

RECEIVED

OIL CONS. DIV.
DIST. 3

Form 3160-3
(February 2005)

FEB 02 2008

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

UNITED STATES
DEPARTMENT OF THE INTERIOR Bureau of Land Management
BUREAU OF LAND MANAGEMENT Farmington Field Office

Lease Serial No.
NMNM 14923

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. If Indian, Allottee or Tribe Name N/A
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		7. If Unit or CA Agreement, Name and No N/A
2. Name of Operator XTO Energy, Inc.		8. Lease Name and Well No. VALENCIA CANYON #46A
3a. Address 382 CR 3100 AZTEC, NM 87410		9. API Well No 30-045 039-30477
3b. Phone No. (include area code) 505-333-3100		10. Field and Pool, or Exploratory BLANCO MESAVERDE
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 700' FNL x 665' FEL "A" At proposed prod. zone same		11. Sec., T. R. M. or Bk and Survey or Area (A) SEC 35, T28N, R4W
14. Distance in miles and direction from nearest town or post office* Approximately 43 miles West of Bloomfield, NM post office		12. County or Parish RIO ARRIBA
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig unit line, if any) 665'		13. State NM
16. No. of acres in lease 640		17. Spacing Unit dedicated to this well 320 N/A
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. NONE		20. BLM/BIA Bond No. on file UTB-000138
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7380' GROUND ELEVATION		22. Approximate date work will start* 05/05/2008
		23. Estimated duration 2 weeks

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must 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 must 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 BLM.

25. Signature <i>Kyla Vaughan</i>	Name (Printed/Typed) Kyla Vaughan	Date 01/31/2008
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Title Regulatory Compliance		
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Approved by (Signature) <i>D. Monticelli</i>	Name (Printed/Typed)	Date 5/12/08
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Title AFM	Office FEO	
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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.

*(Instructions on page 2)
This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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

NOTIFY AZTEC OCD 24 HRS
PRIOR TO CASING & CEMENT

MAY 15 2008

ar

NMOCD

APD/ROW

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

RECEIVED

FEB 02 2008

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 30-039-20477	² Pool Code 72319	³ Pool Name BLANCO MESA VERDE
⁴ Property Code 35797	⁵ Property Name VALENCIA CANYON	⁶ Well Number 46A
⁷ GRID No. 5380	⁸ Operator Name XTO ENERGY INC.	⁹ Elevation 7380

¹⁰ Surface Location

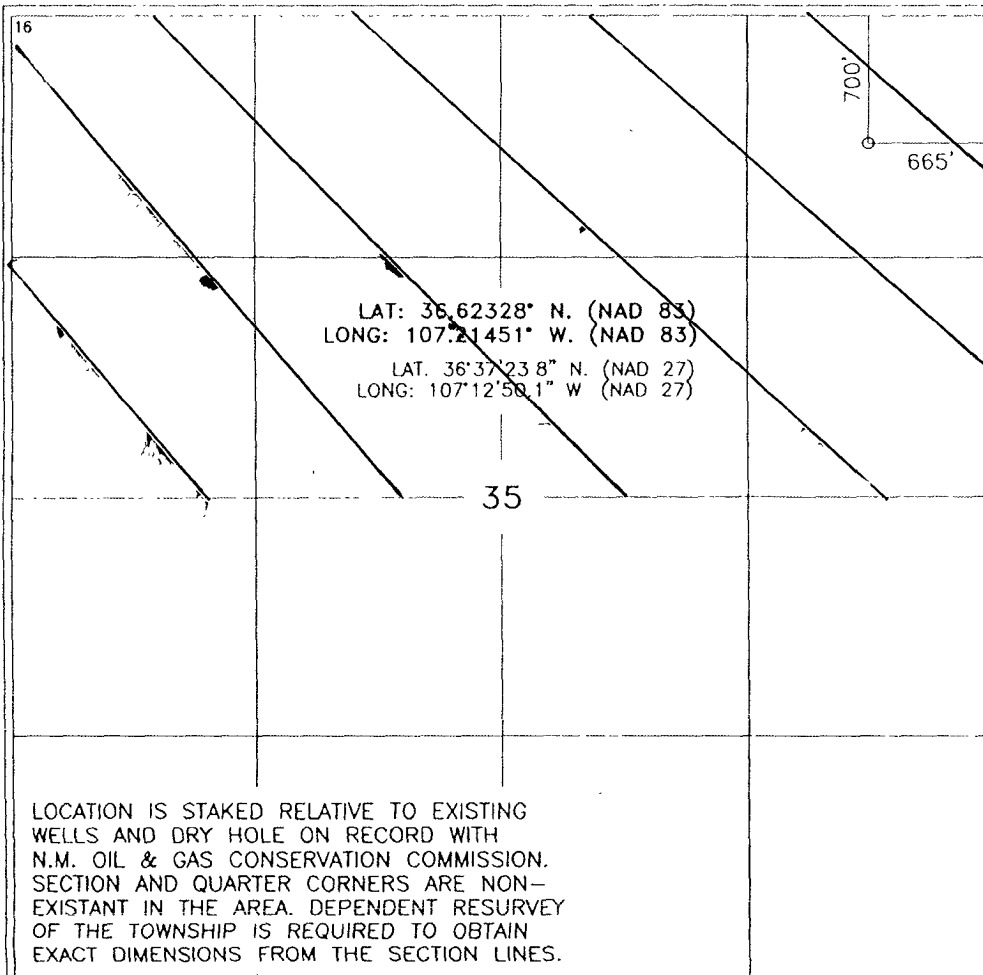
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	35	28-N	4-W		700	NORTH	665	EAST	RIO ARRIBA

