



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

July 12, 2006

Mark E. Fesmire, P.E.
Director

Joanna Prukop
Cabinet Secretary

Oil Conservation Division

Manana Gas, Inc.
c/o **Paul C. Thompson**
Walsh Engineering & Production Corp.
7415 East Main
Farmington, New Mexico 87402

Case 13761

Re: Administrative application (Division reference No. pTDS0-618853284) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 7, 2006 on behalf of the operator, Manana Gas, Inc., to drill and complete its proposed Crooked Seams Well No. 2 (API No. 30-045-33818) in the Pictured Cliffs formation and Basin-Fruitland Coal (Gas) Pool at an unorthodox gas well location 420 feet from the North line and 1090 feet from the East line (Unit A) of Section 14, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico.

Dear Mr. Thompson:

On Monday, July 10, 2006 the Division received a timely objection from XTO Energy, Inc. to the subject application, see copy of letter attached.

This application will therefore be set for hearing before a Division Hearing Examiner on the next available docket scheduled for August 17, 2006. In order to expatiate this matter I have prepared the following advertisement in this matter:

"Application of Manana Gas, Inc. for an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks to drill and complete its proposed Crooked Seams Well No. 2 (API No. 30-045-33818) in the: (i) Pictured Cliffs formation within either the Undesignated Aztec-Pictured Cliffs Pool (71280) or the Undesignated Fulcher Kutz-Pictured Cliffs Pool (77200); and (ii) Basin-Fruitland Coal (Gas) Pool (71629) at an unorthodox gas well location in both intervals 420 feet from the North line and 1090 feet from the East line (Unit A) of Section 14, Township 30 North, Range 12 West. This well is to be: (i) an infill coal gas well in the Basin-Fruitland Coal (Gas) Pool within an existing standard 320-acre stand-up spacing unit the E/2 of Section 14, which is currently dedicated to applicant's existing Crooked Seams Well No. 1 (API No. 30-045-32012) located at a standard coal gas well location 716 feet from the South line and 1225 feet from the East line (Unit P) of Section 14; and (ii) the initial Pictured Cliffs gas well within a standard 160-acre unit comprising the NE/4 of Section 14. The proposed well site is located approximately 1.5 miles northeast of Flora Vista, New Mexico."

Should you have any questions concerning this matter, please contact your legal counsel or the Division's Chief Engineer, Mr. Richard Ezeanyim in Santa Fe at (505) 476-3467. Thank you.

Sincerely,

Michael E. Stogner
Engineering Assistant to the Director

cc: New Mexico Oil Conservation Division - Aztec
Mr. Christopher Spencer, XTO Energy, Inc. - Fort Worth, Texas



July 6, 2006

2006 JUL 10 AM 9 51

VIA FEDEX OVERNIGHT

Mr. Mark Fesmire, P. E.
New Mexico Oil Conservation Division
1220 S St Francis Dr
Santa Fe NM 87504

Case 13761

Re: Protest to Application for Administrative Approval of Unorthodox Location
Manana Gas, Inc. – Crooked Seams No. 2
420' FNL and 1,090' FEL, Section 14, T30N, R12W
San Juan County, New Mexico

Dear Mr. Stogner:

On this date, XTO Energy Inc. received notice of application by Manana Gas, Inc. for an unorthodox location for the Crooked Seams No. 2 Well. Due to the close proximity of the proposed well location to an existing XTO Fruitland Coal unit and the apparent availability of a location south of Highway 550, please consider this notice that XTO Energy Inc. intends to protest Manana's unorthodox location application.

Please advise of the date that this matter will be set for hearing.

Yours truly,


Christopher Spencer, CPL
Landman

/cks

cc: Mr. Paul Thompson, P. E., Agent for Manana Gas, Inc.

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Case 13761

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location]
 [NSP-Non-Standard Proration Unit]
 [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling]
 [CTB-Lease Commingling]
 [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling]
 [OLS - Off-Lease Storage]
 [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion]
 [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal]
 [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification]
 [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

_____ Print or Type Name	_____ Signature	_____ Title	_____ Date
_____ e-mail Address			



WALSH

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

June 30, 2006

Mr. Mark Fesmire, P.E.
New Mexico Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87504

Re: Non-Standard Location Application
Manana Gas, Inc.
Crooked Seams #2
420' FNL & 1090' FEL, Section 14, T30N R12W
San Juan County, New Mexico
Basin Fruitland Coal and Aztec Pictured Cliffs

30-045-33818

2006 JUL 7 PM 1 11

Dear Mr. Fesmire,

This is a request for administrative approval for a non-standard location in the Basin Fruitland Coal and Aztec Pictured Cliffs pools. The Crooked Seams #2 will be drilled and completed as a downhole commingled Fruitland Coal and Pictured Cliffs well. The proposed location is on a bench approximately 60' above a level area between the well pad and Highway 516 that is to be developed as a trailer park. The offset property owner requested that the well not be placed in the trailer park for aesthetic and safety reasons. Mr. Hartman, the owner of Manana Gas Company, purchased a four acre tract of land in this residential area for this well location. The proposed location is as far south as possible while still staying on the upper bench. Please refer to the attached topo map and cross section.

I have attached for your review, a C-102 for the Fruitland Coal and Pictured Cliffs formations, outlining the dedicated acreage. I have also prepared a plat identifying the existing Fruitland Coal and Pictured Cliffs wells in the area and the offset operators.



The offset operators of the Basin Fruitland Coal and Aztec Pictured Cliffs pools are being notified of this application by certified return receipt mail. Copies of these letters are enclosed.

Thank you for your consideration and approval of this application. If you have any questions please do not hesitate to call upon me.

Sincerely,

A handwritten signature in cursive script that reads "Paul C. Thompson".

Paul C. Thompson, P.E.
Agent for
Manana Gas, Inc.

