New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
(September 2001)

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM 010388

6. If Indian, Allottee or Tribe Name

1a. Type of Work: [X] DRILL [ ] REENTER

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

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No. SEMGSAU (32556) #115

2. Name of Operator XTO Energy, Inc. (5380)

9. API Well No. 30-025 - 37574

3a. Address 200 N. Loraine, Ste. 800, Midland, TX 79705

3b. Phone No. (include area code) 432 682-8873 / 684-6381

10. Field and Pool, or Exploratory (43329) Maljamar; Grayburg-San Andres

4. Location of Well (Report location clearly and in accordance with any State requirements.*)
At surface 832 FNL & 660 FWL Unit D
At proposed prod. zone same

11. Sec., T., R., M., or Blk. and Survey or Area Sec 33, T17S, R33E

14. Distance in miles and direction from nearest town or post office* 5 miles SE of Maljamar

12. County or Parish Lea

13. State NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
660	2200 +/-	40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
1320	4500'	104312789
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23. Estimated duration**
4071' GR	upon approval	8-10 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall 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 shall 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 authorized officer.

25. Signature [signature] Name (Printed/Typed) Ann E. Ritchie (432) 684-6381 ann.ritchie@wtor.net Date 8-29-05

Title Regulatory Agent

Approved by (Signature) /s/ Joe G. Lara Name (Printed/Typed) /s/ Joe G. Lara Date NOV 29 2005

Title ACTING FIELD MANAGER Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify the 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. APPROVAL FOR 1 YEAR

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 reverse)

NOV 2005
Received
Hobbs
OCD

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, 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 Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

NOV 2005
Received
Hobbs
OCD

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-025-37574	43329	Maljamar; Grayburg-San Andres

Property Code	Property Name	Well Number
3355	SEMGSAU	115

OGRID No.	Operator Name	Elevation
5380	XTO ENERGY	4071'

Surface Location

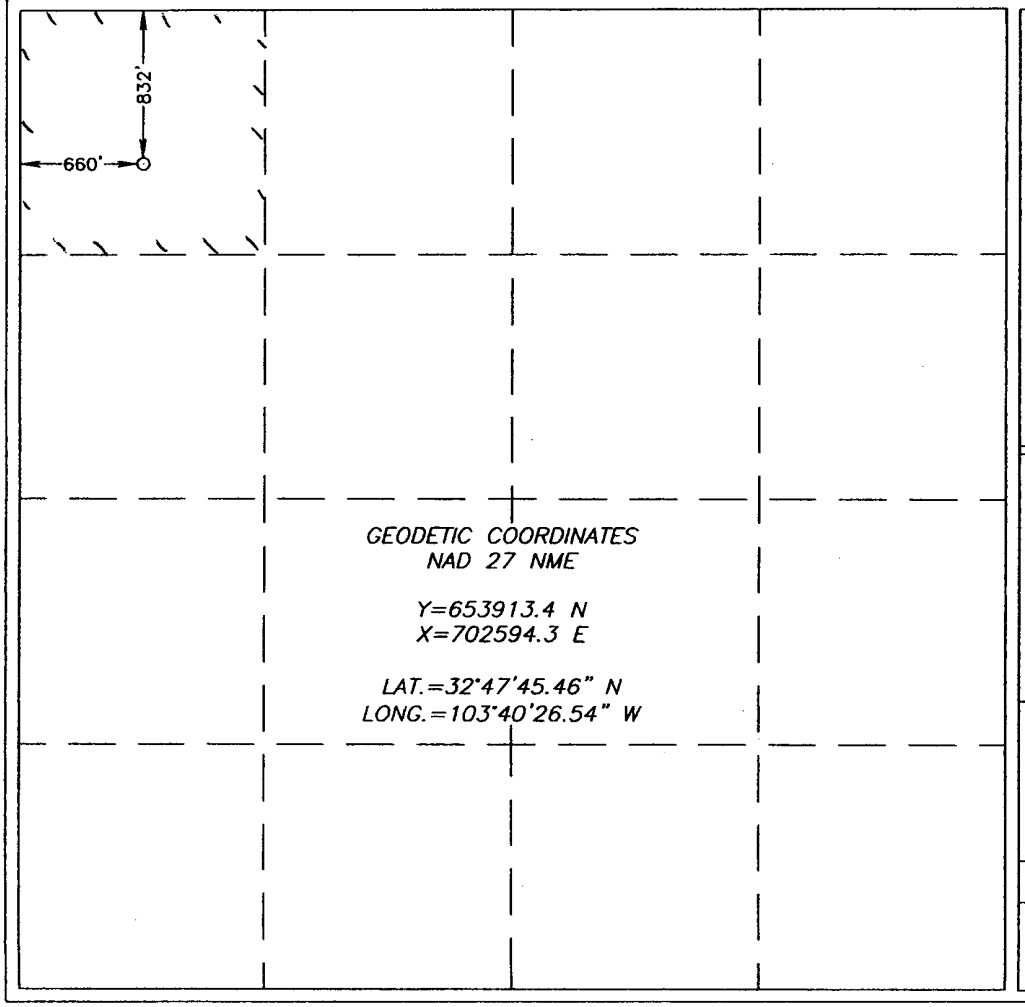
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	33	17-S	33-E		832	NORTH	660	WEST	LEA

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

I hereby certify ~~the~~ the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Ann E. Ritchie
Printed Name

Regulatory Agent
Title

8-23-05
Date

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 supervison, and that the same is true and correct to the best of my belief.

