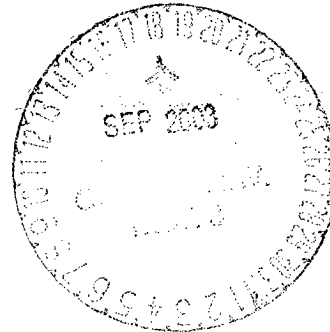




September 15, 2003

RE: Notice to Working and Royalty Interest Owners
Application to Surface Commingle Gas Production
Federal A #103 — 30-045-31299
Federal A #3 — 30-045-09249
Section 26, T30N, R13W
San Juan County, NM



XTO Energy Inc. is applying to the New Mexico Oil Conservation Division (NMOCD) and Bureau of Land Management for approval to surface commingle gas production from the Federal A #103 and the Federal A #3. The Federal A #103 is a new Basin Fruitland Coal pool well which was completed in July 2003 and is scheduled to start gas sales in September 2003. The Federal A #3 is an existing well producing from the Basin Dakota pool. The NMOCD requires all interest owners be notified of plans to surface commingle when ownership is different between wells.

We plan to produce the commingled gas through a shared compressor. Produced liquids will not be surface commingled. A copy of our application to surface commingle is attached for your reference. If you need additional information or have any questions, I may be contacted at (505) 324-1090.

If you have an objection to our application you must file a protest in writing to the NMOCD Santa Fe office at 1220 So. St. Francis Drive, Santa Fe, NM 87505 within 20 days of the from the date the NMOCD received the application. The application was mailed to the NMOCD on the date of this letter.

Sincerely,

Ray Martin
Operations Engineer

cc: Well Files w/o attachment
FW Land Dept. w/attachments
RFM w/attachments

S:\RayM\Word Doc\Regulatory\SC notify Fed A wells.doc

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, 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

Form C-107-B
March 31, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: XTO Energy Inc.
OPERATOR ADDRESS: 2700 Farmington Ave., Bldg K, Ste. 1, Farmington, NM 87401
APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☒ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingling)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Value of Non- Commingled Production	Calculated Value of Commingled Production	Volumes
Basin Dakota 71599	.686/1174				
Basin Fruitland Coal 71629	.565/1001				

- (2) Are any wells producing at top allowables? ☐ Yes ☒ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No
(4) Measurement type: ☒ Metering ☐ Other (Specify)
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

- (1) Pool Name and Code.
(2) Is all production from same source of supply? ☐ Yes ☐ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No
(4) Measurement type: ☐ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

- (1) Is all production from same source of supply? ☐ Yes ☐ No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE: Darrin Steed

TITLE: Regulatory Supervisor

DATE: September 8, 2003

TYPE OR PRINT NAME Darrin Steed

TELEPHONE NO.: 505-324-1090

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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.

FORM APPROVED
Budget Bureau No. 1004-0135
Expires November 30, 2000

5. Lease Serial No.

NMSF078213

6. If Indian, Allottee or Tribe Name

UTE MTN UTE TRIBE

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

8. Well Name and No.

FEDERAL A #103

FEDERAL A #3

9. API Well No.

30-045-31299; 30-045-09249

10. Field and Pool, or Exploratory Area

BASIN FRUITLAND COAL
BASIN DAKOTA

11. County or Parish, State

SAN JUAN NM

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, NM 87401505-324-1090

3b. PhoneNo. (include area code)

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

Federal A #103: 728' FNL & 770' FEL, NENE, Sec 23, T30N, R13W

Federal A #3: 1140' FNL & 990' FEL, NENE, Sec 23, T30N, R13W

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

- | | | | |
|---|---|--|--|
| <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>SURFACE</u> |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | <u>COMMINGLE</u> |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximated duration thereof. If the proposal is to deepen directionally or recompleat 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 recompleat 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. proposes to surface commingle these wells per the attached documents.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

DARRIN STEED

Title

REGULATORY SUPERVISOR

Date 9/16/03

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, 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.

Form C-107-B Application to Surface Commingle
9/15/03

XTO Energy Inc. is applying to the New Mexico Oil Conservation Division for approval to surface commingle gas production from the Federal A #103 (API #30-045-31299) and the Federal A #3 (API #30-045-09249). The Federal A #103 is a new Basin Fruitland Coal pool well which was completed in July 2003 and is scheduled to start gas sales in September 2003. The Federal A #3 is an existing well producing from the Basin Dakota pool. Both wells are located in Unit A, Section 26, Township 30N, Range 13W, San Juan County, New Mexico.

Both wells have Federal ownership in their proration units. The Federal lease number for both wells is NMSF 078213. A copy of this application to surface commingle was filed with the Bureau of Land Management Farmington Field Office. Neither well has State Lands ownership in their proration units.

Notification of our application to surface commingle has been sent by certified mail return receipt requested to all interest owners. Each interest owner was advised that any objection must be filed in writing with the Santa Fe office of the NMOCD within 20 days from the date the NMOCD received the application. Attached is a certified copy of the legal advertisement for this project that ran in the Farmington Daily Times on 9/10/03.

The sales meter will be installed on the discharge of the shared compressor. Each well will have a gas allocation meter. Each well's gas sales will be calculated by ratio using individual allocation meter volumes and the sales volume. The compressor's fuel usage will be allocated based on each well's gas production. Oil and water production will be kept separate and not surface commingled. XTO Energy Inc. will adhere to the gas meter calibration requirements set forth in the division order.

