



April 20, 2005

Mr. Charlie Perrin, District Supervisor
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Valencia Canyon Unit 40A, O-35-28N-4W
API: 30-039-25534



Dear Mr. Perrin:

XTO received a Notice of Failed Mechanical Integrity on January 21, 2005 on the subject well. It is XTO's intent to plug and abandon this well. An AFE and procedure has been prepared and we are waiting on approvals. A sundry has been submitted to the BLM and we have moved this well to our highest priority list and will proceed as soon as the approvals are received.

If further information is needed, please advise.

Sincerely,

A handwritten signature in cursive script that reads 'Brenda Waller'.

Brenda Waller
Manager of Regulatory Compliance



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

*Underground Injection Control Program
Protecting Our Underground Sources of Drinking Water*

21-Jan-05

XTO ENERGY, INC.

2700 FARMINGTON AVENUE BUILDING K, SUITE 1
FARMINGTON NM 87401-

**NOTICE of Failed
Mechanical Integrity**

Dear Operator:

The bradenhead test(s) reported on the following well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by you and/or an OCD Compliance Officer employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the full nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so a Compliance Officer may witness the test.

MECHANICAL INTEGRITY TEST DETAIL SECTION

VALENCIA CANYON UNIT No.040A

30-039-25534-00-00

Active Gas (Producing)

O-35-28N-4W

Test Date: 1/5/2005

Permitted Injection PSI:

Actual PSI:

Test Reason: Annual IMIT

Test Result: F

Repair Due: 4/10/2005

Test Type: Bradenhead Test

FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Where is pressure coming from?

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, enforcement action will occur. Such enforcement may include this office issuing a NOTICE OF VIOLATION with a penalty and/or applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well for your violation of OCD rules.

Sincerely,

Aztec OCD District Office

Note: Bradenhead Tests are performed every 3 years. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data. "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

Oil Conservation Division * 1000 Rio Brazos Road * Aztec, New Mexico 87410

Phone: 505-334-6178 * Fax: 505-334-6170 * <http://www.emnrd.state.nm.us>