MARCH 30, 2005
Date Surveyed JR

Signature & Seal of Professional Surveyor

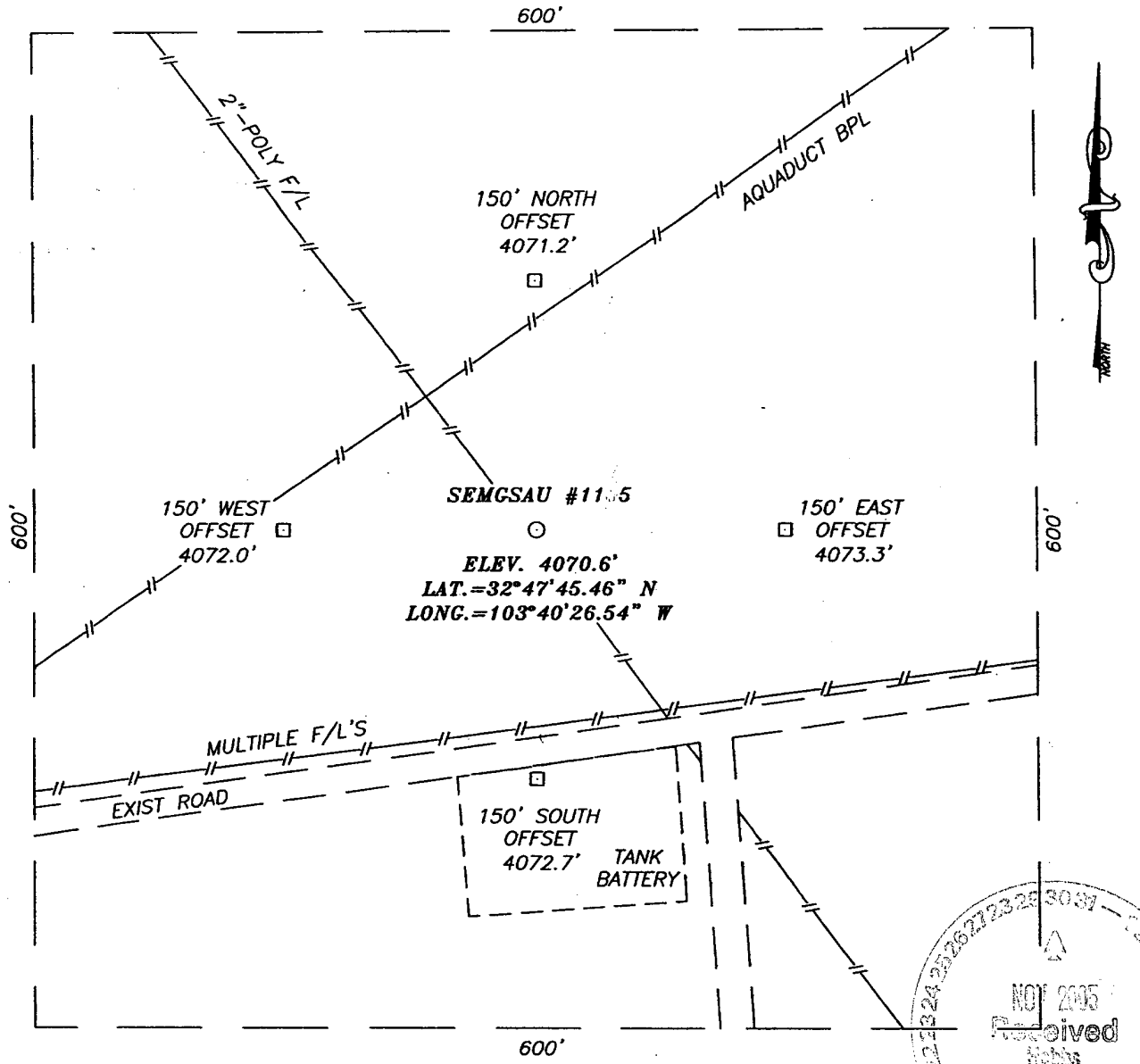
Gary L. Edson 5/18/05

05.11.0122

Certificate No. GARY EIDSON 12641

SECTION 33, TOWNSHIP 17 SOUTH, RANGE 33 EAST, N.M.P.M.,

LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #529 AND CO. RD. #L-125 (DOG LAKE RD.), GO NW ON CO. RD. #L-125 FOR APPROX. 0.5 MILES TO A CALICHE RD. INTERSECTION. TURN RIGHT (EAST) AND GO APPROX. 0.4 MILES TO A CALICHE ROAD INTERSECTION. TURN RIGHT (SE) AND GO APPROX. 0.2 MILES, TURN LEFT (NE) AND GO APPROX. 0.2 MILES TO A XTO TANK BATTERY. THIS LOCATION IS APPROX. 124' NORTH.

100 0 100 200 Feet

Scale:1"=100'

