

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

XTO Energy Inc.

3a. Address

2700 Farmington Ave., Bldg. K, Ste 1 Farmington,

3b. Phone No. (include area code)

505-566-7925

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 04-T30N-R12W 1400' FSL & 790' FWL

5. Lease Serial No.

104816 SF-081239

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

NMNM 104816 (FC)

NMNM 104817 (FC)

8. Well Name and No.

LC KELLY

7

9. API Well No.

30-045-30188

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal
Aztec Pictured Cliffs

11. County or Parish, State

San Juan NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☐ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Acidize ☐ Deepen ☐ Production (Start/Resume) ☐ Water Shut-Off
☐ Alter Casing ☐ Fracture Treat ☐ Reclamation ☐ Well Integrity
☐ Casing Repair ☐ New Construction ☐ Recomplete ☒ Other Downhole
☐ Change Plans ☐ Plug and Abandon ☐ Temporarily Abandon Commingle
☐ Convert to Injection ☐ Plug Back ☐ Water Disposal

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

XTO Energy Inc. requests approval for exception to 303-C permit to DHC of production from the Basin Fruitland Coal & the Aztec Pictured Cliffs in this well. It is proposed to downhole commingle production upon recompletion of the Basin Fruitland Coal reservoir.

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 135 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 #7. The Pictured Cliffs will be allocated 100% of the Oil & 82% of the water based on historical production. 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. The NMOC has been notified of our intent by submission of form C103. Working interest, net royalty interest and overriding royalty interest owners have been notified by certified, return receipt mail on April 5th, 2005. Downhole commingling will offer an economical method of production while protecting against reservoir damage, waste of reserves & violation of correlative rights.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Melissa M. Osborne

Title

Regulatory Compliance Tech

Date 04/07/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes 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.

NMOC

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.
30-045-30188

5. Indicate Type of Lease
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
NMNM104816

7. Lease Name or Unit Agreement Name

LC Kelly

8. Well Number 7

9. OGRID Number
167067

10. Pool name or Wildcat
Basin Fruitland Coal/Aztec Picture Cliffs

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, SUITE K-1, FARMINGTON, NM 87401

4. Well Location

Unit Letter L : 1400' feet from the South line and 790' feet from the West line

Section 04 Township 30N Range 12W NMPM San Juan County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

Pit or Below-grade Tank Application ☐ or Closure ☐

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 ☐

OTHER: Downhole Commingle ☒

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.

XTO Energy Inc. requests approval for exception to 303-C to permit DHC of Production from the Basin Fruitland Coal (71629) & the Aztec Pictured Cliffs (71280) upon recompletion of the FC reservoir.

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 135 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 #7. The PC will be allocated 100% of the Oil & 82% of the water based on historical production.

Both pools are included in the NMOCD pre-approved pool combinations for DHC in San Juan Basin. Working interest, net royalty interest and overriding royalty interest owners have been notified by certified, return receipt mail on April 15th, 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 04/07/2005

Type or print name Melissa M Osborne

E-mail address: Regulatory@xtoenergy.com Telephone No. 505-566-7925

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

District I
1625 N. French Drive, Hobbs, NM 88240

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 Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised June 10, 2003

APPLICATION TYPE
☒ Single Well
☒ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

XTO Energy Inc. 2700 Farmington Ave, Suite K-1 Farmington, NM 87401

Operator LC Kelly #7 Address L Sec 04, T30N-R12W San Juan County
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 167037 Property Code 022620 API No 30-045-30188 Lease Type ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Aztec Pictured Cliffs
Pool Code	71629		71280
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2046' - 2082'		2075' - 2084'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1008 btu		
Producing, Shut-In or New Zone	Producing		Shut-in
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 02/2005 Rates: 0 bbls/15,006 mcf/560 bbls	Date: Rates	Date: 02/2001 Rates: 0 bbls/1,883 mcf/975 bbls
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas See attached % %	Oil Gas % %	Oil Gas See attached % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☐ No ☒

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☒ No ☐

Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐

Will commingling decrease the value of production? Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Melissa M Osborne TITLE Regulatory Compliance Tech DATE April 5, 2005
TYPE OR PRINT NAME Melissa M Osborne TELEPHONE NO. (505) 566-7925
E-MAIL ADDRESS _____

