

**CERTIFIED MAIL**

June 23, 2014

**Working Interest Owner**

RE: **Well Proposal- Perla Verde 31 State 4H**  
E/2 E/2 Section 31, T 19S, R 35E  
SHL: 170' FSL & 330' FEL  
BHL: 200' FNL & 330' FEL  
Lea County, New Mexico

Gentlemen:

XTO Energy Inc. (XTO), as Operator, proposes the drilling of the Perla Verde 31 State 4H as a horizontal well on the above referenced location, or at a legal location as approved by the governing regulatory agency to a TVD of approximately 11,100' and a MD of 15,800' to test the Third Bone Spring Formation ("Operation"). The total cost of the Operation is estimated to be \$7,000,000.00. Details of the cost are set out in the enclosed Authority for Expenditure ("AFE").

XTO is proposing to drill this well under the terms of the modified A.A.P.L Form 610-1989 (Horz.) form Operating Agreement which was provided with the Perla Verde 31 State 2H proposal. The Operating Agreement covers the E/2 of Section 31- T19S, R35E. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,500/\$700 Drilling and Producing Rates
- XTO Energy Inc. is named as Operator

Your interest is shown on the Working Interest Owners exhibit attached. If you do not wish to participate in the Operation, XTO would be agreeable to a mutually agreeable purchase or farm-in of your leasehold.

In addition to the referenced well, XTO plans to drill the Perla Verde 31 State 1H, and the Perla Verde 31 State 3H. The Perla Verde 31 State 1H and Perla Verde 31 State 3H will be drilled in the West half of Section 31. Your WI will be reduced in the West half by 25% due to additional working interest owners. A JOA covering the W/2 and the additional well proposals/AFE's will be forthcoming in the near future.

**BEFORE THE OIL CONVERSATION  
DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. 10**  
Submitted by: **XTO ENERGY, INC.**  
Hearing Date: October 1, 2014

Please indicate your participation election in the space provided below, sign and return this letter, a signed copy of the enclosed AFE, and a copy of your geologic well requirements.

If you have any questions, please contact me at 817-885-2905 or keith\_sawyer@xtoenergy.com.

Sincerely,

Keith R. Sawyer  
Division Landman- Permian Basin

Enclosure(s)  
AFE

\_\_\_\_\_ I/We hereby elect to participate in the Perla Verde 31 State 4H

\_\_\_\_\_ I/We hereby elect ***not*** to participate in the Perla Verde 31 State 4H

Company or  
Individual Name: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**XTO ENERGY INC.**  
**AUTHORITY FOR EXPENDITURE**

AFE NO.:	1403786	DISTRICT:	PERMIAN BASIN
AFE DESC:	D&C - HORZ IN 3RD BONE SPRING	FIELD:	OPERATED
DATE:	04/19/2014	ACCOUNTING ID:	21767
AFE TYPE:	DEVELOPMENT DRILLING	WELL NAME:	PERLA VERDE 31 STATE 04H
OPERATOR:	81 - XTO ENERGY INC.	STATE/COUNTY:	New Mexico / Lea
SECTION/TOWNSHIP/RANGE:	31/19S/35E	XTO WI DECIMAL:	0.500000000