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 N/2 320	¹³ Joint or Infill	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



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.

Kyle Vaughan 1/31/08
Signature Date
Kyle Vaughan
Printed Name

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.

SEPTEMBER 7, 2006
Date of Survey
Signature and Seal of Professional Surveyor:
[Signature]
12-03-07
88941 LAND SURV.
Certificate Number

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
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. <u>30-039-30477</u>
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name: <u>VALENCIA CANYON</u>
8. Well Number <u>#46A</u>
9. OGRID Number <u>5380</u>
10. Pool name or Wildcat <u>BLANCO MESAVERDE</u>

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 <u>XTO Energy Inc.</u>
3. Address of Operator <u>382 CR 3100</u> <u>AZTEC, NM 87410</u> <u>505-333-3100</u>
4. Well Location Unit Letter <u>A</u> : <u>700</u> feet from the <u>NORTH</u> line and <u>665</u> feet from the <u>EAST</u> line Section <u>35</u> Township <u>28N</u> Range <u>4W</u> NMPM <u>NMEM</u> County <u>SAN JUAN</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) <u>7380' GROUND ELEVATION</u>
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/> Pit type <u>DRILL</u> Depth to Groundwater <u>>100</u> Distance from nearest fresh water well <u>>1000</u> Distance from nearest surface water <u>>1000</u> Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>8000</u> 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 COMPLETION ☐
OTHER: PIT ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND 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 plans to construct a lined pit on location for drilling.

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 Kyla Vaughan TITLE Regulatory Compliance DATE 01/31/2008

Type or print name Kyla Vaughan

E-mail address: kyla_vaughan@xtoenergy.com

Telephone No. 505-333-3159

For State Use Only

Deputy Oil & Gas Inspector,
District #3

APPROVED BY [Signature]

