



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO
NMNM019414
3163.1(b) 2

30-045-32879

July 20, 2010

Ms. Kyla Vaughan
XTO Energy, Inc.
382 Road 3100
Aztec, NM 87410

RCVD JUL 22 '10

Dear Ms. Vaughan:

OIL CONS. DIV.
DIST. 3

Reference is made to your letter dated July 12, 2010 informing this office that the following well was inadvertently sidetracked, horizontally drilled and then recompleted into a federal mineral estate:

No. 5H Stanolind Gas Com B, SHL in P, Sec. 9, T.32N., R. 12W., (fee surface and fee minerals) and a BHL in J, Sec 9, T.32N., R. 12W., (federal lease NMNM019414) San Juan County, New Mexico.

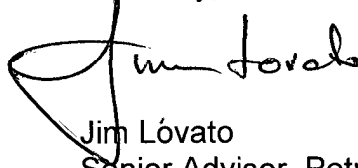
After reviewing this case we found that the subject well was originally completed as a vertical well in the Basin Fruitland Coal in March 2007 on a fee surface - fee mineral estate and was subject to a communitization agreement under NMNM99310. On April 9, 2010 this well was permitted by the NMOCD as a horizontal recompletion in the Fruitland Coal with the lateral section of the well bore proposed to be completed at the BHL referenced above. The well was recompleted on June 16, 2010 as a horizontal lateral with approximately 1140' of the lateral well bore completed through the federal mineral estate under oil and gas lease NMNM019414.

We appreciate the fact that you brought this well to our attention and we certainly understand how this mistake could have occurred. However, XTO Energy is in violation of 43 CFR 3162.3-1, Drilling Applications and Plans, which requires a BLM approved drilling plan before commencing operations. In addition, XTO Energy is subject to a nondiscretionary assessment of \$5,000 pursuant to 43 CFR 3163.1(b) 2. You will be billed for this amount by our office at a later date. You are further required to submit an Application for Permit to Drill (APD) on form 3160-3 including the \$6500 fee; spud notice; casing and cementing reports on form 3160-5 and a completion report on form 3160-4. You are required to file these documents by August 20, 2010.

Under 43 CFR 3165.3, you may request an Administrative Review of any instructions, orders, or decisions issued by the Authorized Officer. Such a request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such a request will not result in a suspension of the instructions, orders, or decisions unless the reviewing official so determines. Procedures governing appeals from the instructions, orders, or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et. Seq.

I you have any questions regarding the above please contact me at (505) 599-6367.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Lovato". The signature is stylized with a large, sweeping initial "J" and a cursive "L".

Jim Lovato
Senior Advisor, Petroleum Engineer
Petroleum Management Team

cc:
NMOCD, Aztec