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 October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 71629		³ Pool Name BASIN FRUITLAND COAL	
⁴ Property Code		⁵ Property Name CROOKED SEAMS			⁶ Well Number 2
⁷ GRID No. 13931		⁸ Operator Name MANANA GAS INC.			⁹ Elevation 5681

¹⁰Surface Location

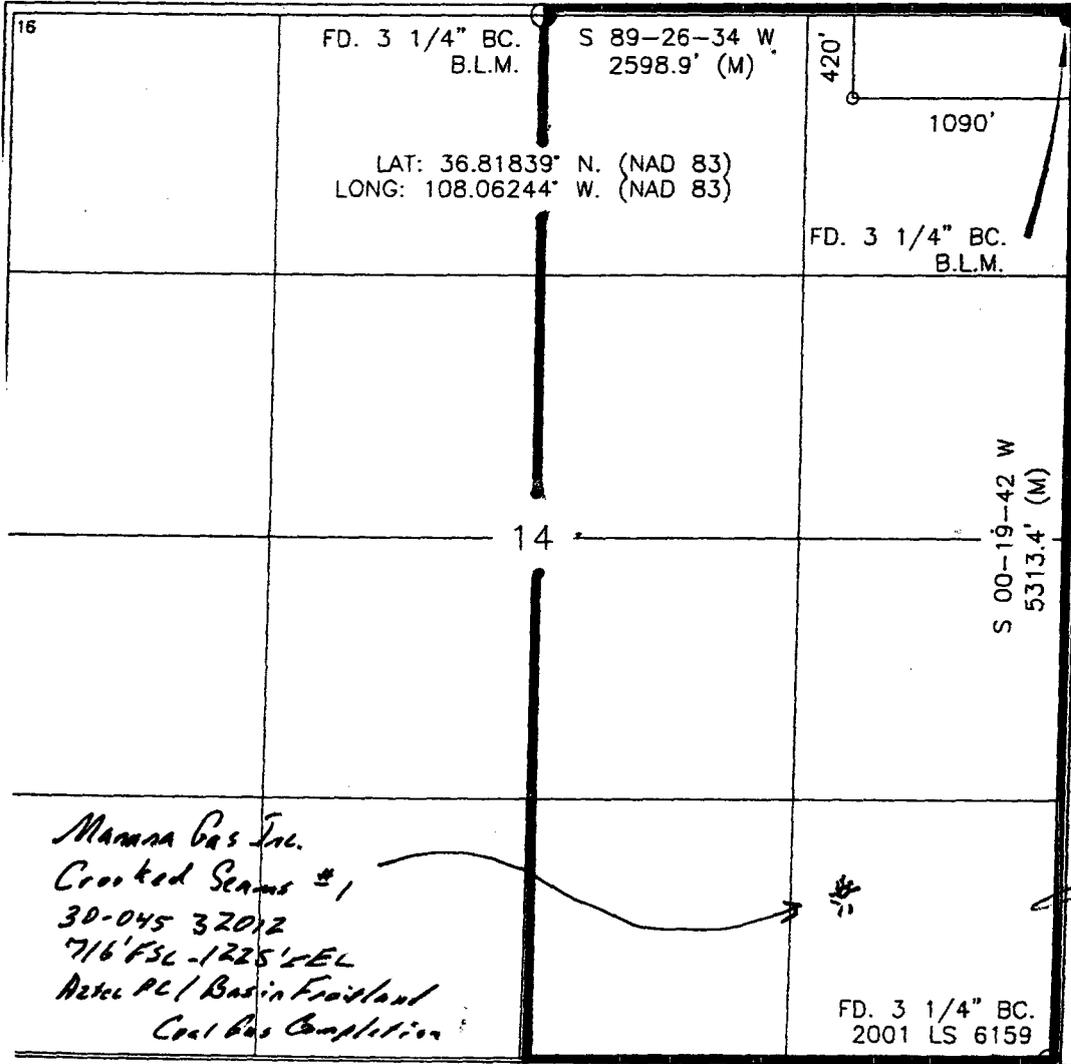
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	30-N	12-W		420	NORTH	1090	EAST	SAN JUAN

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 E/2 320 ACRES	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
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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



¹⁷ OPERATOR CERTIFICATION

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.

Paul C. Thompson - 6/22/06
Signature Date
PAUL C. THOMPSON, AGENT
Printed Name

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.

MAY 11 2006
Date of Survey
Signature of Registered Professional Surveyor:



Certificate Number

Manana Gas Inc.
Crooked Seams #1
30-045 32012
716' FSL - 1225' DEL
Aztec PL / Basin Fruitland
Coal Gas Completion

Standard 640-400 Section

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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 71280		³ Pool Name AZTEC PICTURED CLIFFS	
⁴ Property Code		⁵ Property Name CROOKED SEAMS			⁶ Well Number 2
⁷ OGRID No. 13931		⁸ Operator Name MANANA GAS INC.			⁹ Elevation 5681

