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DEC 17 2007

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Farmington Field Office

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NOO-C-14-20-3603

6. If Indian, Allottee or Tribe Name
NAVAJO ALLOTMENT

7. If Unit or CA Agreement, Name and No.
NA NMNM-75916-DK

8. Lease Name and Well No.
CANYON 3 E

9. API Well No.
30-045- 34542

10. Field and Pool, or Exploratory
BASIN MANC. & BAS. DK.

11. Sec., T. R. M. or Blk. and Survey or Area
5-25N-11W NMPM

12. County or Parish
SAN JUAN

13. State
NM

1a. Type of work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

2. Name of Operator
XTO ENERGY INC.

3a. Address **382 ROAD 3100
AZTEC, NM 87410**

3b. Phone No. (include area code)
(505) 333-3159

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
At surface **660' FSL & 1780' FEL**
At proposed prod. zone **SAME**

14. Distance in miles and direction from nearest town or post office*
18 AIR MILES SOUTH OF BLOOMFIELD

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **660'**

16. No. of acres in lease
160 (320.64 in CA)

17. Spacing Unit dedicated to this well
E2 MANCOS: ~~SE2~~ & DAKOTA: E2 320.64

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **637'**

19. Proposed Depth
6,000'

20. BLM/BIA Bond No. on file
BIA NATIONWIDE 104312789

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6,328' GL

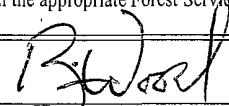
22. Approximate date work will start*
02/01/2008

23. Estimated duration
4 WEEKS

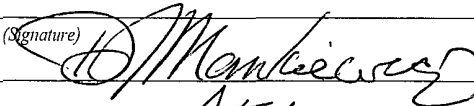
24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature  Name (Printed/Typed) **BRIAN WOOD** Date **12/14/2007**

Title **CONSULTANT** PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature)  Name (Printed/Typed) **AEP** Date **10/28/08**

Title **AEP** Office **FFO**

Application approval 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.
Conditions of approval, if any, are attached.

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

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

**NOTIFY AZTEC OLD 24 HRS.
PRIOR TO CASING & CEMENT**

NMOCD

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

**BLM'S APPROVAL OR ACCEPTANCE OF THIS
ACTION DOES NOT RELIEVE THE LESSEE AND
OPERATOR FROM OBTAINING ANY OTHER
AUTHORIZATION REQUIRED FOR OPERATIONS
ON FEDERAL AND INDIAN LANDS**

NOV 07 2008

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

RECEIVED 130'09
OIL GAS DIV.
FBI

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

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Bureau of Land Management
Farmington Field Office

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 30-045-34542 | ² Pool Code 97232 | ³ Pool Name BASIN MANCOS |
| ⁴ Property Code 22669 | ⁵ Property Name CANYON | ⁶ Well Number 3E |
| ⁷ GRID No. 167067-5380 | ⁸ Operator Name XTO ENERGY INC. | ⁹ Elevation 6328 |

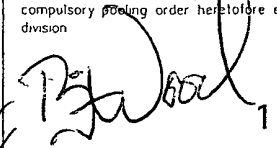
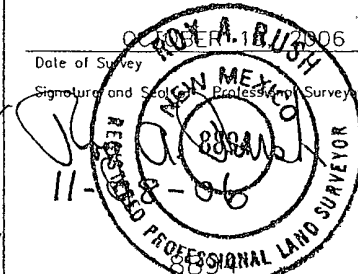
¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|-----------------|
| 0 | 5 | 25-N | 11-W | | 660 | SOUTH | 1780 | 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 320.64E 2 | ¹³ Joint or Infill | 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

| | | | | | |
|----|-------|-------|-------|-------------------------------|--|
| 16 | LOT 4 | LOT 3 | LOT 2 | LOT 1 | 17 |
| | | | | FD. 2 1/2" BC. 1930 G.L.O. | 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 |
| | | | | |  12-14-07 |
| | | | | | Signature _____ Date _____ |
| | | | | | BRIAN WOOD |
| | | | | | Printed Name (505) 466-8120 |
| | | | | | 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 of Survey _____ |
| | | | | | Signature and Seal of Professional Surveyor: _____ |
| | | | | |  |
| | | | | | Certificate Number _____ |

LAT: 36.42463° N. (NAD 83)
LONG: 108.02439° W. (NAD 83)
LAT: 36°25'28.6" N (NAD 27)
LONG: 108°01'25.6" W. (NAD 27)

N 89-42-51 W
2621.0' (M)

FD. 2 1/2" BC.
1932 G.L.O.