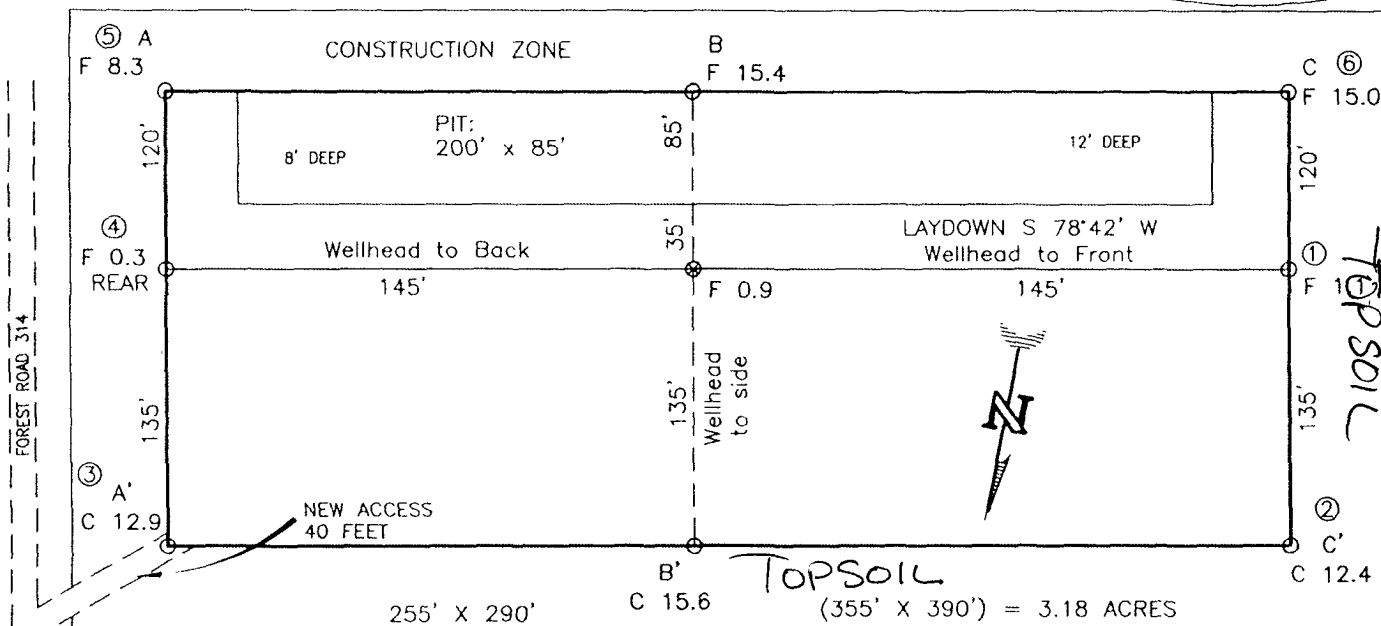
TITLE Deputy Oil & Gas Inspector, District #3 DATE MAY 15 2008

Conditions of Approval, if any:

EXHIBIT D

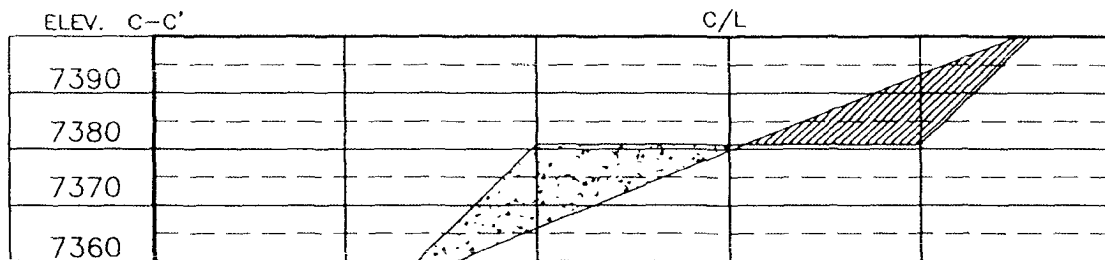
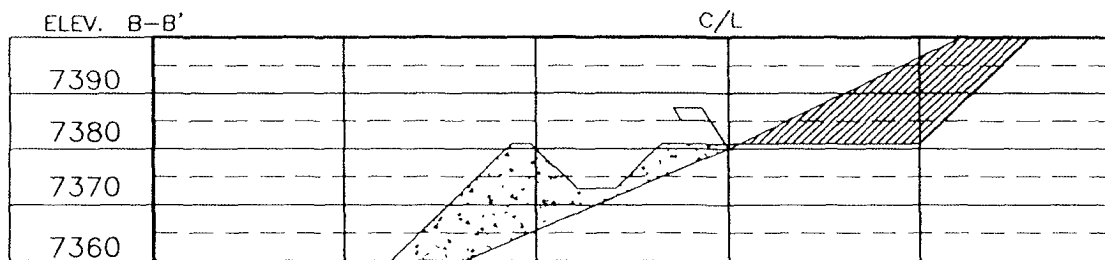
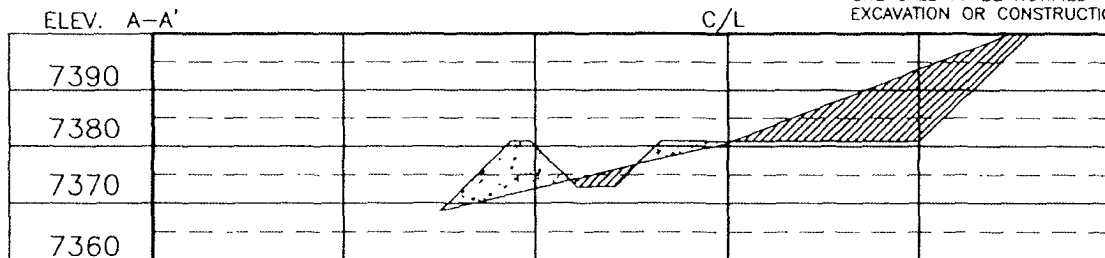
XTO ENERGY INC.
 VALENCIA CANYON No. 46A, 700 FNL 665 FEL
 SECTION 35, T28N, R4W, N.M.P.M., RIO ARRIBA, N.M.
 GROUND ELEVATION: 7380' DATE: SEPTEMBER 7, 2006