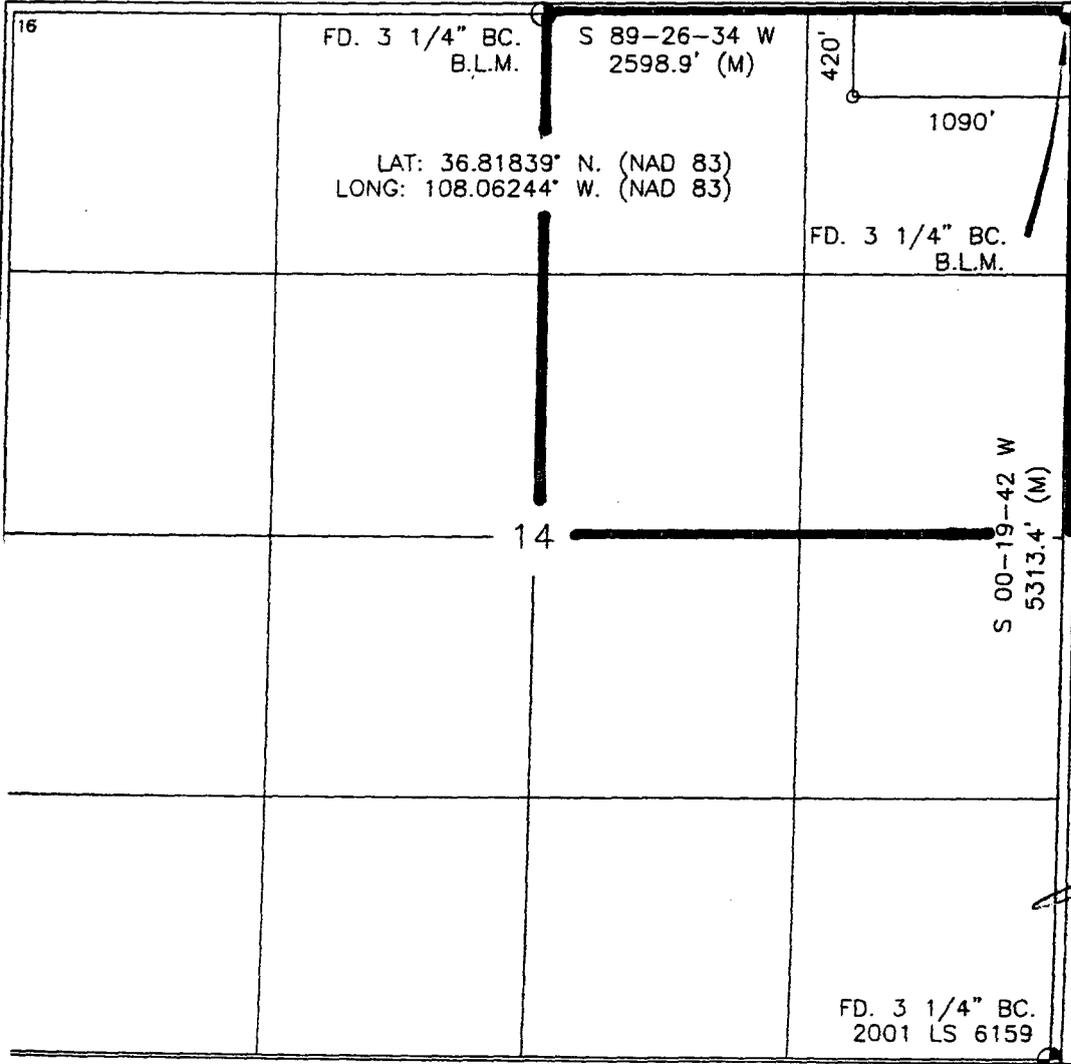
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	30-N	12-W		420	NORTH	1090	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 NE/4 160 ACRES			¹³ Joint or Infill Y		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



¹⁷ OPERATOR CERTIFICATION

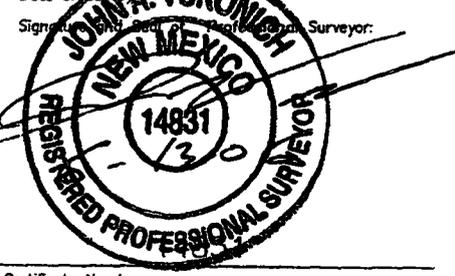
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this 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.

Paul C. Thompson 6/22/06
Signature Date
Paul C. Thompson, AGENT
Printed Name

¹⁸ SURVEYOR CERTIFICATION

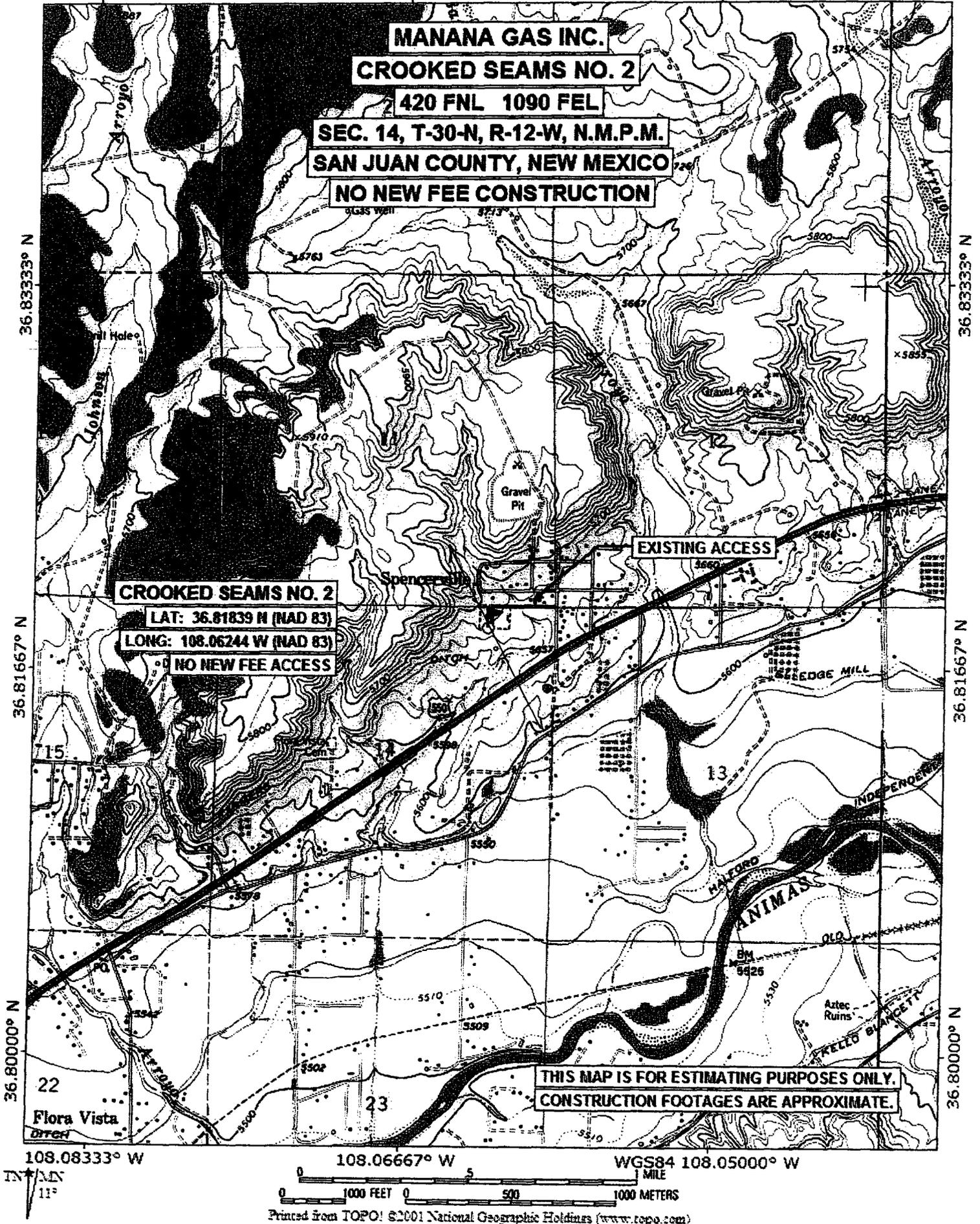
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