660'

1780'

FD. 2 1/2" BC.
1923 G.L.O.

N 00-43-33 W
5282.0' (M)

DISTRICT II
1301 W. Grond Ave., Artesia, N.M. 88210

OIL CONSERVATION DIVISION

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

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State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brozos Rd, Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

Bureau of Land Management
Farmington Field Office
OFFICE OF RECREATION PLANNING

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|---|--|
| ¹ API Number 30-045-34542 | ² Pool Code 71599 | ³ Pool Name BASIN DAKOTA |
| ⁴ Property Code . | ⁵ Property Name CANYON | ⁶ Well Number 3E |
| ⁷ GRID No. 1670675380 | ⁸ Operator Name XTO ENERGY INC. | ⁹ Elevation 6328 |

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 |
| 0 | 5 | 25-N | 11-W | | 660 | SOUTH | 1780 | 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 | | ¹³ Joint or Infill | | ¹⁴ Consolidation Code | | ¹⁵ Order No. | | | |
| 320.64 | | . | | C | | | | | |

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 4 | LOT 3 | LOT 2 | FD. 2 1/2" BC. 1930 G.L.O. LOT 1 |
| 5 | | | |
| LAT: 36.42463° N. (NAD 83) LONG: 108.02439° W. (NAD 83) LAT. 36°25'28.6" N. (NAD 27) LONG: 108°01'25.6" W. (NAD 27) | | N 00-13-33 W 5282.0' (M) 1780' 660' | |
| N 89-42-51 W 2621.0' (M) | | FD. 2 1/2" BC. 1932 G.L.O. | |

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

12-14-07
Date

BRIAN WOOD
Printed Name

(505) 466-8120

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plot 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.

ROBERT A. RUSH
Date of Survey

NEW MEXICO
PROFESSIONAL LAND SURVEYOR
8884
11-1-06

Certificate Number

XTO Energy Inc.
Canyon 3 E
660' FSL & 1780' FEL
Sec. 5, T. 25 N., R. 11 W.
San Juan County, New Mexico

PAGE 1

Drilling Program

1. ESTIMATED FORMATION TOPS

| <u>Formation Name</u> | <u>GL Depth</u> | <u>KB Depth</u> | <u>Elevation</u> |
|-----------------------|-----------------|-----------------|------------------|
| Nacimiento | 0' | 12' | +6,328' |
| Fruitland | 1,283' | 1,295' | +5,045' |
| Pictured Cliffs | 1,318' | 1,330' | +5,010' |
| Cliff House | 2,088' | 2,100' | +4,240' |
| Menefee Shale | 2,778' | 2,790' | +3,550' |
| Mancos Shale | 3,963' | 3,975' | +2,365' |
| Gallup Sandstone | 4,803' | 4,815' | +1,525' |
| Sanostee | 5,288' | 5,290' | +1,040' |
| Greenhorn | 5,668' | 5,680' | +660' |
| Graneros | 5,708' | 5,720' | +620' |
| Dakota | 5,808' | 5,820' | +520' |
| Total Depth (TD)* | 6,000' | 6,012' | +328' |

2. NOTABLE ZONES

Gas & Oil Zones

Fruitland
Pictured Cliffs
Mancos
Gallup
Dakota

Water Zones

Nacimiento
Ojo Alamo
Fruitland

Coal Zone

Fruitland

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the geologist's recommendations.

XTO Energy Inc.
Canyon 3 E
660' FSL & 1780' FEL
Sec. 5, T. 25 N., R. 11 W.
San Juan County, New Mexico

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3. PRESSURE CONTROL

The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. (A typical 2,000 psi model is on PAGE 3.) An 8-5/8" x 11" 2,000 pound double ram BOP system with a choke manifold and mud cross will be tested to ≈ 200 psi and then to $\approx 1,000$ psi. Upper and lower Kelly cocks with valve handle and subs to fit all drill string connections which are in use will be available on the rig floor.

