RCVD JUN 25 '08
OIL CONS. DIV.
DIST. 3

RECEIVED
MAR 11 2008
Bureau of Land Management
Farmington Field Office

Form 3160-3
(February 2005)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No.
NMNM 014917

6 If Indian, Allotee or Tribe Name
N/A

1a Type of work: ☑ DRILL ☐ REENTER

7 If Unit or CA Agreement, Name and No
N/A

1b Type of Well ☐ Oil Well ☑ Gas Well ☐ Other ☐ Single Zone ☑ Multiple Zone

8 Lease Name and Well No
Valencia Canyon #49 (aka #23NW)

2 Name of Operator
XTO Energy, Inc.

9 API Well No.
30-045- 039-30501

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

3b Phone No. *(include area code)*
505-333-3100

10 Field and Pool, or Exploratory
Blanco Meseverde

4 Location of Well *(Report location clearly and in accordance with any State requirements *)*
At surface **720' FNL x 1110' FWL**
At proposed prod zone **same**

11. Sec., T. R. M. or Blk and Survey or Area
(D) SEC 23, T28N, R4W

14 Distance in miles and direction from nearest town or post office*
Approximately 42.2 miles East of Bloomfield, NM post office

12 County or Parish
RIO ARRIBA

13 State
NM

15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any) **720'**	16 No. of acres in lease **640**	17 Spacing Unit dedicated to this well **N/2 320**
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft **none**	19 Proposed Depth **6800'**	20 BLM/BIA Bond No on file **UTB-000138**
21 Elevations (Show whether DF, KDB, RT, GL, etc.) **7338' Ground Elevation**	22 Approximate date work will start* **06/30/2008**	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

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

25 Signature Kyla Vaughan	Name *(Printed/Typed)* **Kyla Vaughan**	Date **03/07/2008**
Title **Regulatory Compliance**		
Approved by *(Signature)* /s/ Matthew J. Kresse	Name *(Printed/Typed)*	Date 6/24/08
Title AFM	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

*(Instructions on page 2)

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.

APD/ROW

NOTIFY AZTEC OCD 24 HRS. PRIOR TO CASING & CEMENT

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

JUL 02 2008 NMOCD

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.

S AUTHORIZED ARE
NCE WITH ATTACHED
ENTS".

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
MAR 11 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	[2] Pool Code	[3] Pool Name
30-039-30501	72319	BLANCO MESAVERDE

[4] Property Code	[5] Property Name	[6] Well Number
35797	VALENCIA CANYON	~~23NW~~ 49

[7] OGRID No.	[8] Operator Name	[9] Elevation
5380	XTO ENERGY INC.	7338

[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
D	23	28-N	4-W		720	NORTH	1110	WEST	RIO ARRIBA

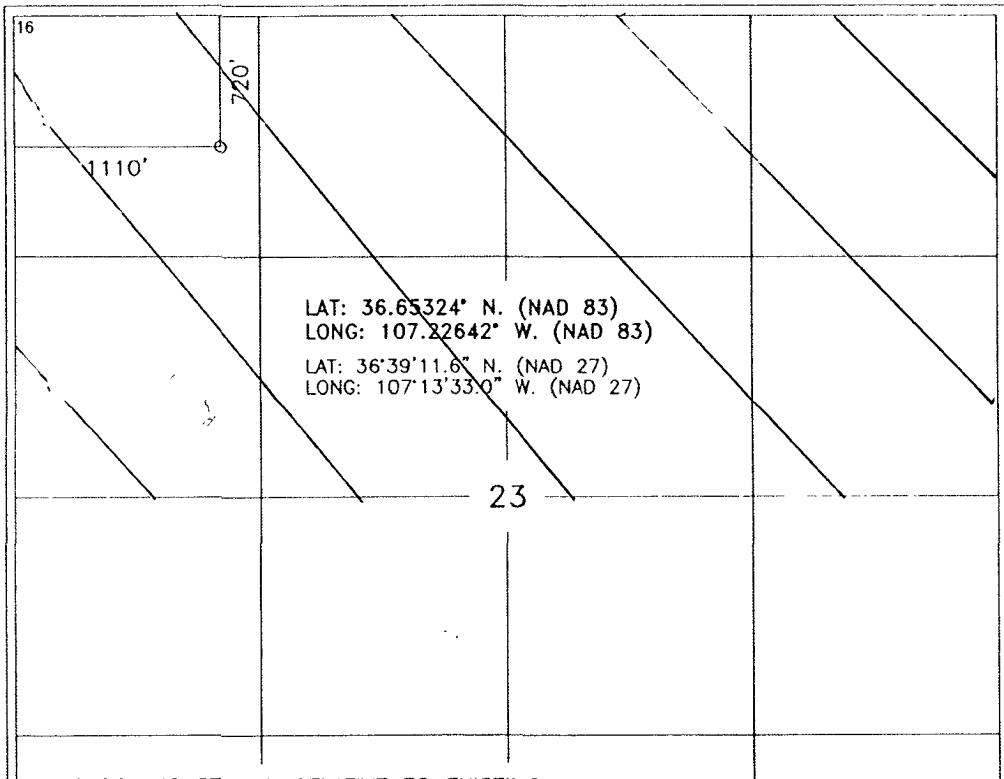
[11] Bottom Hole Location If Different From Surface