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

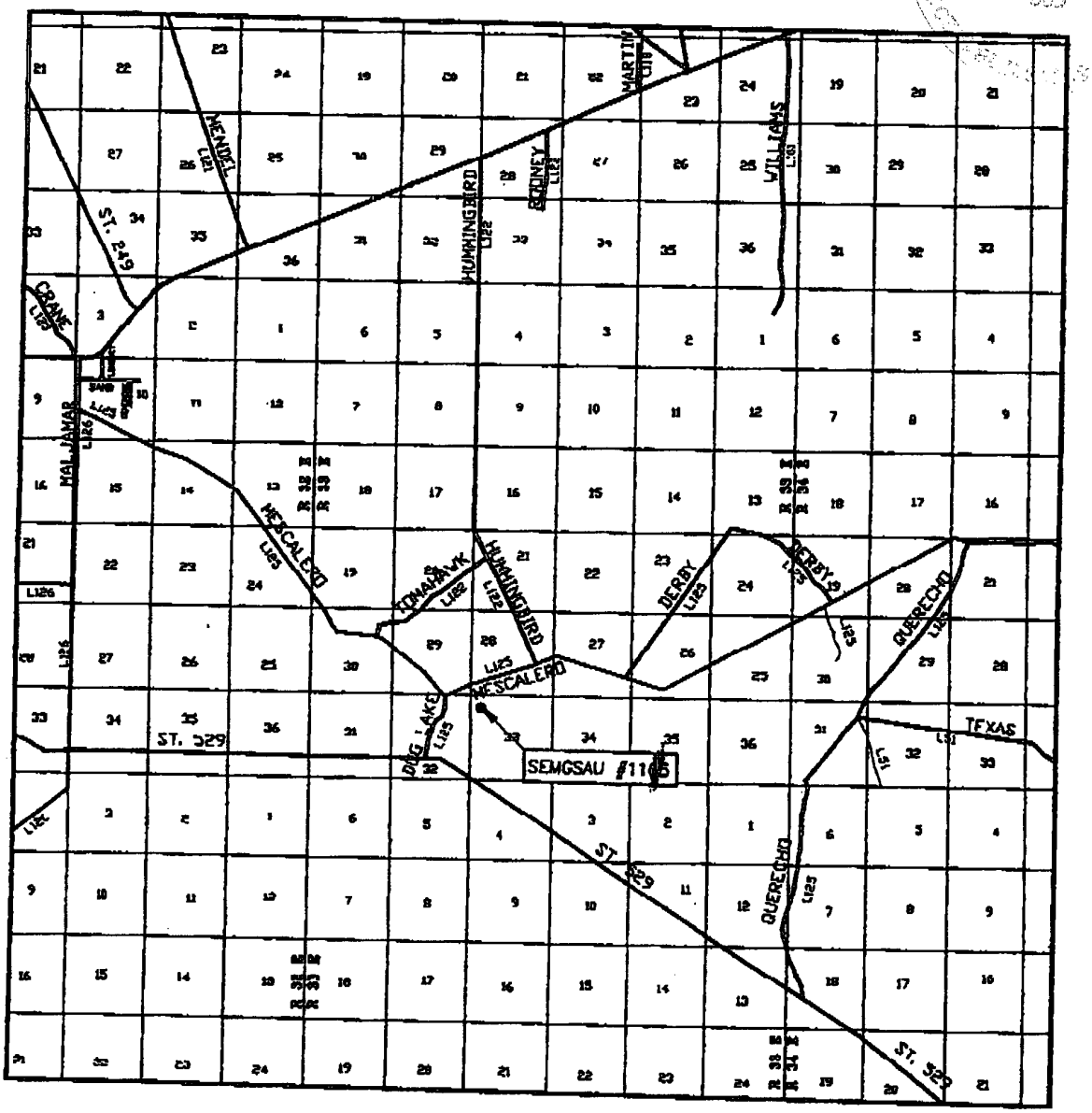
XTO ENERGY

SEMGSAU #1105 WELL
LOCATED 832 FEET FROM THE NORTH LINE
AND 660 FEET FROM THE WEST LINE OF SECTION 33,
TOWNSHIP 17 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 03/30/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.0122	Dr By: J.R.	Rev 1:N/A	
Date: 05/16/05	Disk: CD#5	05110122	Scale:1"=100'

(3)

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 33 TWP. 17-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 832' FNL & 660' FWL

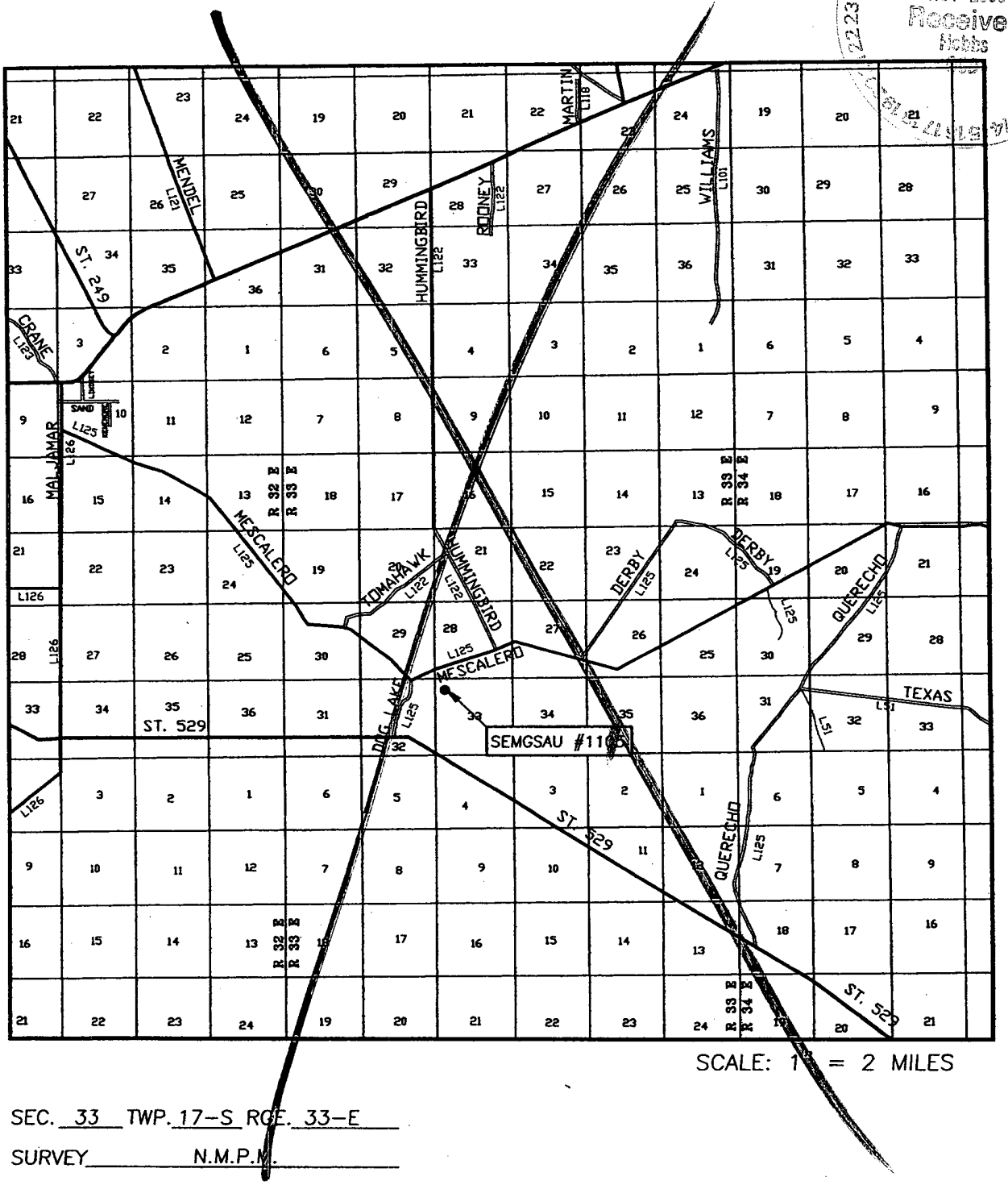
ELEVATION 4071'