NAD 83
 LAT. = 36.62328° N
 LONG. = 107.21451° W
 NAD 27
 LAT. = 36°37'23.8" N
 LONG. = 107°12'50.1" W



RESERVE PIT DIKE: TO BE 8' ABOVE DEEP SIDE (OVERFLOW - 3' WIDE AND 1' ABOVE SHALLOW SIDE).
 BLOW PIT: OVERFLOW PIPE HALFWAY BETWEEN TOP AND BOTTOM AND TO EXTEND OVER PLASTIC LINER AND INTO BLOW PIT.

NOTE. DAGGETT ENTERPRISES, INC IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION



NOTE: CONTRACTOR SHOULD CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED BURIED PIPELINES OR CABLES ON WELL PAD AND OR ACCESS ROAD AT LEAST TWO (2) WORKING DAYS PRIOR TO CONSTRUCTION.

REVISION	DATE	REVISION BY
CHANGE LENGTH OF ACCESS	10/05/07	G.V.
CORRECTED NAME	11/29/07	G.V.

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 510 Farmington, NM 87499
 Phone (505) 326-1772 • Fax (505) 326-6019
 NEW MEXICO L.S. No. 8894
 CADFILE: CR748_CFB
 DRAWN BY: G.V.
 ROW#: CR748
 DATE: 11/03/06

EXHIBIT E

XTO ENERGY INC.

Valencia Canyon #46A

APD Data

January 31, 2008

Location: 700' FNL x 665' FEL Sec 35, T28N, R4W

County: San Juan

State: New Mexico

GREATEST PROJECTED TD: 6830'

OBJECTIVE: Blanco Mesaverde

APPROX GR ELEV: 7680'

Est KB ELEV: 7692' (12' AGL)

1. MUD PROGRAM:

INTERVAL	0' to 360'	360' to 4475'	4475' to 6830
HOLE SIZE	12.25"	8.75"	8.75" 6.125"
MUD TYPE	FW/Spud Mud	FW/Polymer/LSND/ Gel Chemical	Air/LSND / Gel Chemical
WEIGHT	8.6-9.0	8.4-8.8	8.6- 9.20
VISCOSITY	28-32	28-32	45-60
WATER LOSS	NC	NC	8-10

Remarks: Use fibrous materials as needed to control seepage and lost circulation. Pump high viscosity sweeps as needed for hole cleaning. Switch to LSND/ Gel Chemical mud prior to penetrating the Nacemiento Shale. Air drill production hole unless significant water flows are encountered. Raise viscosity at TD for logging. Reduce viscosity after logging for cementing purposes.

2. CASING PROGRAM:

Surface Casing: 9.625" casing to be set at \pm 360' in a 12.25" hole filled with 9.20 ppg mud

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-360'	360'	36.0#	J-55	ST&C	2020	3520	394	8.921	8.765	11.73	20.44	30.40

Intermediate Casing: 7" casing to be set at \pm 4475' in a 8-3/4" hole filled with 9.20 ppg mud

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-4475'	4475'	23.0#	J-55	ST&C	3270	4360	284	6.366	6.241	1.53	2.03	2.76

Production Casing: 4.5" casing to be set at TD (\pm 6830') in 6-1/8" hole filled with 9.20 ppg mud.

Interval	Length	Wt	Gr	Cplg	Coll Rating (psi)	Burst Rating (psi)	Jt Str (M-lbs)	ID (in)	Drift (in)	SF Coll	SF Burst	SF Ten
0'-6830	6830'	11.6#	J-55	ST&C	4960	5350	154	4.000	3.875	1.53	1.65	1.96

3. WELLHEAD:

- A. Casing Head: Larkin Fig 92 (or equivalent), 9" nominal, 2,000 psig WP (4,000 psig test) with 9-5/8" 8rnd thread on bottom and 11-3/4" 8rnd thread on top.