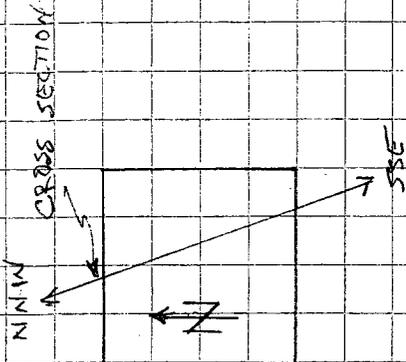
MAY 11 2006
Date of Survey
Signature of Registered Professional Surveyor:



Certificate Number

FD. 3 1/4" BC.
2001 LS 6159





CROSS SECTION
 MIANAMA GRAB CO
 CROOKED SEAMS #2
 NE 14 304 12W

NNW

CROOKED SEAMS #2

STEEP HILL

FUTURE TRAILER PARK
 DRAINAGE

EXISTING HOUSES

HWY 516

SECTION 11
 SECTION 14

SCALE: 6" = 1000'



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
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7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

CERTIFIED- RETURN RECEIPT

June 28, 2006

Mr. Chris Spencer
XTO Energy
810 Houston Street
Fort Worth, TX 76102-6298

Re: Non-Standard Location Application
Manana Gas, Inc.
Crooked Seams #2
420' FNL & 1090' FEL
Section 14, T30N R12W
San Juan County, NM
Basin Fruitland Coal and Aztec Pictured Cliffs

Dear Mr. Chris Spencer,

Manana Gas, Inc. has applied to the New Mexico Oil Conservation Division for administrative approval to drill and produce the referenced well in a non-standard location. The non-standard location is the result of topography and an attempt to conform to current land uses. As an offset operator in the Basin Fruitland Coal and/or the Aztec Pictured Cliffs pools, you are being notified of this application pursuant to NMOC rules.

If you desire to submit remarks concerning the application, please send them to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.



CERTIFIED- RETURN RECEIPT

June 28, 2006

Mr. Tucker Bayless
R.L. Bayless Producer
368 Hwy. 170
Farmington, NM 87401

Re: Non-Standard Location Application
Manana Gas, Inc.
Crooked Seams #2
420' FNL & 1090' FEL
Section 14, T30N R12W
San Juan County, NM
Basin Fruitland Coal and Aztec Pictured Cliffs

Dear Mr. Tucker Bayless,

Manana Gas, Inc. has applied to the New Mexico Oil Conservation Division for administrative approval to drill and produce the referenced well in a non-standard location. The non-standard location is the result of topography and an attempt to conform to current land uses. As an offset operator in the Basin Fruitland Coal and/or the Aztec Pictured Cliffs pools, you are being notified of this application pursuant to NMOC rules.

If you desire to submit remarks concerning the application, please send them to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.



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ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

CERTIFIED- RETURN RECEIPT

June 28, 2006

Mr. T. Greg Merrion
Merrion Oil and Gas
610 Reilly Ave.
Farmington, NM 87401

Re: Non-Standard Location Application
Manana Gas, Inc.
Crooked Seams #2
420' FNL & 1090' FEL
Section 14, T30N R12W
San Juan County, NM
Basin Fruitland Coal and Aztec Pictured Cliffs

Dear Mr. T. Greg Merrion,

Manana Gas, Inc. has applied to the New Mexico Oil Conservation Division for administrative approval to drill and produce the referenced well in a non-standard location. The non-standard location is the result of topography and an attempt to conform to current land uses. As an offset operator in the Basin Fruitland Coal and/or the Aztec Pictured Cliffs pools, you are being notified of this application pursuant to NMOC rules.

If you desire to submit remarks concerning the application, please send them to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.



WALSH ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping

7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax: (505) 327-9834

CERTIFIED- RETURN RECEIPT

June 28, 2006

Mr. A.M. O'Hare
P.O. Box 338
Ignacio, CO 81137

Re: Non-Standard Location Application
Manana Gas, Inc.
Crooked Seams #2
420' FNL & 1090' FEL
Section 14, T30N R12W
San Juan County, NM
Basin Fruitland Coal and Aztec Pictured Cliffs

Dear Mr. A.M. O'Hare,

Manana Gas, Inc. has applied to the New Mexico Oil Conservation Division for administrative approval to drill and produce the referenced well in a non-standard location. The non-standard location is the result of topography and an attempt to conform to current land uses. As an offset operator in the Basin Fruitland Coal and/or the Aztec Pictured Cliffs pools, you are being notified of this application pursuant to NMOC rules.

If you desire to submit remarks concerning the application, please send them to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.



CERTIFIED- RETURN RECEIPT

June 28, 2006

Ms. Dorothy A. Brelih
Four Star Oil and Gas
11111 South Wilcrest
Houston, TX 77099

Re: Non-Standard Location Application
Manana Gas, Inc.
Crooked Seams #2
420' FNL & 1090' FEL
Section 14, T30N R12W
San Juan County, NM
Basin Fruitland Coal and Aztec Pictured Cliffs

Dear Ms. Dorothy A. Brelih,

Manana Gas, Inc. has applied to the New Mexico Oil Conservation Division for administrative approval to drill and produce the referenced well in a non-standard location. The non-standard location is the result of topography and an attempt to conform to current land uses. As an offset operator in the Basin Fruitland Coal and/or the Aztec Pictured Cliffs pools, you are being notified of this application pursuant to NMOCD rules.