OPERATOR XTO ENERGY

LEASE SEMGSAU

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 33 TWP. 17-S RGE. 33-E

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OPERATOR XTO ENERGY

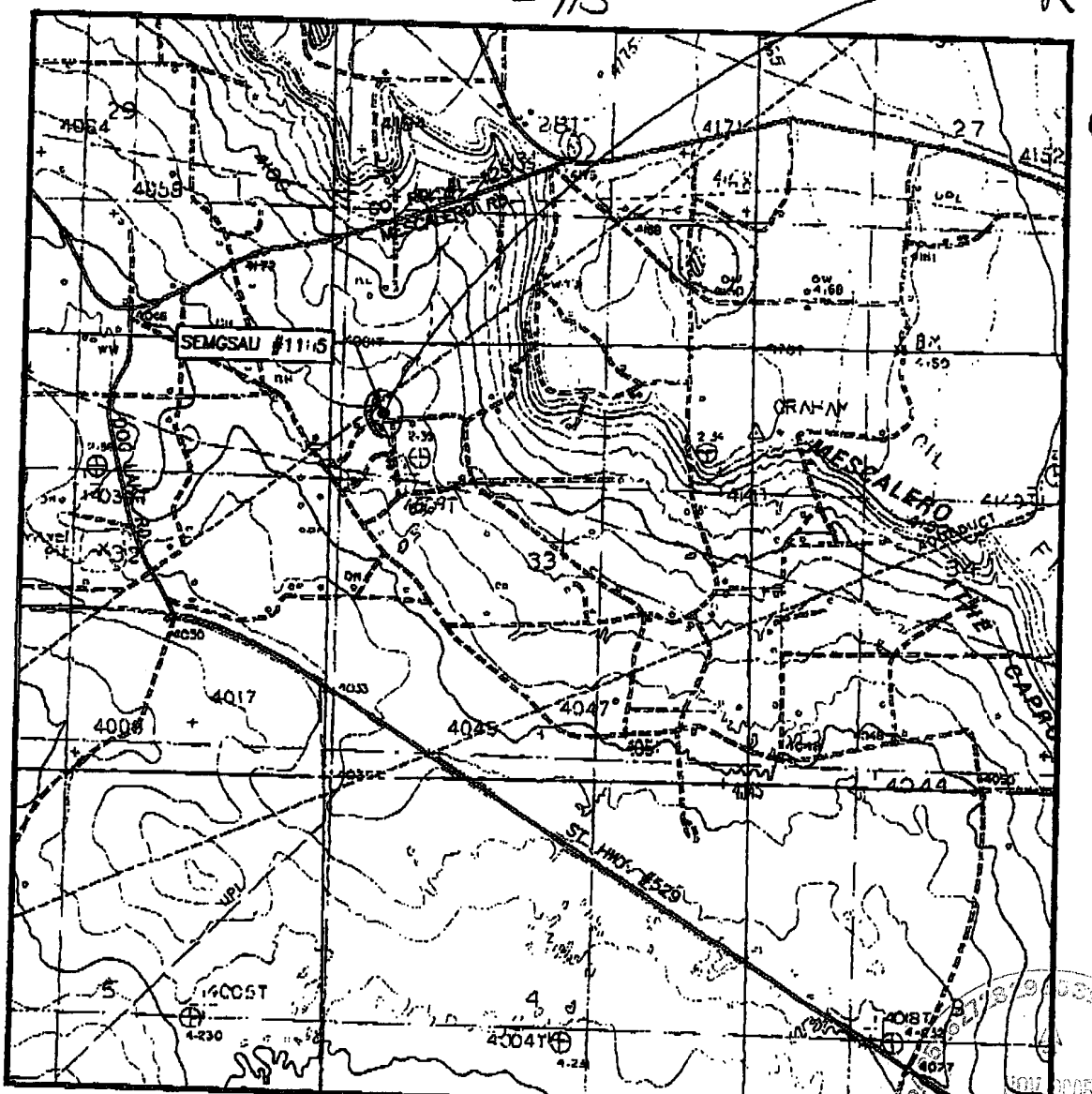
LEASE SEMGSAU

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

LOCATION VERIFICATION MAP

#115

approx 150' of road for location from existing lease road. Qtr



SCALE: 1" = 2000'

CONTOUR INTERVAL:
DOG LAKE, N.M. – 10'

SEC. 33 TWP. 17-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 832' FNL & 660' FWL

ELEVATION 4071'

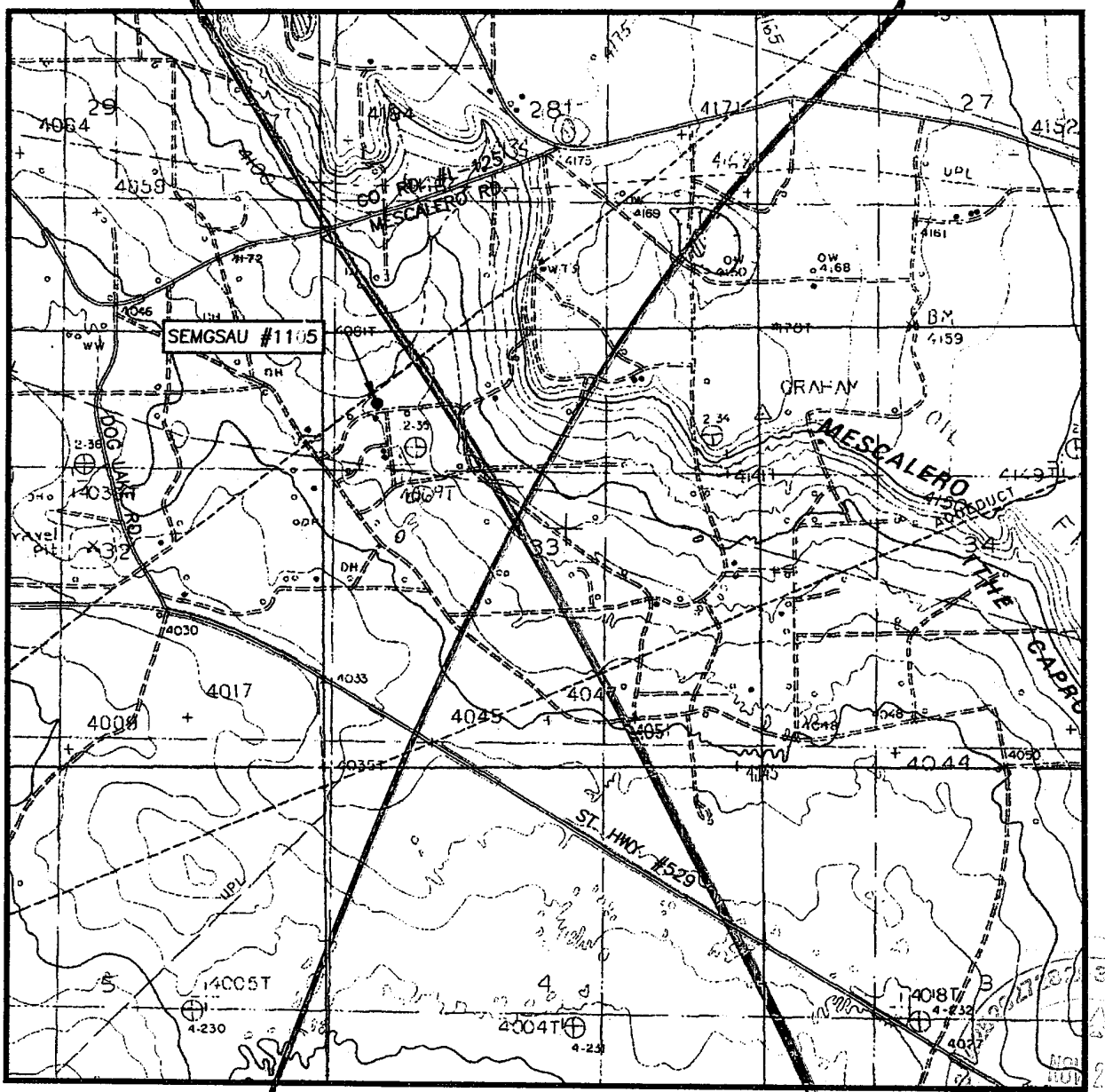
OPERATOR XTO ENERGY

LEASE SEMCSAU

U.S.G.S. TOPOGRAPHIC MAP
DOG LAKE, N.M.

