

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised May 08, 2003

| | | |
|---|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) | | WELL API NO. 30-045-31625 |
| 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other | | 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> |
| 2. Name of Operator XTO Energy Inc. | | 6. State Oil & Gas Lease No. |
| 3. Address of Operator 2700 Farmington Ave., Bldg K, Ste. 1, Farmington, NM 87401 | | 7. Lease Name or Unit Agreement Name L.C. KELLY |
| 4. Well Location Unit Letter: <u>C</u> ; <u>660</u> feet from the <u>NORTH</u> line and <u>1965</u> feet from the <u>WEST</u> line Section <u>03</u> Township <u>30N</u> Range <u>12W</u> NMPM <u>SAN JUAN</u> County | | 8. Well Number #17 |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5899' GR | | 9. OGRID Number 167067 |
| | | 10. Pool name or Wildcat BLANCO MV /BASIN DK |

| | |
|---|---|
| 12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data | |
| NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: DOWNHOLE COMMINGLE <input checked="" type="checkbox"/> | SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/> |

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 an exception to Rule 303A to downhole commingle production from the Blanco Mesaverde (72319) and the Basin Dakota (71599) pools. Division Order R-11363 established these pools as pre-approved pool combinations for downhole commingling in San Juan County. This well is a new well which XTO Energy Inc. plans to drill. The Basin Dakota perforations are estimated from 6,700' - 7,000'. The Blanco Mesaverde perforations are estimated from 3,950' - 4,800'. See the attached sheets for the production allocation method. Downhole commingling will not reduce the value of the total remaining production. A longer productive life is expected due to a lower economic limit for each pool resulting from the combined production. The ownership is identical in the proration units for both pools. Owner notification was not required. The well is located on a Federal Lease (SF-081139). This application was also filed with the BLM Farmington Field Office for approval.

Proposed Allocation Percentages

| Pool | Oil | Water | Gas |
|------------------|-------|-------|-------|
| Basin Dakota | 57.6% | 94.8% | 30.4% |
| Blanco Mesaverde | 42.4% | 5.2% | 69.6% |
| Total | 100% | 100% | 100% |

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

SIGNATURE Ray Martin TITLE OPERATIONS ENGINEER DATE 9/16/03

Type or print name RAY MARTIN Telephone No. (505) 324-1090

(This space for State use)
APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 18 DATE SEP 18 2003

Conditions of approval, if any:

Attachment
C-103 NOI Sundry to DHC
L. C. Kelly #17
Sec 3C, T30N, R12W
API #30-045-31625
9/16/03

The proposed gas, oil and water production allocation percentages are based on actual production from each pool from a nearby offset well. This well is the L. C. Kelly #5M located in Unit Letter A, Section 3, T30N, R12W approximately 2,500' east of the L. C. Kelly #17. XTO Energy Inc. drilled the L. C. Kelly #5M in late 2001. It was initially completed in and produced from the Basin Dakota pool. After the Dakota production stabilized, it was recompleted to the Blanco Mesaverde pool. It produced from the Mesaverde pool until production stabilized. The Dakota and Mesaverde were downhole commingled in the #5M using the production allocations listed below in July 2002. The production rates used in the calculation of the allocation percentages are the stabilized rates from each pool after the initial steep decline. See the allocation table below and the attached production curve.