If you desire to submit remarks concerning the application, please send them to the New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico, within 20 days from the receipt of this notice. If you have no objection to the proposal, no action is required on your part.

Thank you for your consideration in this matter and if you have any questions, please do not hesitate to call upon me.

Sincerely,

Paul C. Thompson, P.E.

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

CERTIFIED MAIL™

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 7004 1350 0002 0320 5992

U.S. Postal Service™
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OFFICIAL USE

Postage	\$.63	Postmark Here marked 61301000
Certified Fee	2.30	
Return Receipt Fee (Endorsement Required)	1.75	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 4.68	

Sent To Mr. A.M. O'Hare
 Street, Apt. No., or PO Box No. P.O. Box 338
 City, State, ZIP+4 Ignacio, CO 81137

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>1. Article Addressed to:</p> <p><u>Mr. A.M. O'Hare</u> <u>P.O. Box 338</u> <u>Ignacio, CO 81137</u></p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p>	<p><u>7004 1350 0002 0320 5992</u></p>

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE
CERTIFIED MAIL

7004 1350 0002 0320 5985
 7004 1350 0002 0320 5985

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$.63
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.68

Postmark Here
Marked 6/13/06

Sent To Mr. Chris Spencer
 Street, Apt. No., or PO Box No. 810 Houston Street
 City, State, ZIP+4 Fort Worth, TX 76102-6298

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Mr. Chris Spencer
XTO Energy
810 Houston Street
Fort Worth, TX
76102-6298

2. Article Number
 (Transfer from service label)

7004 1350 0002 0320 5985

COMPLETE THIS SECTION ON DELIVERY

A. Signature X Agent Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.
CERTIFIED MAIL™

7004 1350 0002 0320 6043
 7004 1350 0002 0320 6043

U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information, visit our website at www.usps.com®	
OFFICIAL USE	
Postage \$ <u>1.63</u>	Postmark Here <i>mailed 6/30/06</i>
Certified Fee <u>2.30</u>	
Return Receipt Fee (Endorsement Required) <u>1.75</u>	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$ <u>4.68</u>	
Sent To <u>Mr. Tucker Bayless</u> Street, Apt. No., or PO Box No. <u>308 Hwy. 170</u> City, State, ZIP+4 <u>Farmington, NM 87401</u>	
PS Form 3800, June 2002 See Reverse for Instructions	

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Mr. Tucker Bayless
R. L. Bayless Producer
308 Hwy. 170
Farmington, NM
87401

2. Article Number
 (Transfer from service label) 7004 1350 0002 0320 6043

COMPLETE THIS SECTION ON DELIVERY

A. Signature X Agent Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

CERTIFIED MAIL

7004 1350 0002 0320 6036
 7004 1350 0002 0320 6036

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$.63	Postmark Here <i>marked 6/30/06</i>
Certified Fee	2.30	
Return Receipt Fee (Endorsement Required)	1.75	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 4.68	

Sent To: *Mr. T. Greg Merrion*
 Street, Apt. No. or PO Box No.: *610 Reilly Ave.*
 City, State, ZIP+4: *Farmington, NM 87401*

PS Form 3800, June 2002 See Reverse for Instructions.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input checked="" type="checkbox"/> X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p>
<p>1. Article Addressed to:</p> <p><i>Mr. T. Greg Merrion Merrion Oil and Gas 610 Reilly Ave. Farmington, NM 87401</i></p>	<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
<p>2. Article Number (Transfer from service label)</p> <p>7004 1350 0002 0320 6036</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

CERTIFIED MAIL™

7004 1350 0002 0320 6005
7004 1350 0002 0320 6005

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$.63
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.68

Postmark
mailed
4/30/06

Sent To
 Street, Apt. No., or PO Box No. Ms. Dorothy A. Brelih
1111 South Wilcrest
 City, State, ZIP+4 Houston, TX 77099

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Ms. Dorothy A. Brelih
Four Star Oil and Gas
1111 South Wilcrest
Houston, TX 77099

COMPLETE THIS SECTION ON DELIVERY

A. Signature X Agent Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

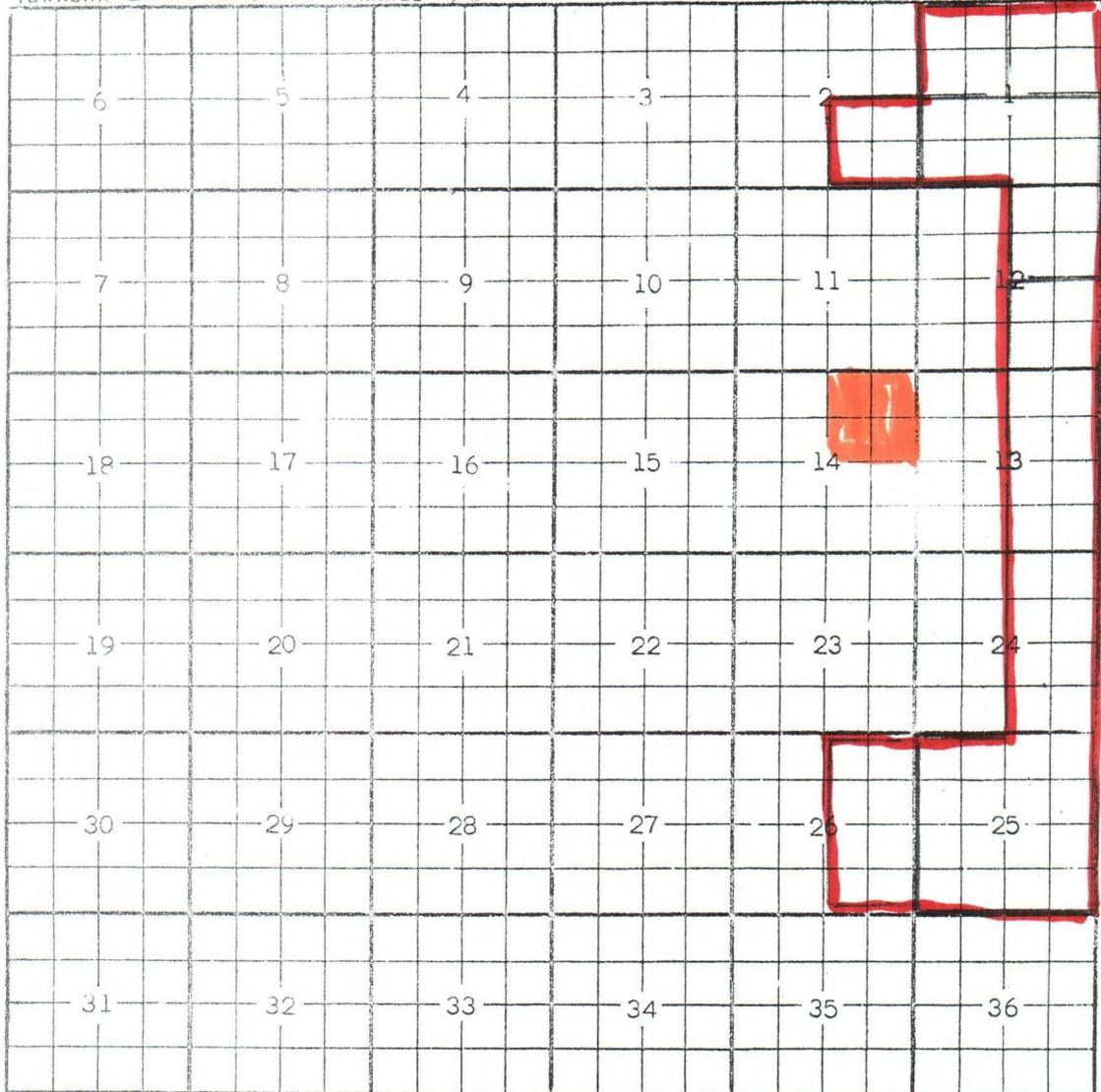
3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7004 1350 0002 0320 6005