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
DOG LAKE, N.M. – 10'

SEC. 33 TWP. 17-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 832' FNL & 660' FWL

ELEVATION 4071'

OPERATOR XTO ENERGY

LEASE SEMGSAU

U.S.G.S. TOPOGRAPHIC MAP
DOG LAKE, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

NOS Format: New Mexico BLM

NOTICE OF STAKING (Not to be used in place of Application for Permit to Drill Form 3160-3)	6. Lease Number LC 010388
1. Oil Well x Gas Well ☐ Other _____ (Specify)	7. If Indian, Allotte or Tribe Name
2. Name of Operator XTO Energy	8. Unit Agreement Name
3. Name of Specific Contact Person: David Grafe, Engineer	9. Farm of Lease Name: SEMGSAU (SouthEast Maljamr Grayburg San Andres Unit)
4. Address & Phone No. of Operator or Agent: Agent: Ann Ritchie Operator: 200 N. Loraine, Ste. 800, Midland, TX 79701	10. Well No.: 115
5. Surface Location of Well: 660 FWL & 832' FNL Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, Access road, and lease boundaries.	11. Field or Wildcat Name: Maljamar;Grayburg-San Andres 12. Sec., T., R., M., or Blk and Survey or Area Sec 33, T17S, R33E

15. Formation Objective (s)	16. Estimated Well Depth:	13. County, Parish or Borough	14. State: New Mexico
Grayburg, San Andres	4505'	Lea	

17. Additional Information (as appropriate; must include surface owner's name, address, and telephone number)
BLM Bond # 104312789. Anticipated start date: upon approval.

(432) 684-6381.

18. Signed _____ Title: Ann E. Ritchie, Regulatory Agent Date: 8-23-05

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:
a) H2S Potential
b) Cultural Resources (Archeology: on file
c) Federal Right of Way or Special Use Permit: on file

Nine Point Drilling Plan

(Supplement to BLM 3160-3)

XTO Energy, Inc., 200 North Loraine, Suite 800, Midland, TX 79701

SEMGSAU (SouthEast Maljamar Grayburg San Andres Unit), Well # 115

832' FNL & 660' FWL, Sec 33, T17S, R33E, Lea County, New Mexico

Maljamar; Grayburg-San Andres

NM 010388 – 40 acres

1. The geologic surface formation is quaternary.
2. Name and estimated tops of geologic horizons:

   Queen: 3640'

   Grayburg: 4003'

   San Andres: 4405'

   Proposed TD: 4500'

3. **Protection of possible useable water** will be achieved by setting 8.625" surface casing @ 1200'+/- w/lead 325 sx Cl C, 4% gel, 2% CaCl2, 0.25 pps flocele and tail w/150 sx Cl C w/2% CaCl2 - cementing casing to surface. The Grayburg-San Andres are oil and gas productive in this area for this unit development well. **Isolation** will be achieved by setting 5.5" casing @ 4500' +/-, and cementing to surface w/lead 300 sx Cl C w/ .25 flocele and tail w/450 sx Cl C w/5% LAP-l, .4% CRF-3, .25 pps d-air, 3 pps microbond.

4. **Specifically the casing string referenced in #3 above will consist of the following:**

   Surface: 8.625" OD, 24#/ft, J55, STC, new pipe @ ~~1200~~ 1300' (355) +/- in 12.25" hole.

   Production: 5.50" OD, 15.5#/ft, J55, LTC, new pipe @ 4500'+/- in 7.875" hole.

   Cementing programs for the above casing strings are:

   Surface: 475 sx: as stated above

   The above volume represents 100% excess over calculated hole volume, and will be adjusted to actual setting depth of casing. The slurries will be preceded by a fresh water spacer, and displaced with brine water./Total est. slurry volume is 1008 ft3.

   Production: (a) 750 sx: as stated above – *caliper volume plus 30% excess in open hole volume. Total estimated slurry volume is 1352 ft3.*

5. *The well control equipment to be employed during the drilling of this well is as illustrated on **EXHIBIT A**. This equipment includes a pipe and blind rams, an annular preventer and a choke manifold of comparable pressure rating. Equipment will be rated for a*

minimum of 3000 psi, and will be tested to 80% of that pressure rating prior to drilling out of the 8.625" surface casing.

6. It is anticipated that this well will be drilled to TD utilizing the fluids shown below:

   0-1200' : Gel/Lime "spud mud" 8.6-9.2 PPG. Utilize native solids to maintain sufficient viscosity to clean hole. Add starch & gel as required to control seepage loss.

   1200-4500': Brine 10 - 10.1 PPG. Circulate thru reserve pit for gravitational solids solids removal. Add starch & gel as required to control seepage loss. Maintain pH using Lime.

7. Auxiliary equipment will include an upper kelly cock valve, safety valve to fit drill pipe and pressure gauges. WOC a minimum of 12 hrs before drilling out surface casing, check BOP blind rams each trip and pipe rams each day.

8. No drill stem testing is planned for this wellbore.

   Selman Mud Logging mud logging unit will be utilized from 2500' to TD to record geological tops, collect samples, and monitor hole. Open hole logs by Halliburton WL GR/Cal/CNL/FDC/DLLMSFL will be run to casing point.

9. The estimated BHP at TD is not expected to exceed 1300 psi, and a BHT of 100 F is anticipated. There is no H2S present in the hydrocarbons being produced from the other wells in this section. Should such unexpected circumstances be encountered the operator and drilling contractor are prepared to take necessary steps to ensure safety of all personnel, and environment. Likewise, if a water flow is experienced while drilling through the San Andres-Grayburg the appropriate steps will be taken. Lost circulation is not expected to be a serious problem in this area, and hole seepage will be compensated for by additions of small amounts if starch & gel as needed.