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	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
N/2 320			

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



LOCATION IS STAKED RELATIVE TO EXISTING WELLS AND DRY HOLE ON RECORD WITH N.M. OIL & GAS CONSERVATION COMMISSION. SECTION AND QUARTER CORNERS ARE NON-EXISTANT IN THE AREA. DEPENDENT RESURVEY OF THE TOWNSHIP IS REQUIRED TO OBTAIN EXACT DIMENSIONS FROM THE SECTION LINES.

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.

Kyla Vaughan 3/7/08
Signature Date

Kyla 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.

OCTOBER 17, 2007
Date of Survey

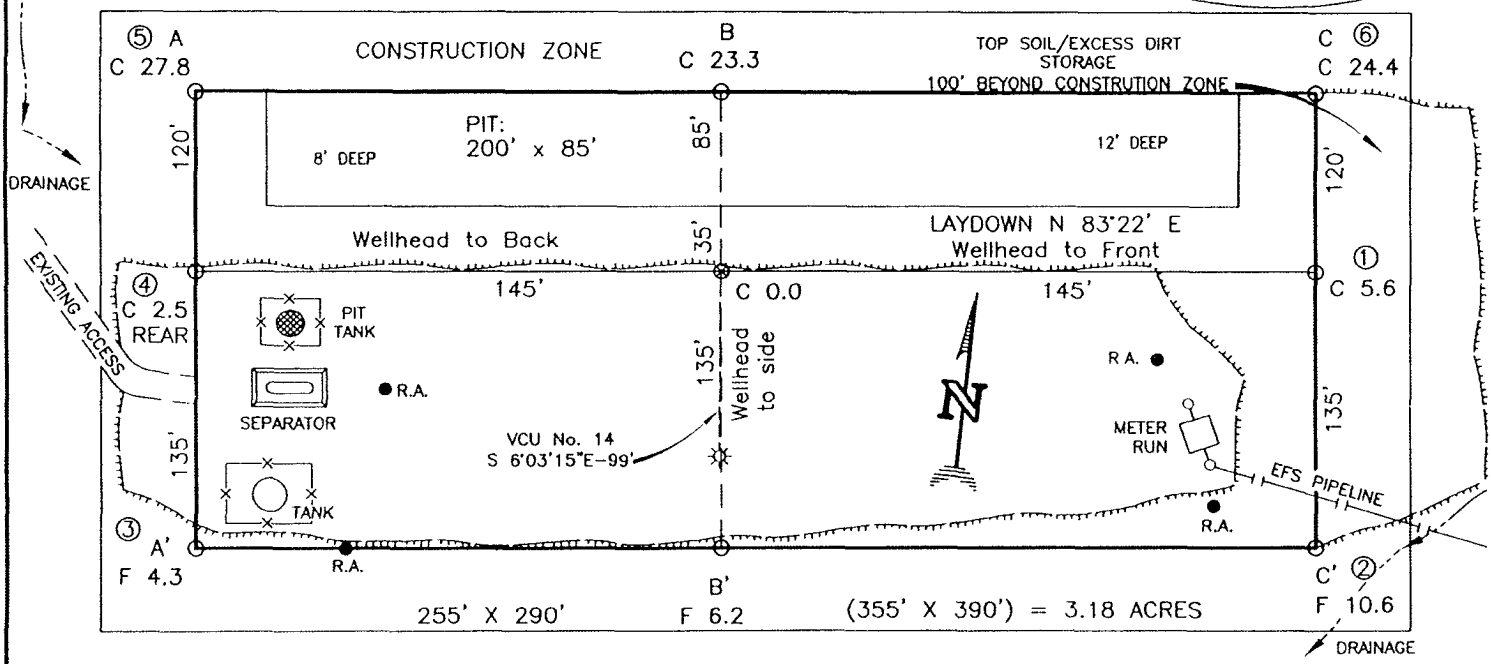
Signature and Seal of Professional Surveyor:

12-03-07

8894
Certificate Number

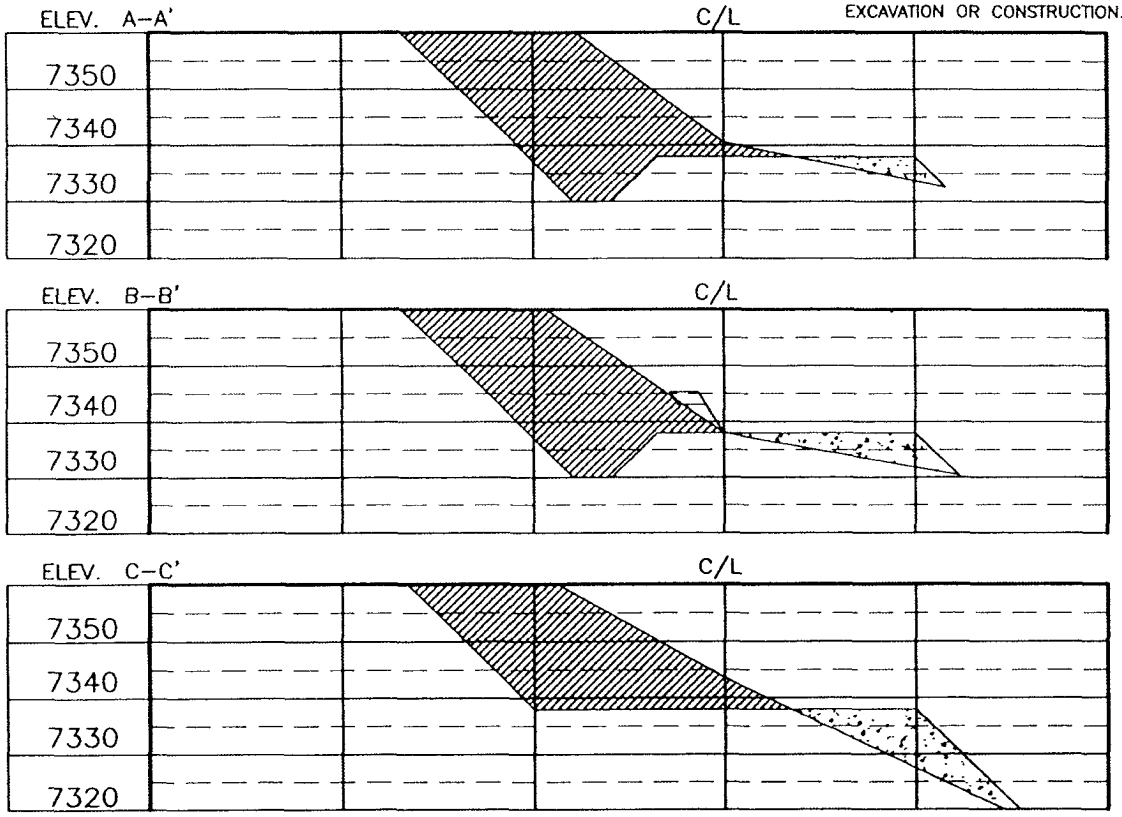
XTO ENERGY INC.
VALENCIA CANYON No. 23NW, 720 FNL 1110 FWL
SECTION 23, T28N, R4W, N.M.P.M., RIO ARRIBA COUNTY, N.M.
GROUND ELEVATION: 7338' DATE: OCTOBER 17, 2007

NAD 83
LAT. = 36.65324° N
LONG. = 107.22642° W
NAD 27
LAT. = 36°39'11.6" N
LONG. = 107°13'33.0" 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:	REVISED BY:
LOCATION RESTAKED	10/23/07	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

DRAWN BY: G.V. | CADFILE: CR732_CFB | DATE: 12/21/06 | ROW#: CR732

EXHIBIT E

XTO ENERGY INC.