EXHIBIT F

- B. Tubing Head: Larkin Fig 612 (or equivalent), 6.456" nominal, 2,000 psig WP (4,000 psig test), 5-1/2" 8rnd female thread on bottom (or slip-on, weld-on), 8-5/8" 8rnd thread on top.

4. CEMENT PROGRAM (Slurry design may change slightly, but the plan is to circulate cement to surface on both casing strings):

- A. Surface: 9.625", 36.0#, J-55, ST&C casing to be set at $\pm 360'$ in 12-1/4" hole.

162 sx of Type III cement (or equivalent) typically containing accelerator and LCM, mixed at 14.5 ppg, 1.39 ft³/sk, & 6.70 gal wtr/sk.

Total slurry volume is 225 ft³, 100% excess of calculated annular volume to 360'.

- B. Intermediate: 7", 23.0#, J-55 (or K-55), ST&C casing to be set at $\pm 4475'$ in 8.75" hole.

LEAD:

± 384 sx of Premium Lite HS (Type III/Poz/Gel) or equivalent, with dispersant, fluid loss, accelerator, & LCM mixed at 12.5 ppg, 2.01 ft³/sk, 10.55 gal wtr/sx.

TAIL:

100 sx Type III or equivalent cement with bonding additive, LCM, dispersant, & fluid loss mixed at 14.2 ppg, 1.54 cuft/sx, 8.00 gal/sx.

Total estimated slurry volume for the 7" production casing is 926 ft³.

- C. Production: 4.5", 11.6#, J-55 (or K-55), ST&C casing to be set at $\pm 6830'$ in 6.125" hole.

± 124 sx of Premium Lite (Type III/Poz/Gel) or equivalent, with dispersant, fluid loss, glass beads, & LCM mixed at 9.7 ppg, 2.96 ft³/sk, 7.75 gal wtr/sx.

Total estimated slurry volume for the 4.5" production casing is 365 ft³.

Note: The slurry design may change slightly based upon actual conditions. Final cement volumes will be determined from the caliper logs plus 40%. It will be attempted to circulate cement to the surface on all strings except 4.5". The 4.5" will be designed for 500' of overlap.

5. LOGGING PROGRAM:

- A. Mud Logger: The mud logger, if used, will come on at 2,900' and will remain on the hole until TD. The mud may be logged in 10' intervals.

- B. Open Hole Logs as follows: Run Array Induction/SFL/GR/SP fr/TD (6830') to the bottom of the intermediate csg. Run Neutron/Lithodensity/Pe/GR/Cal from TD (6830') to 4475'.

EXHIBIT F

6. FORMATION TOPS:

Est. KB Elevation: 7378'

<u>FORMATION</u>	<u>Sub-Sea</u>	<u>MD</u>
Ojo Alamo SS	3672	3720
Kirtland Shale		
Farmington SS		
Fruitland Formation	3538	3854
Pictured Cliffs SS	3220	4172
Lewis Shale	2915	4477
Chacra SS**	2123	5269
Cliffhouse SS*	1331	6061
Menefee**	1230	6162
Point Lookout SS*	954	6438
Mancos Shale	587	6805
TD	562	6830

* Primary Objective ** Secondary Objective

**** Maximum anticipated BHP should be <2,000 psig (<0.30 psi/ft) ****

7. COMPANY PERSONNEL:

Name	Title	Office Phone	Home Phone
Justin Niederhofer	Drilling Engineer	505-333-3199	505-320-0158
Jerry Lacy	Drilling Superintendent	505-333-3177	505-320-6543
John Klutsch	Project Geologist	817-885-2800	--

JN
1/31/08

EXHIBIT F



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

Attachment to Application for Permit to Drill or Reenter

Well: Valencia Canyon #46A

CONDITIONS OF APPROVAL:

Centralize 9 5/8" surface, 7.0" intermediate and 4 1/2 " production casing strings as per Onshore Oil and Gas Order No. 2 and NTL-FRA 90-1.

Wayne Townsend – (505) 599-6359

Jim Lovato – (505) 599-6367

Steve Mason – (505) 599-6364

CHOKE MANIFOLD SCHEMATIC FOR DRILLING OPERATIONS CLASS 1 (2M) NORMAL PRESSURE

1. Stake all lines from choke manifold to pit.
2. Pressure test choke manifold after installation.
3. Pressure test manifold at the same time with the BOP Stack. Test manifold to the same test pressures.