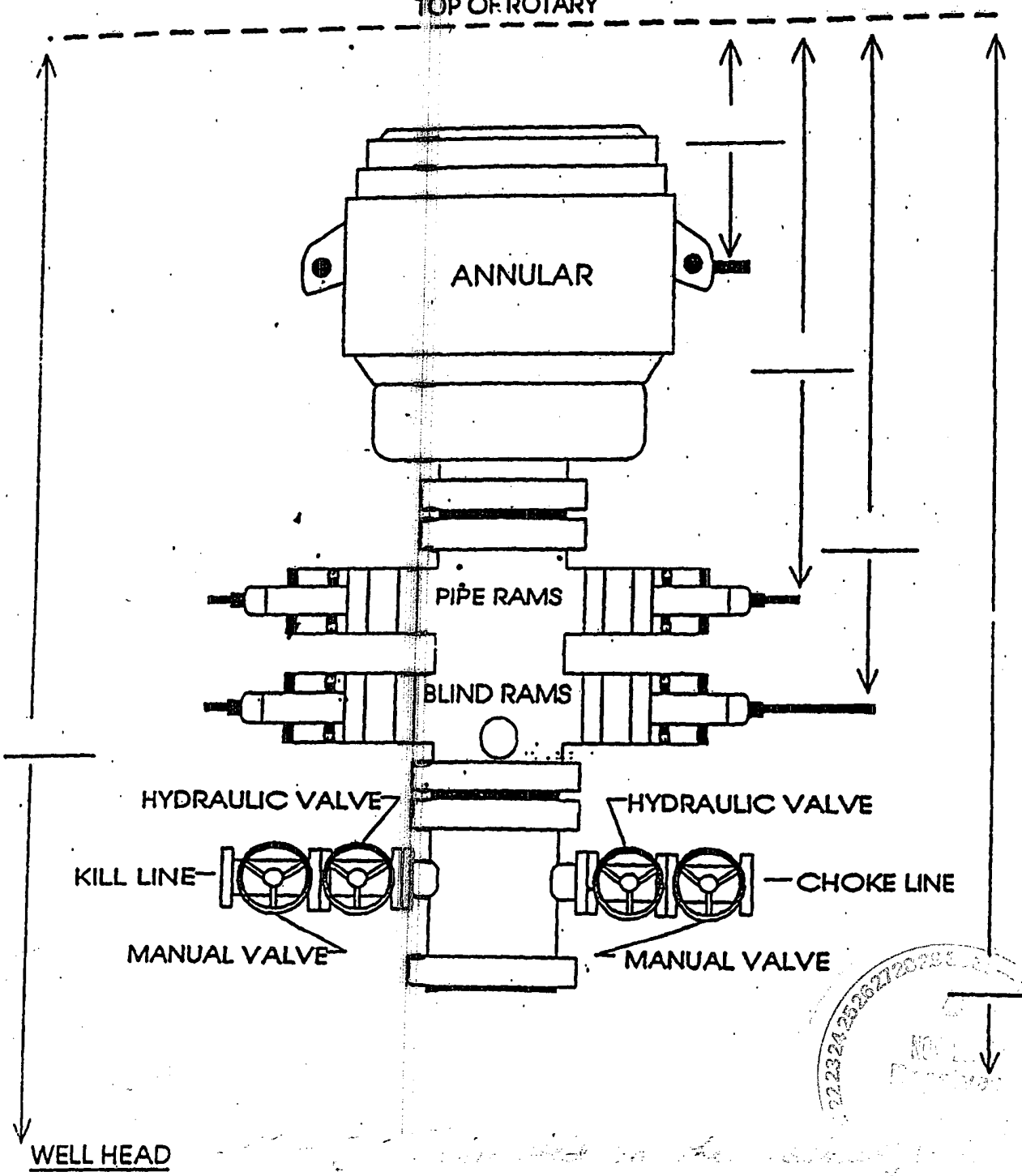
   It is estimated that this well will be drilled and cased in 8-10 days. Drilling will commence as soon after approval is received and services can be contracted. Capstar Drilling Co., rig phone # 432 238-1272.

   Directions: From intersection of SH 529 & CR L-125 (Dog Lake Road), go NW on CRL-125 for 0.5 miles to intersection. Turn left/west and go 0.6 miles to intersection. Turn right/NW and go 0.6 miles to intersection. Turn left/west and follow to location.

EXHIBIT A

B.O.P. STACK SPACING

SIZE: 3000#



WELL 115 CONTRACTOR Capstar Drlg.

	South East Maljamar Grayburg San Andres Unit					
	XTO Energy, Inc. - H2S Concentration/battery					
	Data	**Description**				
	959	H2S Concentration - PPM (Block 13)				
	10	Maximum Escape Volume - MCF/Day (Block 13)				
	5	100 PPM Radius of Exposure (Block 15)				
		Formula = 1.589 * (B5/1000000)*(B6*1000) *.6258				
	3	500 PPM Radius of Exp0sure (Block 16)				
		Formula = .4546 *(B5/1000000)*(B6*1000)*.6258				
	C					

Duke Energy Field Services, LP.

05/12/2005
07:31:27
BTONGE

370 17th Street, #2500 Denver CO 80202

Gas Analysis Certificate Report

Analysis ID: 700230-00 Alternate ID: S.M.G.S.A.U. TRACT 11

Company Name: XTO ENERGY INC Bty. 2

Effective Date:	04/01/2005 00:00	Saturated HV:	1463.3	Sample Date:	03/03/2005
Valid Thru Date:	01/16/2036 00:00			Sample ID:	
Last Update:	03/11/2005 14:55	Dry HV:	1488.5	Sample Type:	Spot
Analysis Origin:	Portable Chromatog	Gravity:	0.9982	Sample Pressure Base:	14.650
Analysis Type:	Lab analysis	Source:	Import	Sample Temperature:	72.0
				Sample Pressure:	24.0

Component	% Mol	GPM		
Methane	51.9520		C4 _lighter STCond	0.0000
Ethane	15.8580	4.2152	C5 _heavier STCond	0.0000
Propane	12.0040	3.2871	26 # Gasoline @14.65	2.1900
I Butane	1.7860	0.5810	26 Lbs. excess	0.0000
N Butane	4.4740	1.4028	Stock Tank Bbl/mm	0.0000
I Pentane	1.1740	0.4273	H20 GPMs	0.0000
Pentane	1.0930	0.3937	FWS Factor	0.0000
Hexanes+	1.4680	0.6369	FWS C6+or C7+ GPM	0.000
			Reject Override Code	0
			GC Unnormalized Mol%	100
			TestCar GPM Permian	1.600
			TestCar GPM Panhndle	1.709
Nitrogen	4.3420		Run Number	2705000
CO2	4.8890		H2S Test Type	0
Oxygen	0.0000		H2S Units	0
H2O	0.0000		H2S PPM	0
CO	0.0000		TestCar GPM MidCon	1.626
H2S	0.9590			
Hydrogen	0.0000			
Helium	0.0000			
Argon	0.0000			
Total	99.9990	10.9440		