Valencia Canyon #49
(aka #23NW)
APD Data
March 7, 2008

Location: 720' FNL x 1110' FWL Sec 23, T28N, R4W **County**: Rio Arriba **State**: New Mexico

GREATEST PROJECTED TD: 6800' OBJECTIVE: Blanco Mesaverde
APPROX GR ELEV: 7338' Est KB ELEV: 7350' (12' AGL)

1. MUD PROGRAM:

INTERVAL	0' to 360'	360' to 4525'	4525' to 6800
HOLE SIZE	12.25"	8.75"	8.75"
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 ± 360' in a 12-1/4" 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'-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 ± 4525' 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'-4525'	4525'	23.0#	J-55	ST&C	3270	4360	284	6.366	6.241	1.52	2.03	2.76

Production Casing: 4.5" casing to be set at TD (±6800') 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'-6800	6800'	11.6#	J-55	ST&C	4960	5350	154	4.000	3.875	1.53	1.65	1.96

Remarks: Casing strings shall be centralized in accordance with Onshore Order #2 and NTL FRA-90-1.

EXHIBIT F

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.
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 ± 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 ft^3/sk, & 6.70 gal wtr/sk.

Total slurry volume is 225 ft^3, 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 ±4525' in 8.75" hole.

LEAD:
±390 sx of Premium Lite HS (Type III/Poz/Gel) or equivalent, with dispersant, fluid loss, accelerator, & LCM mixed at 12.5 ppg, 2.01 ft^3/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 931 ft^3.

C. Production: 4.5", 11.6#, J-55 (or K-55), ST&C casing to be set at ±6800' in 6.125" hole.

±120 sx of Premium Lite (Type III/Poz/Gel) or equivalent, with dispersant, fluid loss, glass beads, & LCM mixed at 9.7 ppg, 2.96 ft^3/sk, 7.75 gal wtr/sx.

Total estimated slurry volume for the 4.5" production casing is 363 ft^3.

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.

EXHIBIT F

B. Open Hole Logs as follows: Run Array Induction/SFL/GR/SP fr/TD (6800') to the bottom of the intermediate csg. Run Neutron/Lithodensity/Pe/GR/Cal from TD (6800') to the intermediate casing shoe.

6. FORMATION TOPS:

Est. KB Elevation: 7350'

FORMATION	Sub-Sea	MD
Nacimiento	4810	2540
Ojo Alamo SS	3764	3586
Kirtland Shale	3552	3798
Fruitland Formation		
Middle Fruitland Coal	3323	4027
Pictured Cliffs SS	3261	4089
Lewis Shale	2827	4523
Chacra SS**	2098	5252
Cliffhouse SS*	1269	6081
Menefee**	1214	6136
Point Lookout SS*	937	6413
Mancos Shale		
TD	550	**6800**