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
10 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71280	*Pool Name AZTEC, PICTURED CLIFFS	
*Property Code		*Property Name L.C. KELLY		*Well Number 7
*OGRID No. 167067		*Operator Name XTO Energy, DAC		*Elevation 5822'

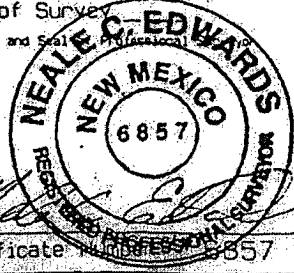
10 Surface Location

UL or lot no. L	Section 4	Township 30N	Range 12W	Lot Idn	Feet from the 1400	North/South line SOUTH	Feet from the 790	East/West line WEST	County SAN JUAN
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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
152.15									
Dedicated Acres		Joint or Infill		Consolidation Code		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

2616.90'				2642.64'				1289.64'				17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Loren W. Fothergill Signature Loren W. Fothergill Printed Name Production Engineer Title 1/26/01 Date							
LOT 8				LOT 7				LOT 6								LOT 5			
LOT 9				LOT 10				LOT 11								LOT 12			
LOT 16				LOT 15				LOT 14								LOT 13			
LOT 17				4994.88'				2563.44'				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. JANUARY 26, 2000 Date of Survey Signature and Seal  Certificate Number 6857							
1231.56'				1231.56'				1281.72'											
1243.44'				1231.56'				1289.64'											

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
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Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code	*Property Name L.C. KELLY		*Well Number 7
*GRID No. 167067	*Operator Name XTO Energy, Inc.		*Elevation 5822'

¹⁰ Surface Location

UL or lot no. L	Section 4	Township 30N	Range 12W	Lot Idn	Feet from the 1400	North/South line SOUTH	Feet from the 790	East/West line WEST	County SAN JUAN
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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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¹² Dedicated Acres 298.94	¹³ Joint or Infill W/2	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

¹⁶ LOT 8 LOT 7 LOT 6 LOT 5				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Loren W. Fothergill Signature Loren W. Fothergill Printed Name Production Engineer Title 1-26-01 Date
¹⁶ LOT 9 LOT 10 LOT 11 LOT 12				
¹⁶ LOT 16 LOT 15 LOT 14 LOT 13				
¹⁶ LOT 17				
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. JANUARY 26, 2000 Date of Survey Signature and Seal NEALE C. EDWARDS NEW MEXICO 6857 Certificate No. 6857				

LC Kelly #7 DHC Allocations

At the time of recompletion of the LC Kelly #7 to the Fruitland Coal, the Pictured Cliffs had a 3 month average of 135 mcfpd. Based on this value, the allocation for a DHC of the Fruitland Coal and Pictured Cliffs will be as follows:

The Pictured Cliffs will be allocated a starting rate of 135 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 #7. The PC will be allocated 100% of the oil and 82% of the water based on historical production.

Subtraction Method of Allocation:

Total Well Production - PC Production = FC Production



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

April 5, 2005

RE: Notice of Intent to Apply for Downhole Commingling

Kelly LC #7
Sec 04L, T30N, R12W, 1400' FSL & 790 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 Aztec Pictured Cliffs (71280) and the Basin Fruitland Coal (71629) pools in the Kelly LC #7. 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 Allocation based on the following information:

The Pictured Cliffs will be allocated a starting rate of 135 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 #7. The PC will be allocated 100 % of the Oil and 82% 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 that reads 'Melissa M. Osborne'.

Melissa M. Osborne
Regulatory Compliance Tech

xc: Well File
FW Land Dept.