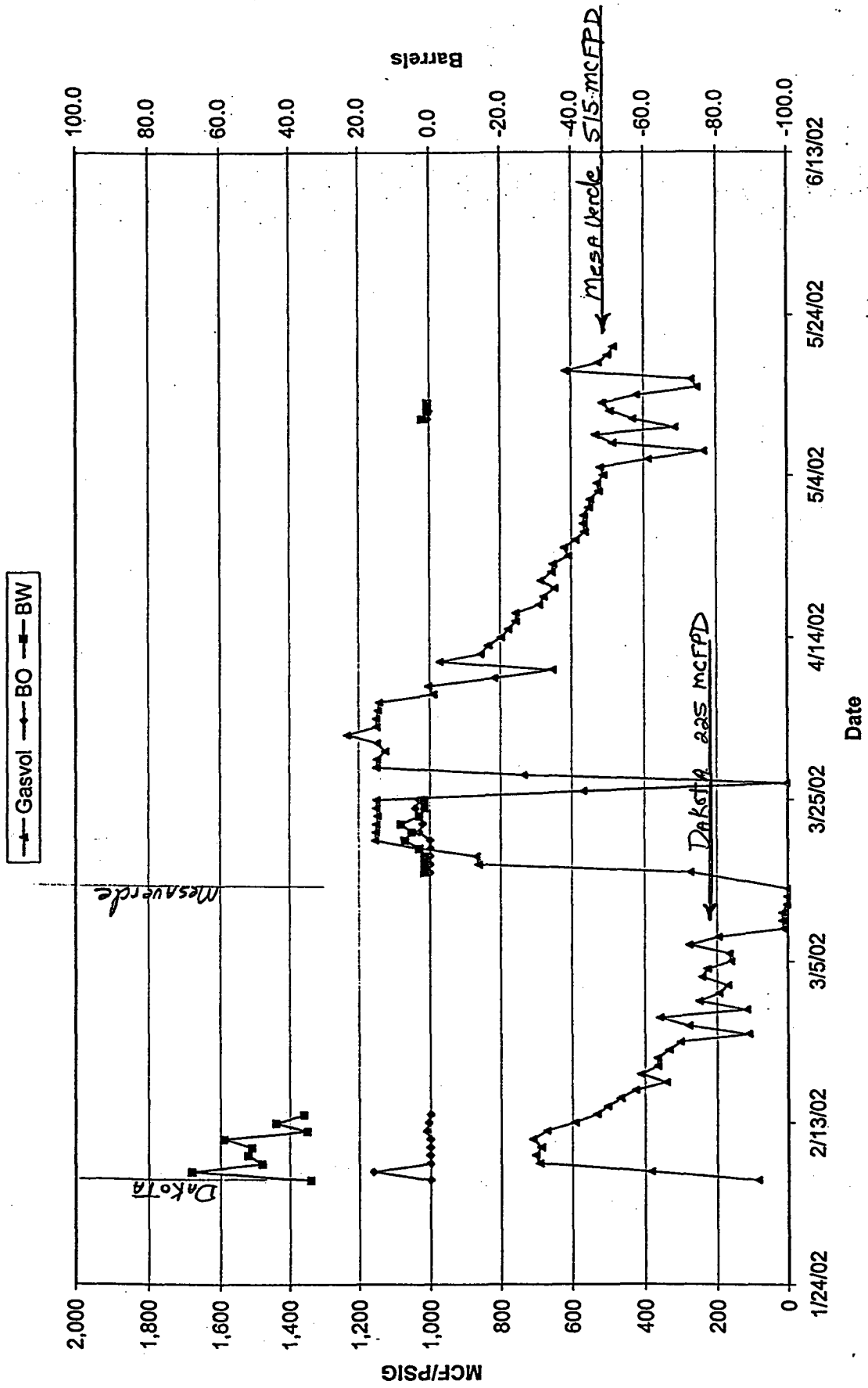
Proposed Allocation Percentages:

| Pool | Oil | Water | Gas |
|------------------|-------|-------|-------|
| Basin Dakota | 57.6% | 94.8% | 30.4% |
| Blanco Mesaverde | 42.4% | 5.2% | 69.6% |
| Total | 100% | 100% | 100% |

Stabilized production rates used in calculation of the allocation percentages:

| Pool | BOPD | BWPD | MCFD |
|------------------|------|------|------|
| Basin Dakota | 2.0 | 49.0 | 225 |
| Blanco Mesaverde | 1.5 | 2.7 | 515 |
| Total | 3.5 | 51.7 | 740 |

LC Kelly #5M (DK)



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.

NMSF081239

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

L.C. KELLY #17

9. API Well No.

30-045-31625

10. Field and Pool, or Exploratory Area

BLANCO MESAVERDE
BASIN DAKOTA

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 | TYPE OF ACTION |
|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other <u>DOWNHOLE</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 recomplete 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.)

XT0 Energy Inc. proposes to downhole commingle this well per the attached documents.

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

RAY MARTIN

Ray Martin

Title

OPERATIONS ENGINEER

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.