

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000**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.*5. Lease Serial No.
SF081239

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
Multiple--See Attached9. API Well No.
Multiple--See Attached10. Field and Pool, or Exploratory
DK / FTC / PC11. County or Parish, and State
SAN JUAN COUNTY, NM**SUBMIT IN TRIPLICATE - Other instructions on reverse side.**

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other2. Name of Operator
XTO ENERGY INC.Contact: HOLLY PERKINS
E-Mail: Holly_Perkins@xtoenergy.com3a. Address
2700 FARMINGTON AVE, BLDG K, SUITE 1
FARMINGTON, NM 874013b. Phone No. (include area code)
Ph: 505.324.1090 Ext: 4020
Fx: 505.564.6700

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

Multiple--See Attached

S-30-12

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	Surface Commingli
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

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 recompleat 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 site is ready for final inspection.)

XTO Energy Inc. proposes to surface commingle the L.C. Kelly #1 and L.C. Kelly #11. Attached is a copy of the information sent to the NMOCD for their approval.

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #11966 verified by the BLM Well Information System
For XTO ENERGY INC., sent to the Farmington
Committed to AFMSS for processing by Matthew Halbert on 09/27/2002 ()

Name (Printed/Typed) THOMAS DELONG

Title OPERATIONS ENGINEER

Signature (Electronic Submission)

Date 08/15/2002

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By Jim Lovato

Title

Date

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.

Office

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.

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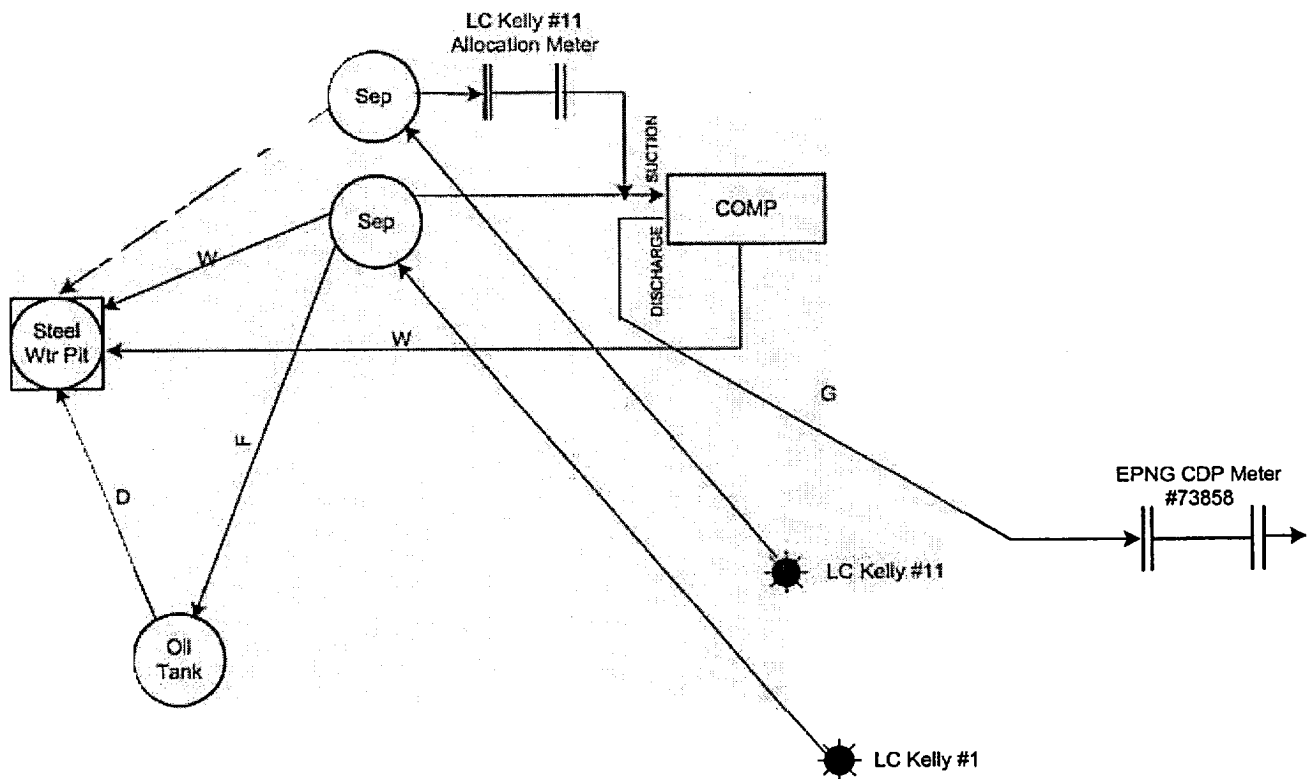
NMOCD