Tests will be run when:

- 1) installed
- 2) anytime a pressure seal is broken (test only affected equipment)
- 3) at least every 30 days
- 4) blind & pipe rams will be activated each trip, but no more than daily

BOP systems will be consistent with API RP 53. Blowout preventers will be installed and tested before drilling surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated daily to ensure good mechanical working order and this inspection recorded on the daily drilling report. Preventers and casing will be pressure tested before drilling casing cement plugs. Maximum expected bottom hole pressure will be $\approx 2,400$ psi. BOP and mud system will control pressure.

4. CASING & CEMENT

| <u>Hole Size</u> | <u>O. D.</u> | <u>Weight (lb/ft)</u> | <u>Grade</u> | <u>Age</u> | <u>Connections</u> | <u>Setting Depth</u> |
|------------------|--------------|-----------------------|--------------|------------|--------------------|----------------------|
| 12-1/4" | 8-5/8" | 24 | J-55 | New | ST & C | 360' |
| 7-7/8" | 5-1/2" | 15.5 | J-55 | New | ST & C | 6,000' |

Surface casing will be cemented to the surface with ≈ 375 cubic feet (≈ 270 sacks) Type V cement + 1/4 pound per sack cello-flake + 2% CaCl₂. Yield = 1.39 cubic feet per sack. Weight = 14.5 pounds per gallon. Excess: >100%.

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Canyon 3 E
660' FSL & 1780' FEL
Sec. 5, T. 25 N., R. 11 W.
San Juan County, New Mexico

PAGE 4

Centralizers will be set on the bottom two joints of the surface casing and every fourth joint to the surface.

Production casing will be cemented to the surface with $\approx 50\%$ excess as follows. DV tool will be set @ $\approx 4,250'$.

First stage lead will consist of ≈ 281 cubic feet (≈ 140 sacks) of Type III (or its equivalent) + 2% CaCl_2 + 1/4 pound per sack cello flake + 0.2% dispersant + 0.5% fluid loss control + 2% LCM additives mixed at 12.5 pounds per gallon and 2.01 cubic feet per sack.

First stage tail will consist of ≈ 207 cubic feet (≈ 140 sacks) Type III (or its equivalent) + 5% bonding additive + 1/4 pound per sack cello flake + 0.3% dispersant + 0.2% fluid loss control + 2% LCM additives mixed at 14.2 pounds per gallon and 1.48 cubic feet per sack.

Second stage lead will consist of ≈ 975 cubic feet (≈ 375 sacks) Type III (or its equivalent) + 1/4 pound per sack cello flake + 8% gel + 2% LCM mixed at 11.9 pounds per gallon and 2.6 cubic feet per sack.

Second stage tail will consist of ≈ 139 cubic feet (≈ 100 sacks) Type III Neat mixed at 14.5 pounds per gallon and 1.39 cubic feet per sack.

Centralizers will be set on the bottom two joints, every second joint to $\approx 5,000'$, and every fourth joint from $\approx 2,000'$ to the surface.

5. MUD PROGRAM

| <u>RANGE</u> | <u>MUD TYPE</u> | <u>WEIGHT</u> | <u>VISCOSITY</u> | <u>WATER LOSS</u> | <u>ADDITIVES</u> |
|---------------|-----------------|---------------|------------------|-------------------|--------------------|
| 0' - 360' | Fresh-Spud | 8.6-9.0 | 28-32 | NC | Gel, lime |
| 360' - 2,500' | Fresh-Poly | 8.4-8.8 | 28-32 | NC | Gel, lime sweeps |
| 2,500' - TD | Fresh Water | 8.6-9.2 | 45-60 | 8-10 cc | Gel, soda ash, LCM |

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6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. Mud logger will arrive at $\approx 3,000'$ and collect samples every $\approx 10'$ from there to TD. These open hole logs will be run:

Array Induction/SFL/GR/SP from TD to $\approx 360'$
Neutron/Lithodensity/Pe/GR/Cal from TD to $\approx 3,000'$