Surface commingling should not decrease the value of the production because the wells will be sharing a compressor. A shared compressor will lengthen the wells life due to lower operating costs and less fuel usage versus setting two compressors and independently compressing each well. The wells will be depleted to a lower abandonment pressure resulting in a higher ultimate recovery.

French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-1
Revised August 15, 20

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Artec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Cop
Fee Lease - 3 Cop

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-		Pool Code 71629	Pool Name BASIN FRUITLAND COAL GAS
Property Code	Property Name LAS COLINAS		Well Number 103
GRID No. 193195	Operator Name MARKWEST RESOURCES, INC.		Elevation 5805'

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	26	30-N.	13-W		728	NORTH	770	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
Dedicated Acres 320					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

RECEIVED 2002 DEC 23 AM 8:52 070 Farmington, NM	FD 3 1/4" B.L.M. BC 1952 N 89°-48'-00" E 2623.4' (M) LAT. 36°47'22" N. LONG. 108°10'07" W.	728' 542' 587'	FD 3 1/4" B.L.M. BC 1952 770'
	NMSF078213		
	26		FD 3 1/4" B.L.M. BC 1952
			FEDERAL A #3 IS AT 1000 FSL & 1000 FEL (NSL - 4303)

17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Printed Name

BRIAN WOOD

Title

CONSULTANT

Date

DEC. 19, 2002

18 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this 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

Signature and Seal of Professional Surveyor:

Certificate Number

NEW MEXICO OIL CONSERVATION COMMISSION

Well Location and Acreage Dedication Plat

Section A.

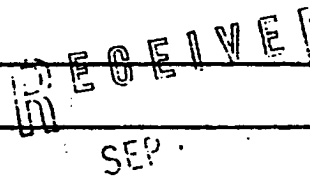
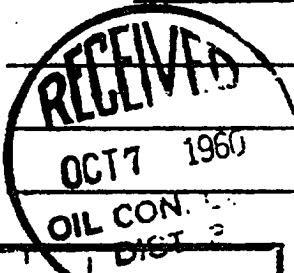
Date September 22, 1960

Operator COMPASS EXPLORATION INC. Lease Federal
Well No. 2-26 Unit Letter Section 26 Township 30 N Range 13 W
Located 1140 Feet From north Line, 990 Feet From east
County San Juan G. L. Elevation 5792 Dedicated Acreage 320
Name of Producing Formation Dakota Pool

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes Yes No .
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes No . If answer is "yes," Type of Consolidation
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner

Land Description



Section B

SECTION 26		NMSF078213	

U. S. GEOLOGICAL SURVEY
FEDERAL OIL CONSERVATION DISTRICT

This is to certify that information in Section A above is true and complete to the best of my knowledge and belief.

COMPASS EXPLORATION,
(Operator)

James E. Miller
(Representative)

1645 Court Place
Denver 2, Colorado
Address

This is to certify that well location shown on the plat in Section B was plotted from field notes of actual surveys made by me or under my supervision and that same is true and correct to the best of my knowledge and belief.

Date Surveyed Sept. 22, 1960

Stephen H. [Signature]
Registered Professional Engineer and/or Land Surveyor

AFFIDAVIT OF PUBLICATION

Ad No. 48516

STATE OF NEW MEXICO County of San Juan:

CONNIE PRUITT, being duly sworn says:
That she is the Classified Manager of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meeting of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication on the following day(s):
September 10, 2003.

And the cost of the publication is \$36.66.

Connie Pruitt

ON 9-10-03 CONNIE PRUITT appeared before me, whom I know personally to be the person who signed the above document.

Gunny Beck
My Commission Expires April 2, 2004.

COPY OF PUBLICATION

918 Legals PUBLIC NOTICE

XTO Energy Inc (XTO) is applying to the New Mexico Oil Conservation Division (NMOCD) and the Bureau of Land Management (BLM) to surface commingle gas from two wells. There will not be any commingling of oil, condensate or water. The wells and the commingling facility are located in Section 26, Township 30N, Range 13W, San Juan County, New Mexico. The producing pools are the Basin Dakota and the Basin Fruitland Coal. Both wells are located on the same Federal Lease NMSF 078213. Any questions should be directed to Darrin Steed at 505-324-1090 or by mail at 2700 Farmington Ave., Bldg K, Ste. 1, Farmington, NM 87401. Any objection or request for a formal hearing should be filed in writing with the NMOCD's Santa Fe Office within 20 days from date of this publication. In the absence of any objection, XTO has requested that the NMOCD approve its application administratively. The NMOCD's address is 1220 South St. Francis Drive, Santa Fe, NM 87505.

Legal No. 48516 published in the Daily Times, Farmington, New Mexico, September 10, 2003.

XTO ENERGY INC

Proposed Surface Commingling Schematic

Federal A #3 & Federal A #103

NE/4 NE/4, Unit A, Sec 23, T30N, R13W

Federal A #103
728' FNL & 770' FEL
API #: 30-045-31299

PU

Casing

Tubing

Bypass

P/T
286 bbl

W

S

Federal A #3
1,140' FNL & 990' FEL
API #: 30-045-09249

G

G

Fed A #3
Meter

G

Federal A #103 Gas Line

Suction

COMP

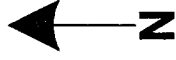
Discharge

G

CDP
Meter

S/T
300 bbl

TL



P/T
45 bbl

W

S

O

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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.

 Darrin Steed
 Print or Type Name

 Darrin Steed
 Signature

 Regulatory Supervisor
 Title

 9/4/03
 Date

 Darrin_Steed@XTOEnergy.com
 e-mail Address