County San Juan Pool Aztec-Pictured Cliffs

TOWNSHIP 30 North RANGE 12 West NEW MEXICO PRINCIPAL MERIDIAN

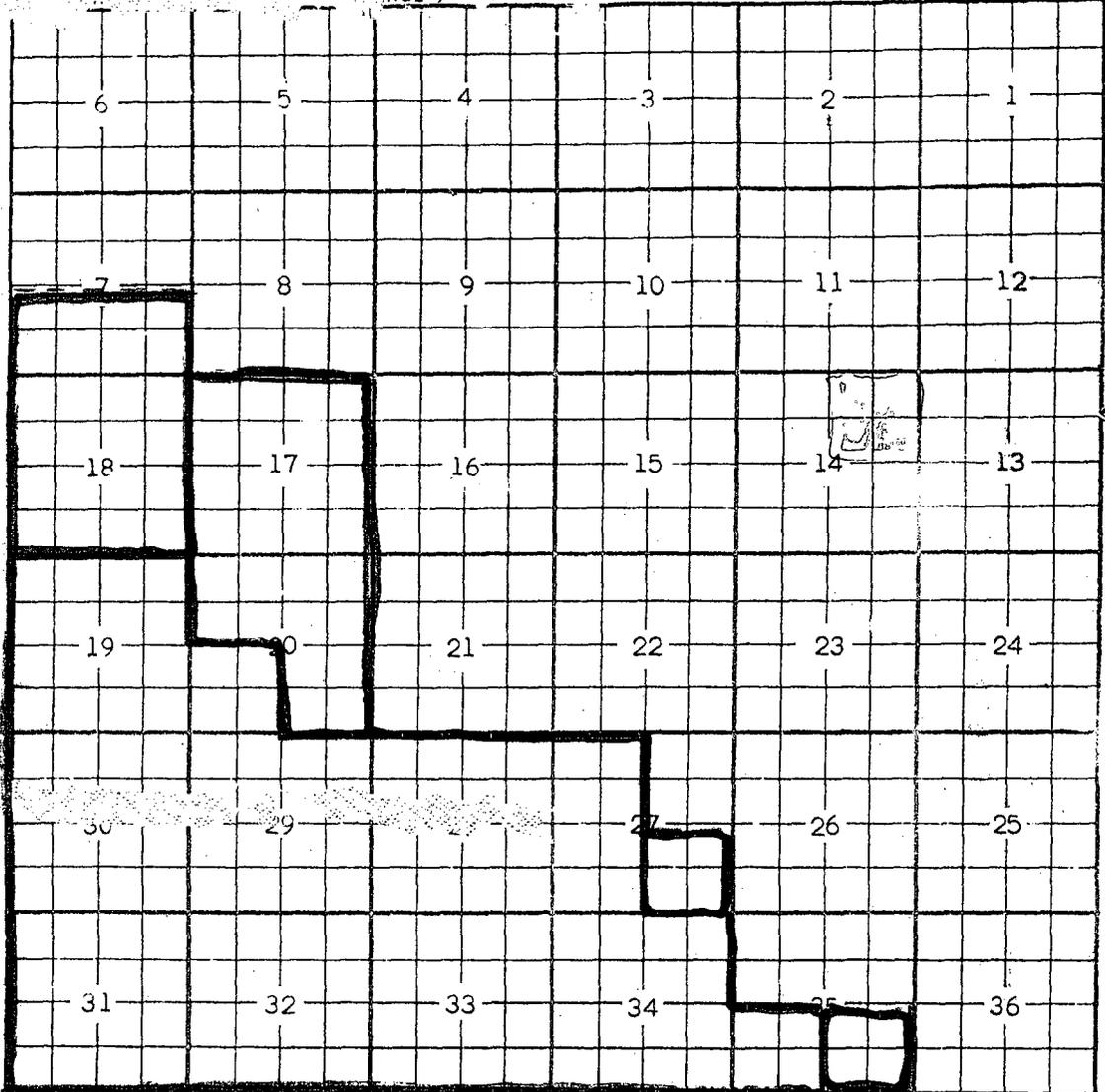


Description: $\frac{SE}{4}$ Sec. 12; $\frac{E}{2}$ Sec. 13; $\frac{E}{2}$ Sec. 24; All Sec. 25 (R-565, 12-73-54)
 Ext: $\frac{S}{2}$ Sec. 1; $\frac{NE}{4}$ Sec. 12 (R-1211, 6-76-58) - $\frac{NW}{4}$ Sec. 1 (R-1227, 8-1-58)
 - $\frac{SE}{4}$ Sec. 2 (R-1239, 9-1-58) EXT: $\frac{NE}{4}$ Sec. 1 (R-2585, 11-188)
 EXT: $\frac{E}{2}$ Sec. 26 (R-11540, 2-26-01)