Additional data for EC transaction #11966 that would not fit on the form

Wells/Facilities, continued

Agreement	Lease	Well/Fac Name, Number	API Number	Location
	SF081239	L.C. KELLY 1	30-045-09815	Sec 5 T30N R12W SWSW 790FSL 1055FWL
	SF081239	L.C. KELLY 11	30-045-31114	Sec 5 T30N R12W SWSW 735FSL 1050FWL

XTO ENERGY INC.
Lease: KELLY L.C. #1 & KELLY L.C. #11
Location: SW4 SW/4 SEC. 05, T30N, R12W
Federal Lease #: NMSF-081239



LC Kelly #1 and LC Kelly #11

Allocation Method

The EPNG meter #73858 will be the sales meter (CDP) for the LC Kelly #1 and the LC Kelly #11 gas sales. An allocation meter will be set between the LC Kelly #1 separator and the suction side of the compressor. This meter will only measure gas flow from the LC Kelly #1.

LC Kelly #1 gas production will be calculated as follows:

(LC Kelly #1 allocation meter volume) + (LC Kelly #1 separator fuel gas & pumping unit fuel gas)

LC Kelly #11 gas production will be calculated as follows:

(EPNG meter #73858 volume) – (LC Kelly #1 allocation meter volume) + (compressor fuel gas) + (LC Kelly #11 separator fuel gas & pumping unit fuel gas)

Compressor fuel gas usage will be allocated to each well based on the percentage of gas compressed for each well. For example the LC Kelly #1 percentage of compressor fuel usage would be calculated as follows:

$$\frac{(\text{LC Kelly \#1 allocation meter volume})}{(\text{EPNG meter \#73858 volume}) + (\text{compressor fuel gas})}$$

Compressor fuel gas will be obtained using the operating conditions of the compressor and manufactures published fuel gas volumes or calculated volumes using the results of actual measurements of fuel gas usage.

LC Kelly #1 gas sales will be calculated as follows:

(LC Kelly #1 allocation meter volume) – (LC Kelly #1 allocated compressor fuel gas)

LC Kelly #11 gas sales will be calculated as follows:

(EPNG meter #73858 volume) – (LC Kelly #1 gas sales)

No commingling of liquid hydrocarbon will occur. Production and sales will be based on actual measured volumes from each well. LC Kelly #11 should not produce liquid hydrocarbon.

The LC Kelly #1 has averaged under 0.1 BWPD over the last year. This is considered to be insignificant and it would be poor economics to set an additional water tank for the LC Kelly #11. All water production will be allocated to the LC Kelly #11. Interests are common in the LC Kelly #1 and #11.

Surface commingling will allow the installation of one compressor to serve both wells and will not decrease the value of the gas. It will allow the gas to be compressed at a lower cost than two compressors and will extend the economic life of the wells. Due to high line pressures in this area, compression is required to effectively produce the wells.

LC Kelly #1 and LC Kelly #11
Well Information

	LC Kelly #1	LC Kelly #11
Location	M, Sec 5, T30N, R12W	M, Sec 5, T30N, R12W
Formation	Dakota	Fruitland Coal & Pictured Cliffs
API#	30-045-09815	30-045-31114
Pool Name	Basin Dakota	Basin Fruitland Coal & Aztec Pictured Cliffs
Pool Code	71599	71629 (FC) 71280 (PC)
Gas Gravity	0.686	0.580 (estimated)
Gas Rate (MCFPD)	53	NA
Oil Gravity	51.2	NA
Oil Rate (BPD)	0.7	NA
Water Rate (BPD)	<0.1	NA

August 15, 2002

Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Administrative Approval to Surface Commingle
LC Kelly #1 and LC Kelly #11
Section 5, T30N, R12W
San Juan County, New Mexico

Dear Ms. Wrotenbery,

XTO Energy Inc requests administrative approval to surface commingle the referenced wells. Surface commingling will allow the use of a single compressor to produce both wells. Oil production will not be commingled.

The gas line pressures in this area are high and compression is required to maximize recoveries. The installation of a single compressor will reduce operating expenses, minimize surface use impact, extend the life of the wells and increase ultimate recoveries. The LC Kelly #1 and LC Kelly #11 will share a common well pad. The LC Kelly #11 is in the permitting process and has not been drilled. It is scheduled to be drilled this year.

The following is enclosed for you review of the proposed commingling:

1. Well Information Table
2. Gas Allocation Method
3. Well Location Map
4. Battery schematic of proposed commingling

The LC Kelly #1 and LC Kelly #11 are located on a federal lease and have common interest. If you need additional information or have any questions, please feel free to contact me at (505)-324-1090.

Sincerely,

Thomas DeLong
Operations Engineer

CC: NMOCD – District III (Aztec)