** 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	--

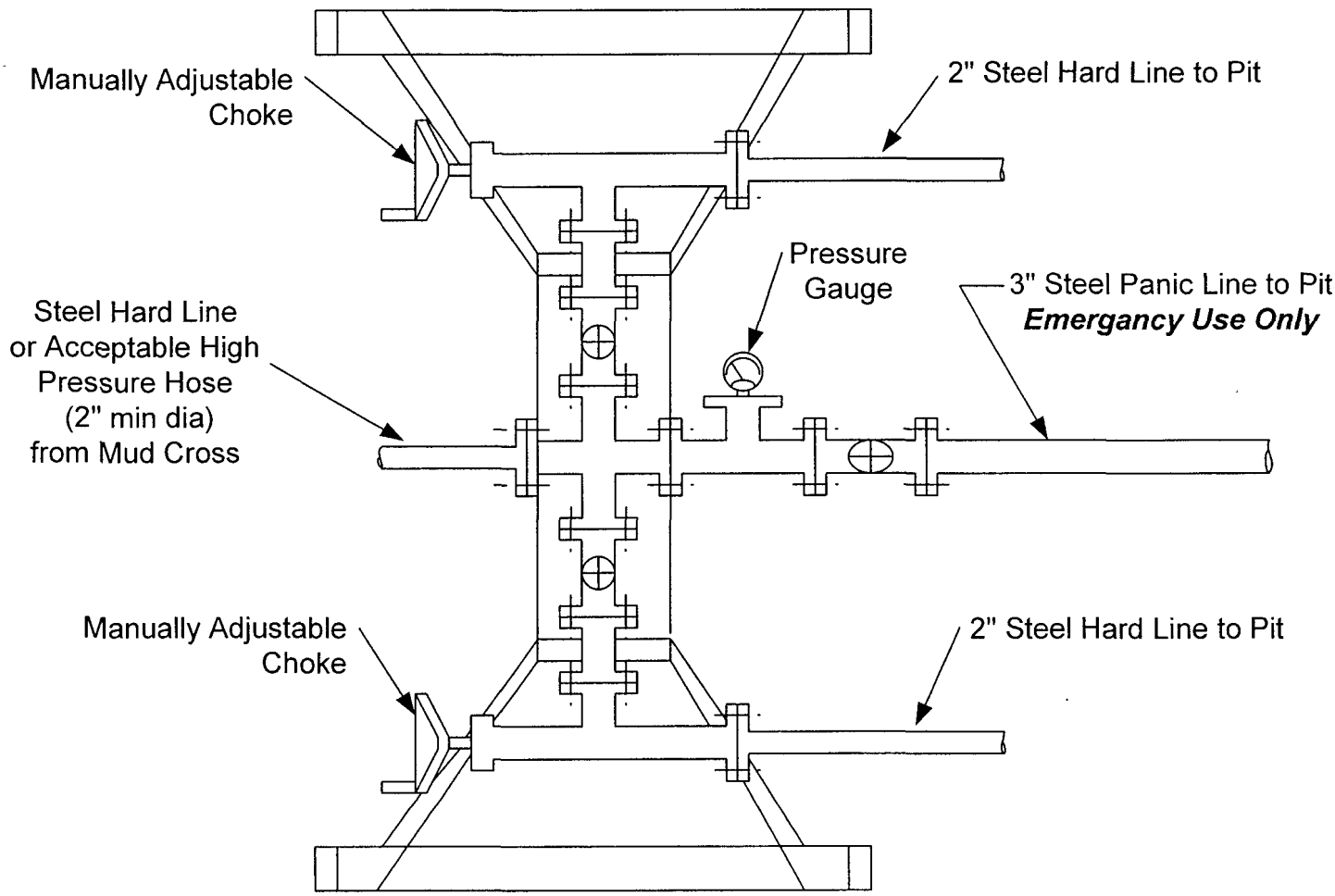
JN
3/7/08

EXHIBIT F

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

TESTING PROCEDURE

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.



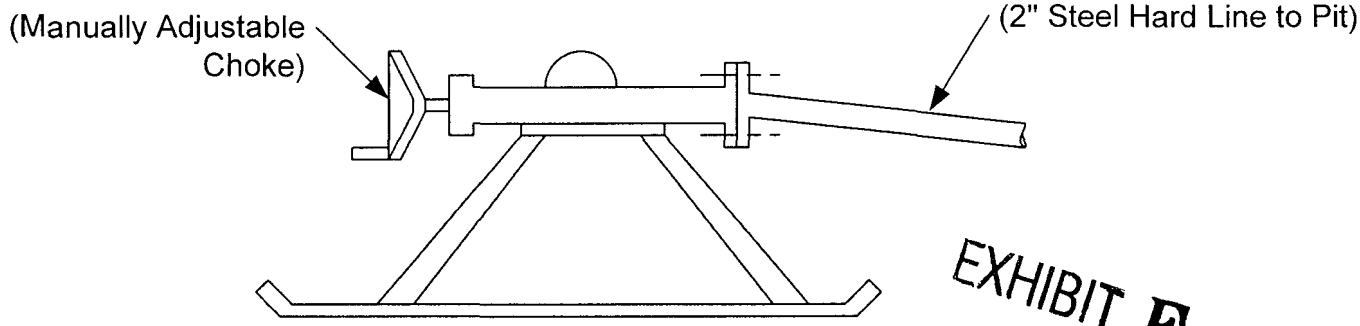


EXHIBIT F

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.