Kelly #7 DHC

KELLY 7

MMS - NOTIFY BLM -

*Bureau of Land Management
1235 La Plata Hwy
Farmington NM 87401*

BURLINGTON RESOURCES OIL & GAS
COMPANY LP

P. O. BOX 4289

FARMINGTON, NM 87499-0656

SHRINERS HOSPITALS FOR CHILDREN
C/O THE NORTHERN TRUST BANK OF
TEXAS

P.O. BOX 226270

DALLAS, TX 75222-6270

LAURENCE B KELLY LIVING TRUST
DATED 5/24/96, LAURENCE B. KELLY,
TRUSTEE

839 SUMMIT ROAD

SANTA BARBARA, CA 93108-2321

DOUGLAS E. MILLER 1999 TRUST

DOUGLAS E. MILLER TRUSTEE

2040 WATERFALL COURT

MODESTO, CA 95355

KIM MCKIM DUNN

302 HUMPHRIES

EDGEWOOD, TX 75117

CARYN MCKIM JEFFREY

4694 DUVAL DRIVE

FRISCO, TX 75034

VERNON FAIRCHILD

618 W CHERRY AVE.

FLAGSTAFF, AZ 86001-4432

LAWRENCE J. HARPER

P.O. BOX 1588

WINDOW ROCK, AZ 86515-1588

NANCY O. MABE TRUST

NANCY O. MABE, TRUSTEE

P.O. BOX 229

LIBERTY, MO 64069-0229

ELLEN BENISCHEK

3013 TAHITI NE

ALBUQUERQUE, NM 87111-5338

ROSALIE H. KELLY

3805 SULGRAVE ROAD

RICHMOND, VA 23221-3327

MARK J. WESTERVELT

Kelly #7 DHC

P.O. BOX 685
CAMP VERDE, AZ 86322

MARY S. ENRIGHT
2129 CAMPO ALEGRE
TEMPE, AZ 85281

JANE W. HERION
1211 E. ROCKWOOD PINES
SPOKANE, WA 99203

ANN L. SHERIDAN
447 E. LILAC
TEMPE, AZ 85281

NORMAN REID MILLER
1441 BRETT PLACE #130
SAN PEDRO, CA 90732-5007

MILLER FAMILY TRUST DATED 5/3/99
ROBERT D. & RUTH V. MILLER,
CO-TRUSTEES
40551 VISTA MURRIETA
MURRIETA, CA 92562-5926

SCOTT G. AND MICHELLE A. ROGERS
JOINT TENANTS
210 SCENIC DRIVE
ASHLAND, OR 97520-2622

ROSE M. BLOUNT TRUST
MADONNA LEE, TRUSTEE
1542 WHISPERING OAKS
BRIGHTON, MI 48116

FREDERIC OWEN HAWKINS
205 AUSTIN AVE
ATHERTON, CA 94027-4005

FRANCIS HAYNES LINDLEY JR. TRUST
F HAYNES LINDLEY JR. LIVING TRUST
DATED MARCH 14, 1989
P.O. BOX 3058
SAUSALITO, CA 94966-3058

WILLIAM T. WHITE
3217 CEDARCROFT
DALLAS, TX 75233-2515

LAURENCE CORBETT KELLY TRUST
STEVE COLDWELL, SUCCESSOR TRUSTEE
COLDWELL, SCLEFANI & COMPANY
3239 N. VERDUGO ROAD
GLENDALE, CA 91208-1633

GREGORY LOUIS KELLY

3526 BAYBERRY LANE
MALIBU, CA 90265-4707

JOHN C. STERGE
P.O. BOX 550
CENTERVILLE, MA 02632-0550

IONE EDNA HALFF
107 RR 620 S. STE 102 PMB F20
AUSTIN, TX 78734-3999

MAURINE JOY GIPSON ESTATE
GLEN GIPSON, EXECUTOR
805 E. LAKE DRIVE
GLADEWATER, TX 75647-5116

MARY R JOHNSON
P.O. BOX 2393
KERRVILLE, TX 78029-2393

IRMA NELL JOHNSON
3816 S LAMAR BLVD #401
AUSTIN, TX 78704-7944

NELLIE JOHNSON
8311 FM 1960 ROAD EAST
HUMBLE, TX 77346

NELLIE JUANITA RUTHERFORD
5615 DEER TIMBERS TRAIL
HUMBLE, TX 77346

WENDY DALE JOHNSON
8311 FM 1960 APT 703
HUMBLE, TX 77346

CAROL EDRIS JOHNSON SIBLEY
4012 FOUNTAINWOOD CIRCLE
GEORGETOWN, TX 78628

VIRGIL S HURLEY
5032 ARBOR GLEN
THE COLONY, TX 75056