County San Juan Pool Fulcher Kutz - Pictured Cliffs

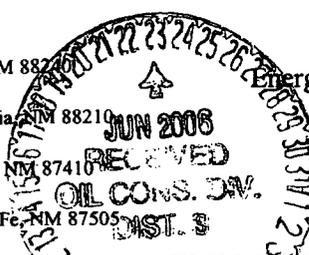
³⁰ Range 12 West

NEW MEXICO PRINCIPAL MERIDIAN



Description: All Sec. 19; ^{SW}/₄ Sec. 20; ^W/₂ Sec. 27; All Sec. 28 thru 34; ^{SW}/₄ Sec. 35 (R-565)
 EXT: ^{SE}/₄ Sec. 27, ^{SE}/₄ Sec. 35 (R-10357, 5-2-95) EXT: ^S/₂ Sec. 7, All Sec. 18 (R-10990, 5-20-98)
 EXT: All Sec. 17, ^N/₂ and ^{SE}/₄ Sec. 20 (R-11540, 2-26-01)

District I
1625 N. French Dr., Hobbs, NM 88241
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505



State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
May 27, 2004

Submit to appropriate District Office
 AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Manana Gas, Inc. c/o Walsh Engineering 7415 E. Main St., Farmington, NM 87402		OGRID Number 13931
Property Code 33159	Property Name Crooked Seams	APN Number 30-045-33818
Proposed Pool 1 Basin Fruitland Coal		Proposed Pool 2 Aztec Pictured Cliffs

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	30N	12W		420'	North	1090'	East	San Juan

Proposed 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

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 5681'
Multiple Y	Proposed Depth 2160'	Formation Pictured Cliffs	Contractor	Spud Date
Depth to Groundwater >50'		Distance from nearest fresh water well >500'		Distance from nearest surface water >1000' 2200'
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/> Pit Volume: 1250 bbs Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
8-3/4"	7"	20.0#	120'	30 sx (36 cu.ft.)	Surface
6-1/4"	4-1/2"	10.5#	2160'	215sx & 100sx	Surface

22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Manana Gas, Inc. proposes to drill a vertical well at the above listed location and test the Fruitland Coal and Pictured Cliffs formations. An 8-3/4" surface hole will be drilled to approx. 120' with spud mud. 7", 20# casing will be set and cemented to surface with 30 sx (36 cu.ft.) of CI "B" with 3% CaCl₂ and 1/4#/sk celloflake. A double ram, 2000 psi rated BOP will be installed and pressure tested to 600 psi. A 6-1/4" hole will be drilled using a fresh water - polymer mud system to approx. 2160'. 4-1/2", 10.5# casing will be set and cemented to surface with 215 sx (443 cu.ft.) of CI "B" cement with 2% SMS, 1/4 #/sk. celloflake and 5 #/sk gilsonite followed by 100 sx (118 cu.ft.) of CI "B" with 2% CaCl₂, 1/4 #/sk celloflake and 5 #/sk gilsonite. Open hole DIL and FDC/CNL/GR/SP logs will be run. Surveys will be run every 500'. The E/2 of Section 14 (320 acres) is dedicated to the Fruitland and the NE/4 is dedicated to the Pictured Cliffs. Formation tops: Ojo Alamo - 555', Kirtland - 630', FT -1630', FT Coal - 1925, PC - 1970'.

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

OIL CONSERVATION DIVISION	
Approved by:	
Title: DEPUTY OIL & GAS INSPECTOR, DIST. 3	
Approval Date: JUN 23 2006	Expiration Date:
Conditions of Approval Attached <input type="checkbox"/>	

Printed name: Paul C. Thompson, P.E. *Paul C. Thompson*
 Title: Agent
 E-mail Address: paul@walsheng.net
 Date: 6/22/06 Phone: (505) 327-4892

8

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 October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-33818		² Pool Code 71280	³ Pool Name AZTEC PICTURED CLIFFS
⁴ Property Code 33159	⁵ Property Name CROOKED SEAMS		⁶ Well Number 2
⁷ OGRID No. 13931	⁸ Operator Name MANANA GAS INC.		⁹ Elevation 5681

