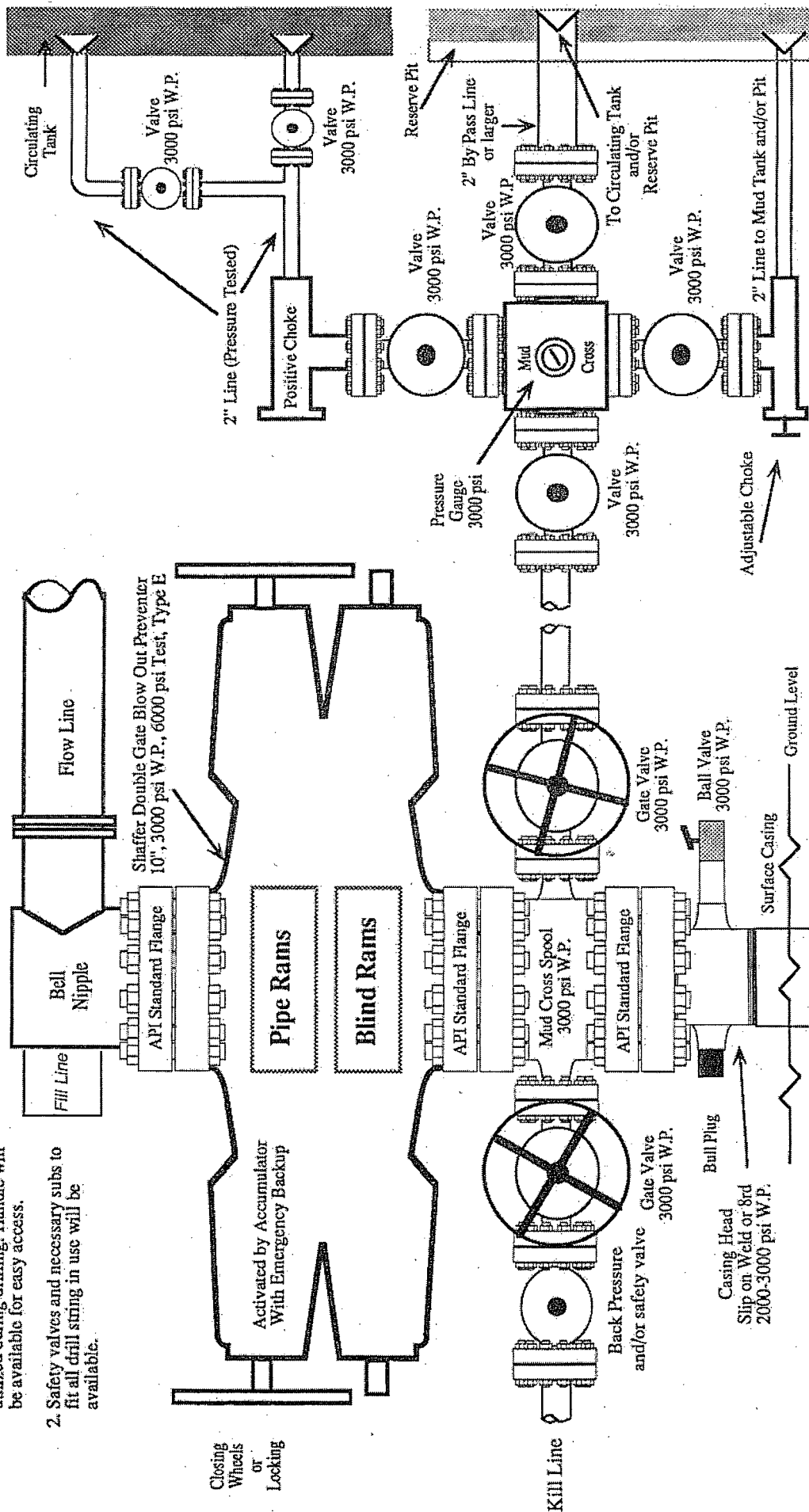
8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take about four weeks to drill and complete the well.

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.