Comments:
GPM-0681

Average Daily Production for Battery is 45 MCFPD

(2)

Thirteen Point Plan for Surface Use

(Additional data for form 3160-3)

XTO Energy, Inc., 200 S. Loraine, Suite 800, Midland, TX 79701

SEMGSAU (SouthEast Maljamar Grayburg San Andres Unit), Well #115

832' FNL & 660' FWL, Sec 33, T17S, R33E, Lea County, New Mexico

Maljamar; Grayburg – San Andres

NM 010388 – 40 acres

1. EXISTING ROADS - A "VICINITY MAP" and a "LOCATION VERIFCATION MAP" by John West Surveying are attached which show the location of existing roads and the area topography.

   The directions to the location are as follows:

   From intersection of SH 529 & CR L-125 (Dog Lake Road), go NW on CRL-125 for 0.5 miles to intersection. Turn left/west and go 0.6 miles to intersection. Turn right/NW and go 0.6 miles to intersection. Turn left/west and follow to location.

2. PLANNED ACCESS ROAD —Approximately 500' of new N-S access road will be built from the existing E-W road to the north.

3. LOCATION OF EXISTING WELLS – Unit wells are noted on the Location Verification Map.

4. LOCATION OF EXISTING OR PROPOSED FACILITIES – This production well will be tied into existing SEMGSAU facilities.

5. LOCATION AND TYPE OF WATER SUPPLY - All water (fresh or otherwise) needed for the drilling and completion of this well will be purchased from a commercial source and trucked to the location via the existing and proposed access road. No water source wells will be drilled, and no surface water will be utilized.

6. SOURCE OF CONSTRUCTION MATERIALS - Construction material (caliche) required for the preparation of the drill site is available from a local source: Jeff Raines w/Sweatt, Artesia, NM 505 631-7366.. It is not anticipated that a significant amount of material will be required as the terrain is relatively flat. Transportation will be over the existing roads.

7. METHODS FOR HANDLING WASTE DISPOSAL -

   - Drill cuttings will be disposed into drilling pits after fluids have evaporated.

Thirteen Point Plan for Surface Use

(Additional data for form 3160-3)

XTO Energy, Inc., 200 S. Loraine, Suite 800, Midland, TX 79701

SEMGSAU (SouthEast Maljamar Grayburg San Andres Unit), Well #115

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NM 010388 – 40 acres

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7. METHODS FOR HANDLING WASTE DISPOSAL -

   • Drill cuttings will be disposed into drilling pits after fluids have evaporated.

• The drilling pits will be lined with a biodegradable plastic liner, and buried as per regulatory requirements. The pits will be located on the #115 drill site.

• Receptacles for solid wastes (paper, plastic, etc) will be provided and equipped to prevent scattering by wind, animals, etc. This waste will be hauled to an approved landfill site. All drilling line, oil filters, etc. will be hauled away by the Drilling Contractor.

• Any other waste generated by the drilling, completion, testing of this well will be removed from the site within 30 days of the completion of drilling or testing operations.

• A Porta-John will be provided for the crews. This will be properly maintained during the drilling operations and removed upon completion of the well.

8. ANCILLARY FACILITIES - The drilling, completion, and/or testing of this well will require no ancillary facilities.

9. WELLSITE LAYOUT - Attached is a plat showing the anticipated orientation of the drilling rig and the pad. Material moved to create the drilling pits will be utilized in the dike around the pits so as to facilitate restoration of the area when operations are completed.

10. PLANS FOR SURFACE RESTORATION - Reclamation of the surface location will be in accordance with the requirements set forth by the BLM. As stated earlier all waste generated by this operation will be disposed of in an approved manner, and the site restored as closely as possible to its pre-operation appearance. Due to the topography of the area no problems are anticipated in achieving this status and no erosion or other detrimental effects are expected as a result of this operation.

11. OTHER INFORMATION - The surface ownership of the drill site and the access routes are under the control/ownership of:

Bureau of Land Management

P. O. Box 1778

Carlsbad, New Mexico 88221-1778

505-234-5972

The site has been archaeologically surveyed with the report on file with the BLM for the SEMGSAU.

12. OPERATORS REPRESENTATIVE – XTO Energy is covered by BLM Bond No. 104312789. XTO Energy is represented by:

Boogie Armes: XTODrilling Superintendent: 432-620-6739/432-556-7403/806-894-8073

Bobby Smith: XTO Drilling Manager: 432-620-6718/432-556-7701/432-689-8839

XTO Energy, Inc., 200 N. Loraine, Suite 800, Midland, TX 79701 - 432-682-8873-office

13. OPERATORS CERTIFICATION

I hereby certify that I, David G. Grafe, Operations Engineer, have inspected the proposed drill site and access route and that I am familiar with the conditions that currently exist; that the statements made in the APD package are to the best of my knowledge true and correct; and that the work associated with operations herein will be performed by XTO Energy, Inc. and it's contractors and subcontractors in conformity with the terms and conditions of this APD package. I also certify responsibility for the operations conducted on that portion of the leased lands associated with this application with bond coverage being provided under a BLM bond.

This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Name and title: David G. Grafe, Operations Engineer for XTO Energy, Inc.

Signature: David G. Grafe

Date: 8-29-05

APD, Nine Point & Thirteen Point Drilling Plans prepared & submitted to the Bureau of Land Management by Ann E. Ritchie, Regulatory Agent, P.O. Box 953, Midland, TX 79702, 432 684-6381, ann.ritchie@wtor.net.