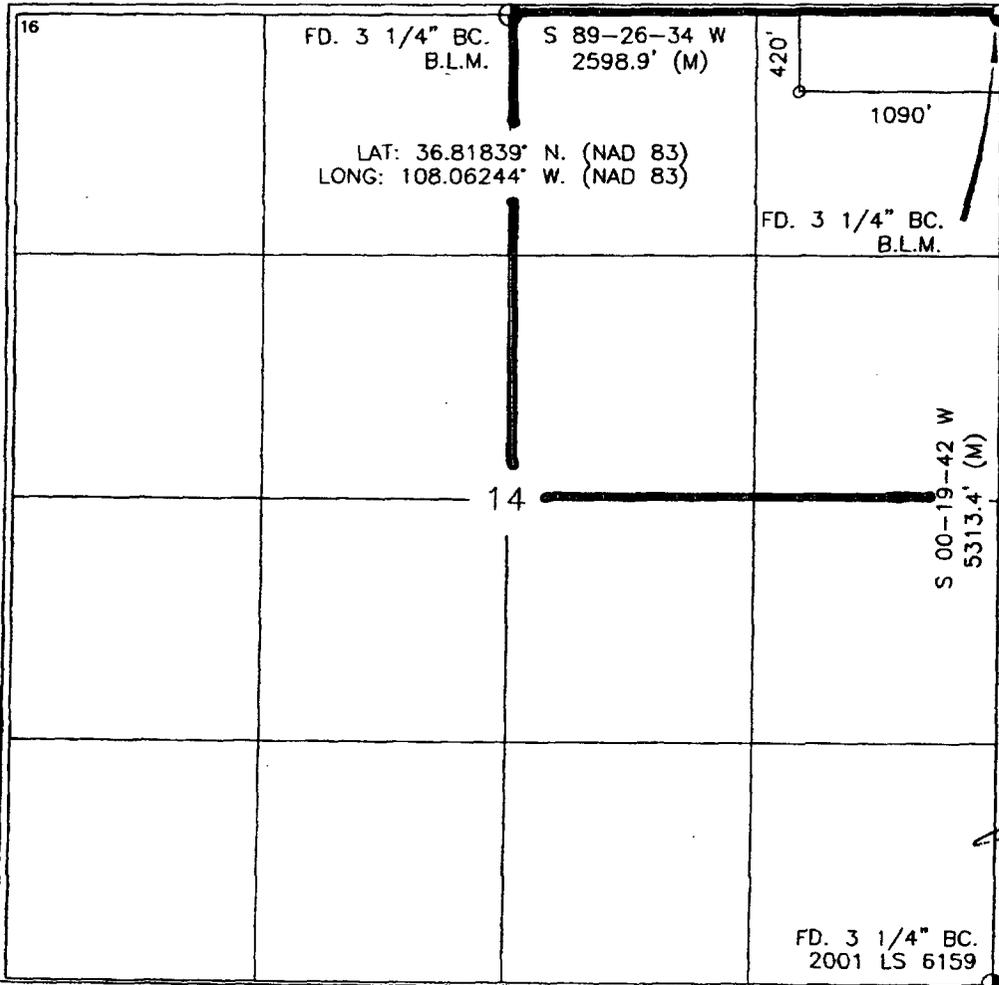
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	30-N	12-W		420	NORTH	1090	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 NE/4 160 ACRES			¹³ Joint or Infill Y		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



¹⁷ OPERATOR CERTIFICATION

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.

Paul C. Thompson 6/22/06
Signature Date

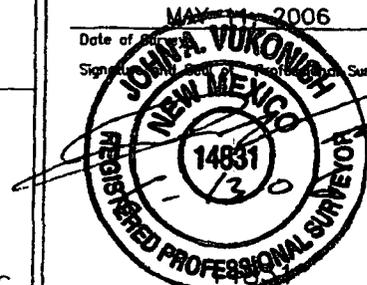
Paul C. Thompson, Agent
Printed Name

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: MAY 11, 2006
Date of Survey

Signature of Surveyor

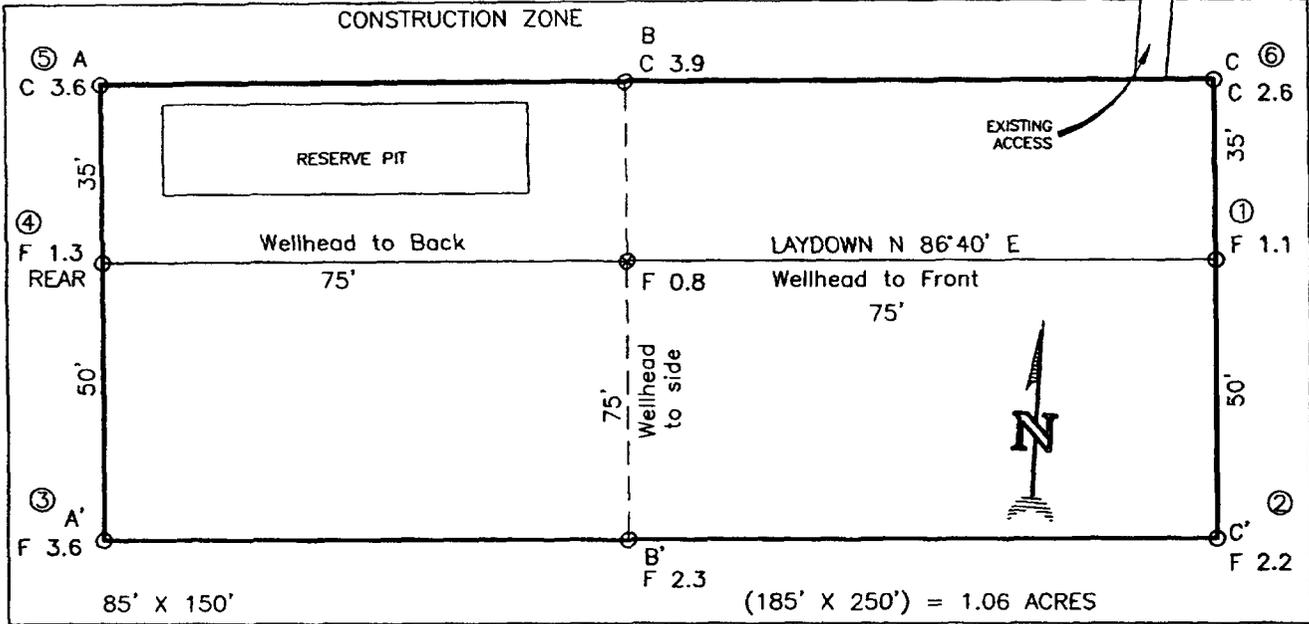


Certificate Number

FD. 3 1/4" BC.
2001 LS 6159

MANANA GAS INC.
 CROOKED SEAMS No. 2, 420 FNL 1090 FEL
 SECTION 14, T30N, R12W, N.M.P.M., SAN JUAN COUNTY, N.M.
 GROUND ELEVATION: 5681' DATE: MAY 11, 2006

NAD 83
 LAT. = 36.81839° N
 LONG. = 108.06244° W



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

5690				
5680				
5670				
5660				

ELEV. B-B' C/L

5690				
5680				
5670				
5660				

ELEV. C-C' C/L

5690				
5680				
5670				
5660				

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.

REVISION:	DATE:	REVISED BY:
<p>Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15088 • Farmington, NM 87401 Phone (505) 326-1772 • Fax (505) 326-8019 NEW MEXICO L.S. No. 14831</p>		
DRAWN BY: G.V.	DATE: 06/08/06	ROW#: MG1001
		