

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM 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)

505-324-1090

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

1790' FSL, 915' FEL, SEC03, T30N, R12W

5. Lease Serial No.

NMSF-081239

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

KELLY LC #5

9. API Well No.

30-045-09869

10. Field and Pool, or Exploratory Area

Basin Dakota/
Blanco Mesa Verde

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

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 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 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 Dakota & the Blanco Mesa Verde in this well. It is proposed to downhole commingle production upon restimulation of the Basin Dakota Reservoir.

XTO Energy, Inc. proposes to use the DECLINE RATE allocation based on the following information:

The Mesa Verde will be allocated a starting rate of 76 mcfpd and a decline rate of 6% will be applied.

The Dakota will be allocated the remaining volume of gas produced from the LC Kelly #5. The Mesa Verde will be allocated 3 bpm of the oil produced and 3 bpm of the water based on historical production. The Dakota will be allocated the remaining oil & water production each month.

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 NMCCD 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 4th, 2005. Downhole commingling will offer an economical method of production while protecting against reservoir damage, waste of reserves & violation of correlative rights.

CONDITIONS OF APPROVAL

DHC 1857

14. I hereby certify that the foregoing is true and correct in accordance with the stipulations of the lease.

Name (Printed/Typed)

Melissa M. Thompson

Title

Regulatory Compliance Tech

Date

04/08/2005

CONDITIONS OF APPROVAL

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Petr. Eng.

Date

6/6/05

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.

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.

NMCCD

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. 30-045-09869
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMSF-081239
7. Lease Name or Unit Agreement Name LC Kelly
8. Well Number 5
9. OGRID Number 167067
10. Pool name or Wildcat Basin Dakota/Blanco Mesa Verde

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 <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> 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 <u>I</u> : <u>1790</u> feet from the <u>South</u> line and <u>915'</u> feet from the <u>East</u> line Section <u>03</u> Township <u>30N</u> Range <u>12W</u> 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 ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☒ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: Downhole Commingle ☒

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 Dakota (71599) & the Blanco Mesa Verde (72319) upon restimulation of the DK reservoir.

XTO, Energy Inc proposes to use the DECLINE RATE allocation based on the following information:

The Mesa Verde will be allocated a starting rate of 76 mcfpd and a decline rate of 6% will be applied. The Dakota will be allocated the remaining volume of gas produced from the LC Kelly #5. The Mesa Verde will be allocated 3 bpm of the oil produced and 3 bpm of the water based on historical production. The Dakota will be allocated the remaining oil & water production each month.

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 4th, 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 Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-09869	² Pool Code 72319/72319	³ Pool Name Basin Dakota/Blanco Mesa Verde
⁴ Property Code 22620	⁵ Property Name Kelly LC	⁶ Well Number 5
⁷ OGRID No. 167037	⁸ Operator Name XTO Energy Inc.	⁹ Elevation

¹⁰ Surface Location

UL or lot no. I	Section 03	Township 30N	Range 12W	Lot Idn	Feet from the 1790'	North/South line South	Feet from the 915'	East/West line East	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
¹² Dedicated Acres W/2 319.67 ac (DK) W/S 319.67ac (MV)	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

	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Melissa M. Osborne Printed Name Regulatory Compliance Tech Title and E-mail Address April 7, 2005 Date
	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. Sept. 15th, 1964 Date of Survey Signature and Seal of Professional Surveyor: James P Leese Certificate Number 1463

Kelly #5 DHC

KELLY 5
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

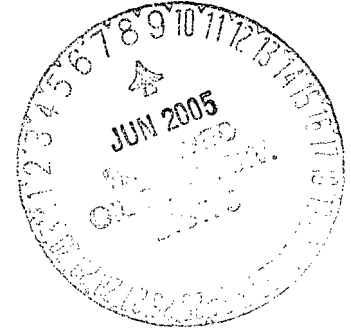
LAWRENCE J. HARPER
P.O. BOX 1588
WINDOW ROCK, AZ 86515-1588

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
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



LC Kelly #5 DK/MV DHC Allocations

XTO Energy, Inc proposes to restimulate and open addition pay in the temporarily abandoned Dakota formation of the LC Kelly #5 well and then DHC the zone with the Mesaverde which is currently producing. The well produced from the Dakota until 04/94 at which time the zone was squeezed and the well was recompleted uphole to the Gallup and then later to the Mesaverde. The Mesaverde formation in the LC Kelly #5 had a 3 month gas production average of 76 mcfpd (Oct 04 – Dec 04). Based on this value, the allocation for a DHC of the Mesaverde and the proposed Dakota pay addition will be as follows:

The Mesaverde will be allocated a starting rate of 76 mcfpd and a decline rate of 6% will be applied. The Dakota will be allocated the remaining volume of gas produced from the LC Kelly #5. The MV will be allocated 3 bpm of the oil produced and 3 bpm of the water based on historical production. The Dakota will be allocated the remaining oil and water production each month.

Subtraction Method of Allocation:

Total Well Production – MV Production = DK Production





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

April 4th, 2005

RE: Notice of Intent to Apply for Downhole Commingling

Kelly LC #5
Sec 031, T30N, R12W; 1790' FSL & 915 FEL
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 the Basin Dakota (71599) and the Blanco Mesa Verde (72319) pools in the Kelly LC #5. 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 Mesa Verde will be allocated a starting rate of 76 mcfpd and a decline rate of 6% will be applied. The Dakota will be allocated the remaining volume of gas production from the LC Kelly #5. The Mesa Verde will be allocated 3 bpm of the oil produced and 3 bpm of the water based on historical production. The Dakota will be allocated the remaining oil and water production for each month.

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, appearing to read 'Melissa M. Osborne'.

Melissa M. Osborne
Regulatory Compliance Tech

xc: Well File
FW Land Dept.



District I

1625 N. French Drive Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1600 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-107A
Revised June 10, 2003

Oil Conservation Division

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

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

Address

I Sec 03, T30N-R12W

San Juan County

Lease

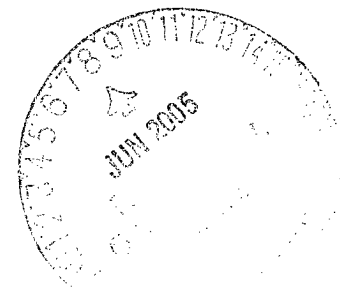
Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 167037 Property Code 22620 API No 30-045-09869 Lease Type ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Blanco Mesa Verde	Flora Vista Gallup	Basin Dakota
Pool Code	72319	76640	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4770' - 4480'	5991' - 6001'	6672' - 6692'
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)	1205 BTU		
Producing, Shut-In or New Zone	Producing	Shut-In	Re-complete
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: 02 bbls/0 bbls/2587 mcf	Date: 10/1991 Rates: 90 bbls/0 bbls/0 mcf	Date: 03/1989 Rates: 0 bbls/0 bbls /56 mcf
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 See attached % %	Oil Gas See attached % %



Bureau of Land Management Conditions of Approval:

- 1) If cement squeeze work is necessary, contact Matt Halbert of the BLM Farmington Field Office @ (505) 599-6350.**
- 2) If this well is located in a Specially Designated Area (SDA), compliance with the appropriate seasonal closure requirements will be necessary.**
- 3) Pits must be lined with an impervious material at least 12 mils thick. The pit must be fenced on three (3) sides during workover operations and on the 4th side after the rig moves off location. Pits must be closed within 90 days of completion of the workover operations. Prior to closing the pit the liner must be cut off at mud level.**