TESTING PROCEDURE

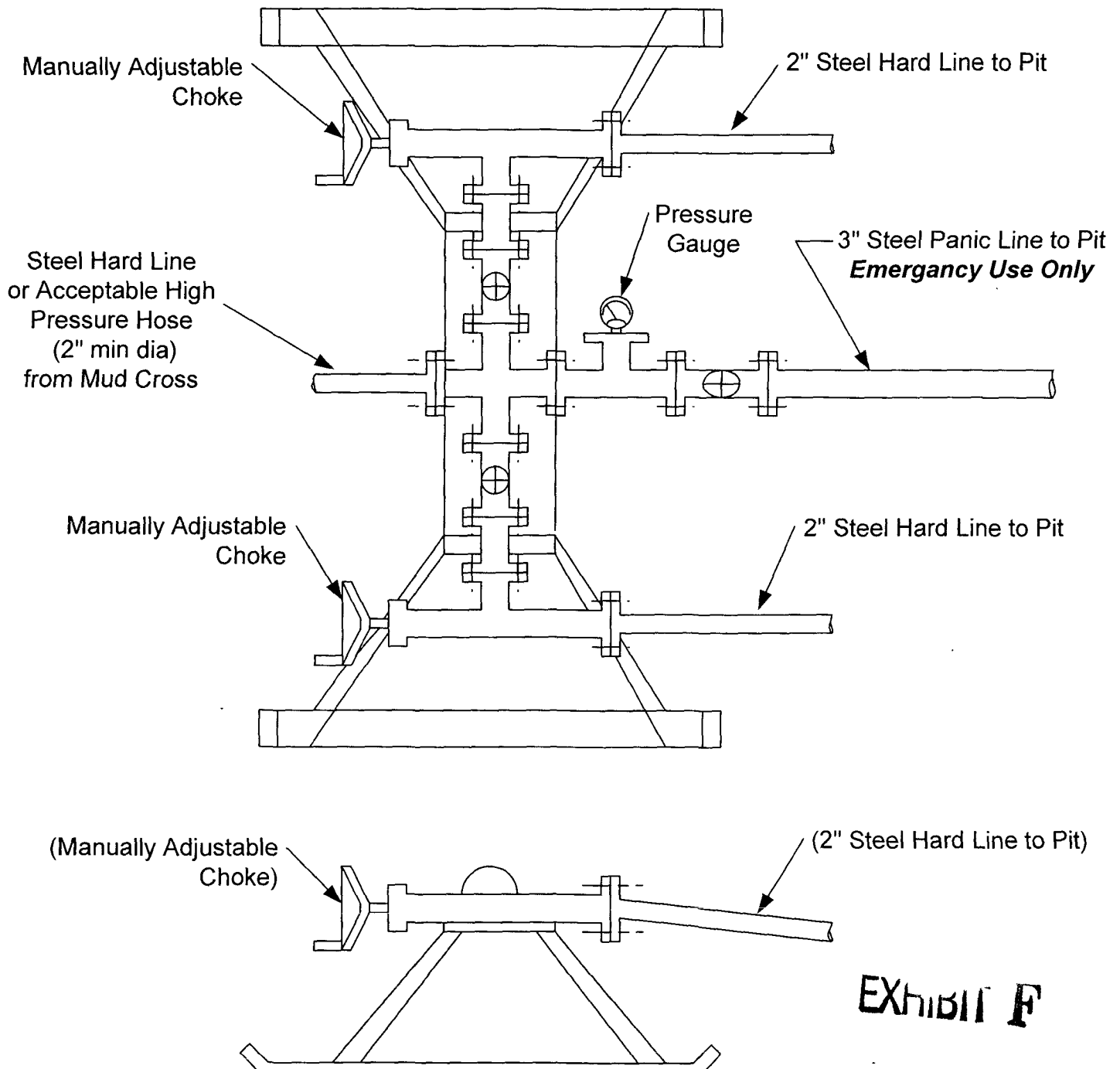


EXHIBIT F

BOP SCHEMATIC FOR DRILLING OPERATIONS CLASS 1 (2M) NORMAL PRESSURE

TESTING PROCEDURE

1. Test BOP after installation:

Pressure test BOP to 200-300
psig (low pressure) for 10 min.

Test BOP to Working Press or
to 70% internal yield of surf csg
(10 min) or which ever is less.

2. Test operation of (both) rams on every trip.

3. Check and record Accumulator pressure on every tour.

4. Re-pressure test BOP stack after changing out rams.

5. Have kelly cock valve with handle available.

6. Have safety valve and subs to fit all sizes of drill string on the rig floor and ready to go.