DETAIL OF EXPENDITURES	DRYHOLE	COMPLETION	SUPPLEMENT	TOTAL
FRAC FLUID/SW DISPOSAL	0.00	40,000.00	0.00	40,000.00
COMPL WATER TRANSFER SERVICE	0.00	40,000.00	0.00	40,000.00
<b>TOTAL:</b>		<b>80,000.00</b>		<b>80,000.00</b>
Drilling/Rig Move	1,048,000.00	0.00	0.00	1,048,000.00
Completion Unit	0.00	25,000.00	0.00	25,000.00
Surf/Int Csg Crew/Laydown Service	25,000.00	0.00	0.00	25,000.00
Directional Tools/Services	182,000.00	0.00	0.00	182,000.00
Roads & Location	218,000.00	0.00	0.00	218,000.00
Mud/Chemicals	190,000.00	0.00	0.00	190,000.00
Well Logging: Open Hole	68,000.00	0.00	0.00	68,000.00
Surf/Int Cement & Related Services	122,000.00	0.00	0.00	122,000.00
BITS, MILLS, REAMERS	107,333.00	0.00	0.00	107,333.00
DRLG RENTALS: SUB-SURFACE	30,000.00	0.00	0.00	30,000.00
DRLG RENTALS: SURFACE	166,000.00	0.00	0.00	166,000.00
RIG FUEL, POWER & WATER	181,000.00	0.00	0.00	181,000.00
CASED HOLE LOGGING/PERF	0.00	15,000.00	0.00	15,000.00
STIMULATION & PUMPING SERVICES	0.00	1,650,000.00	0.00	1,650,000.00
DRILLING SUPERVISION	134,250.00	0.00	0.00	134,250.00
MISC SUPPLIES	9,000.00	0.00	0.00	9,000.00
COMMISSION/LEGAL	18,000.00	0.00	0.00	18,000.00
DRILLING OVERHEAD	11,000.00	0.00	0.00	11,000.00
DRLG TRUCKING & HOT SHOT	31,000.00	0.00	0.00	31,000.00
FLUID HAUL/SOLID CONTROL	268,000.00	15,000.00	0.00	283,000.00
FLOWBACK	0.00	300,000.00	0.00	300,000.00
FRAC TANKS/FLUID HAULING	0.00	125,000.00	0.00	125,000.00
PROD CSG CEMENT & RELATED SERVICE	0.00	214,000.00	0.00	214,000.00
DISTRICT TOOL - SUBSURFACE	0.00	40,000.00	0.00	40,000.00
PROD CSG CREW/LAYDOWN SERVICE	0.00	29,000.00	0.00	29,000.00
CMPL RENTALS: SUB-SURFACE	0.00	10,000.00	0.00	10,000.00
Cmpl Rentals: Surface	0.00	45,000.00	0.00	45,000.00
Cmpl Engr/Supervision	0.00	15,000.00	0.00	15,000.00
Intang. Cmpl Contingencies	0.00	15,000.00	0.00	15,000.00
Cmpl Misc Labor	0.00	6,800.00	0.00	6,800.00
Misc Labor/Welding	44,000.00	0.00	0.00	44,000.00
Cmpl Fluid/Chem/Transp	0.00	125,000.00	0.00	125,000.00
Completion Bits, Scrapers, and Mills	0.00	40,000.00	0.00	40,000.00
Frac Pit	0.00	50,000.00	0.00	50,000.00
<b>WIP-INTAN. DEVLPMT COSTS TOTAL:</b>	<b>2,852,583.00</b>	<b>2,719,800.00</b>		<b>5,572,383.00</b>
Conductor Pipe / Caisson	20,000.00	0.00	0.00	20,000.00



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**AUTHORITY FOR EXPENDITURE**

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AFE DESC: D&C - HORZ IN 3RD BONE SPRING	FIELD: OPERATED
DATE: 04/19/2014	ACCOUNTING ID: 21767
AFE TYPE: DEVELOPMENT DRILLING	WELL NAME: PERLA VERDE 31 STATE 04H
OPERATOR: 81 - XTO ENERGY INC.	STATE/COUNTY: New Mexico / Lea
SECTION/TOWNSHIP/RANGE: 31/19S/35E	XTO WI DECIMAL: 0.500000000

DETAIL OF EXPENDITURES	DRYHOLE	COMPLETION	SUPPLEMENT	TOTAL
Tubing	0.00	96,000.00	0.00	96,000.00
Wellhead Equipment	28,000.00	15,000.00	0.00	43,000.00
Pumping & Lifting Equipment	0.00	7,817.00	0.00	7,817.00
Tank Batteries	0.00	100,000.00	0.00	100,000.00
Lease & Flow Lines	0.00	4,000.00	0.00	4,000.00
Sep, Dehy, Treaters, Heat Exch, and Scrubbers.	0.00	100,000.00	0.00	100,000.00
Packer & Sub-surface Equip	0.00	420,000.00	0.00	420,000.00
Sub-surface Pump, Rods, & Acces	0.00	120,000.00	0.00	120,000.00
Surface Casing	73,000.00	0.00	0.00	73,000.00
Intermediate Casing	103,000.00	0.00	0.00	103,000.00
Production / Liner Casing	0.00	260,800.00	0.00	260,800.00
<b>WIP-Lease &amp; Well Equip. TOTAL:</b>	<b>224,000.00</b>	<b>1,123,617.00</b>		<b>1,347,617.00</b>

<b>TOTAL THIS AFE:</b>	<b>3,076,583.00</b>	<b>3,923,417.00</b>	<b>7,000,000.00</b>
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\*\*\* This AFE is an estimate only. By returning one signed copy, you agree to pay your share of the actual costs incurred. \*\*\*

REMARKS: TO DRILL AND COMPLETE A NEW HORIZONTAL WELL IN THE 3RD BONE SPRING FORMATION AND SET 5-1/2" CASING WITH SLIDING SLEEVES FOR PRODUCTION. LATERAL LENGTH IS +/- 4350'. TVD IS ESTIMATED AT 10980' WITH A MD OF 15800'. THE WELL WILL BE DRILLED ON A DAYWORK CONTRACT.

		Non Operator Approval	
Prepared By:	STEPHANIE RABADUE	DATE	_____
Approved By:	TERRY PERKINS	COMPANY	_____
Signature:	_____	BY	_____
		TITLE	_____