7. DOWN HOLE CONDITIONS

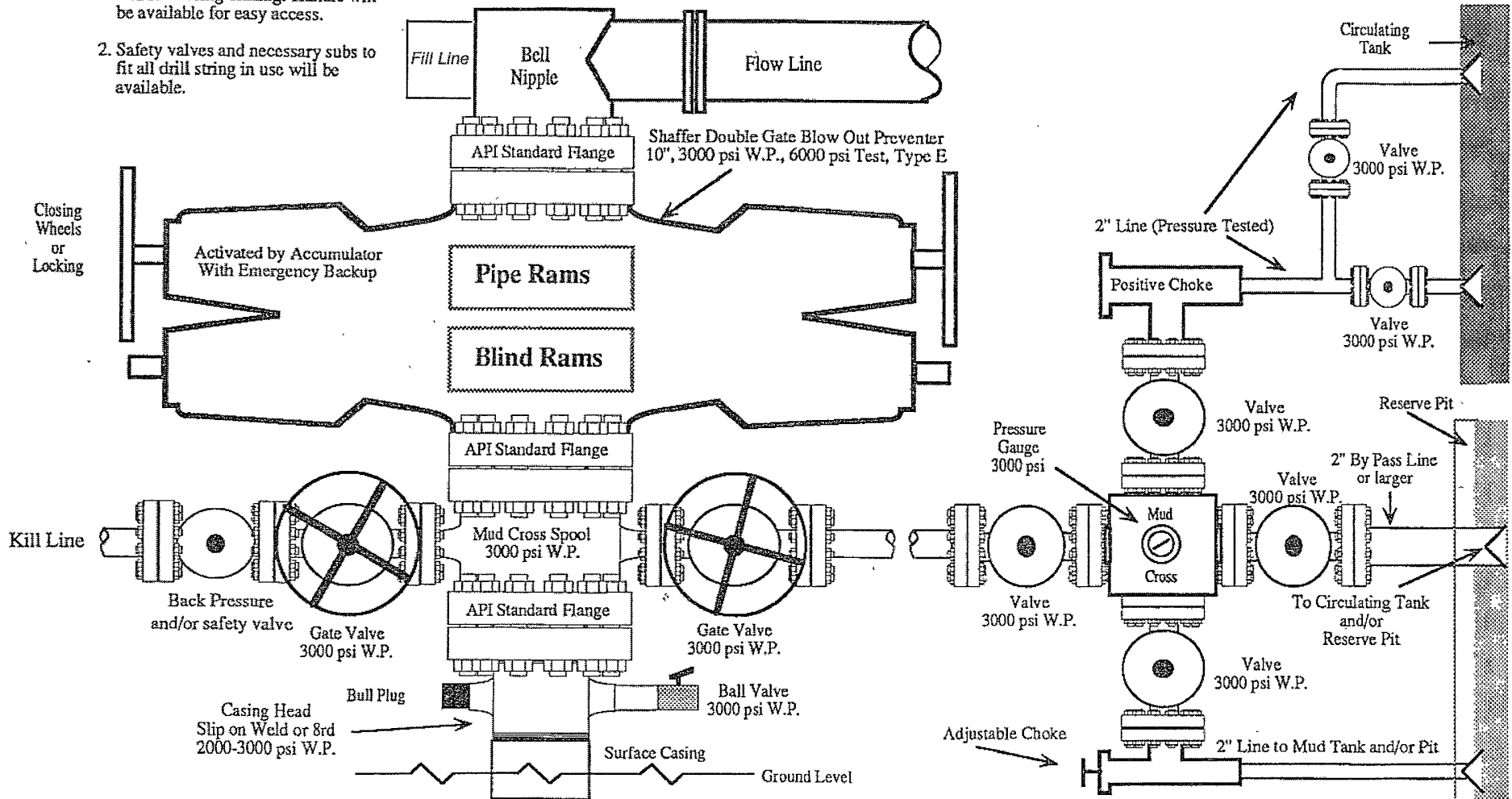
No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be $\approx 2,400$ psi.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take about four weeks to drill and complete the well.

2,000 PSI BOP SYSTEM

- Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.
2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.