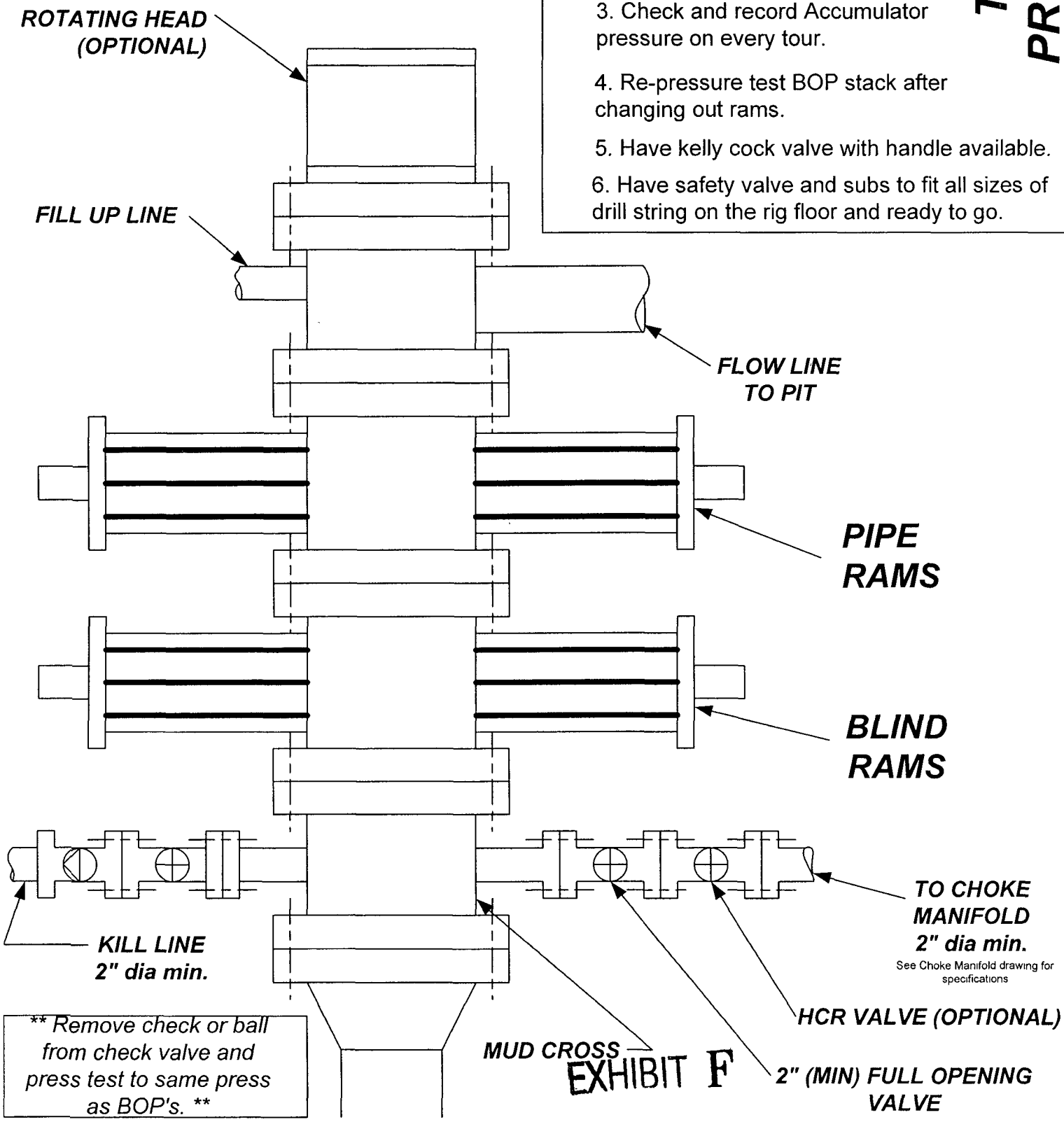


EXHIBIT F