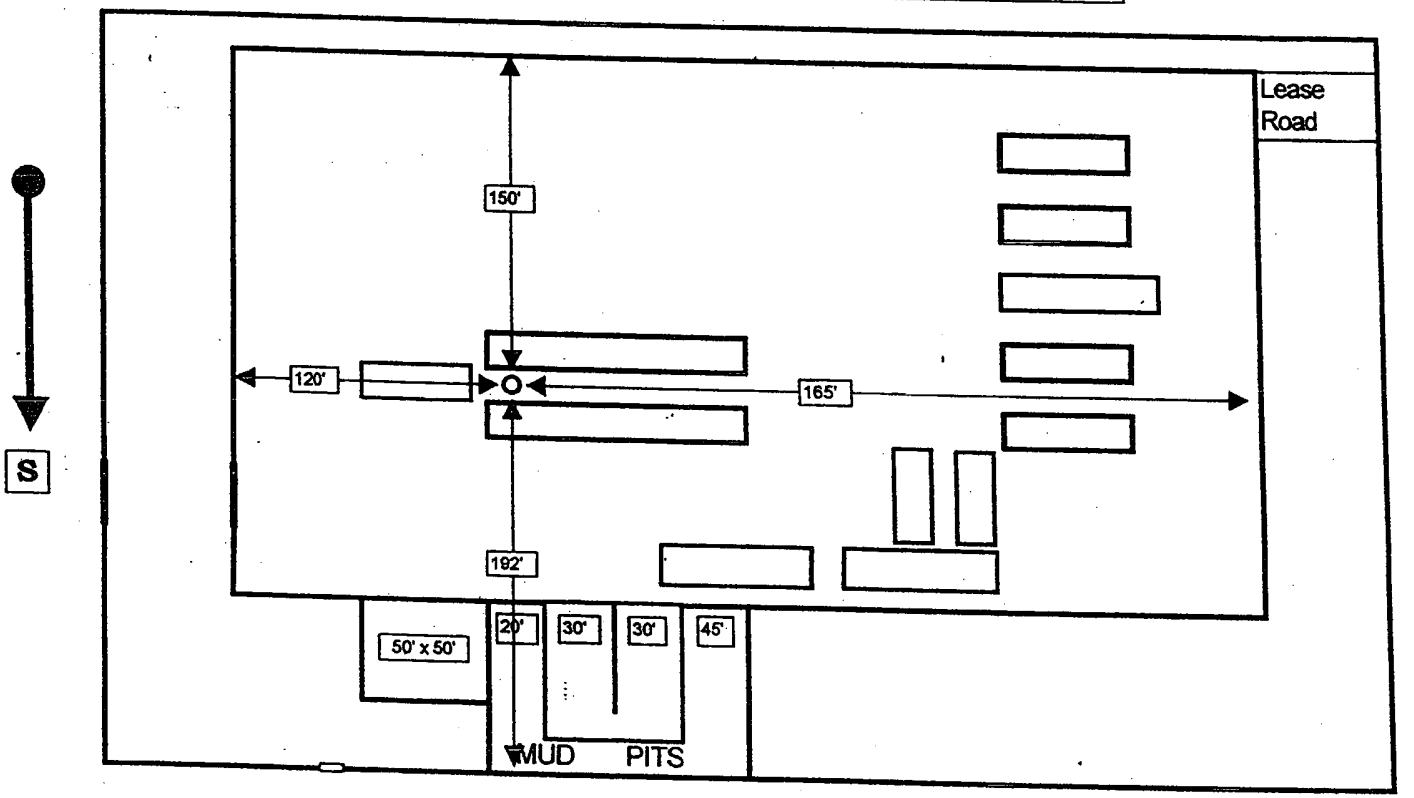
XTO Energy, Inc. / Capstar Drlg.

Drilling Rig Pad Schematic

SEMGSAU #111 & #115

Lea County, New Mexico

Wellbore is 40' North of the pit



October 18, 2005

Bureau of Land Management
Roswell District Office
Attn: Armando A. Lopez
2909 West Second Street
Roswell, NM 88202

RE: XTO Energy, Inc., SEMGSAU, Wells No. 111 & 115, Lea County, NM

Dear Armando,

Concerning the applications to drill for the above referenced wells and your request letters of September 14, 2005, XTO Energy, Inc. notified me today that a surface agreement has been reached with the following:

SEMGSAU, Well #111, 2304' FSL & 2330' FEL, Sec 30, T17S, R33E:
Surface use agreement with Lorraine Caswell, 782 Gillham, Brownfield, TX 79316

SEMGSAU, Well #115, 832' FNL & 660' FWL, Sec 33, T17S, R33E:
Surface use agreement with Caviness Family Trust, 3718 NM Hwy 114, Causey, New Mexico 88113

Please let me know if you need any further information in order to permit Wells # 111 and #115. Thank you.

Yours truly,

Ann E. Ritchie, Regulatory Agent
XTO Energy, Inc.
200 N. Loraine, Suite 800
Midland, TX 79701
432 684-6381

(Submitted by fax and mail: 10-18-05); copy of BLM letter attached

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name XTO Energy Inc. Well Name & No. SEMGSAU #115
Location 832 F N L & 660 F W L Sec. 33, T. 17 S, R 33 E.
Lease No. NM-010388 County Lea State New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

(X) Lesser Prairie Chicken (stips attached)
( ) San Simon Swale (stips attached)
( ) Flood plain (stips attached)
( ) Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(X) The BLM will monitor construction of this drill site. Notify the (X) Carlsbad Field Office at (505) 234-5972 ( ) Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(X) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____inches in depth. Approximately _____cubic yards of topsoil material will be stockpiled for reclamation.

( ) Other.

III. WELL COMPLETION REQUIREMENTS

( ) A Communlitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(X) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of ½ inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

( ) A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0

(X) B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (*Sporobolus crptandrus)* 1.0
Sand Lovegrass (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

( ) C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (*Boute curtipendula*) 1.0

( ) D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (*Sporobollud airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

( ) OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

( ) Other.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

(1) Lined as specified above and

(2) A borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and it capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from the BLM prior to removal of the material.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

PRAIRIE CHICKENS

No surface use is allowed during the following time periods; unless otherwise specified, this stipulation does not apply to operation and maintenance of production facilities.

On the lands described below: All of Section 33 T. 17 S., R. 33 E.

For the purpose of: Protecting Prairie Chickens:

Drilling for oil and gas, and 3-D geophysical exploration operations will not be allowed in Lesser Prairie Chicken Habitat during the period of March 15 through June 15, each year. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 a.m. and 9:00 a.m. The 3:00 a.m. and 9:00 a.m. restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during the period. Additionally, no new drilling will be allowed within up to 200 meters of leks know at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: XTO Energy Incorporated
Well Name & No: S.E.MGSAU No. 115
Location: Surface: 832' ~~FL~~ FNL & 660' FWL, Sec.33, T. 17 S. R. 33 E.
Lease: NMNM 010388
Lea County, New Mexico

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 8 ⅝ inch; 5 ½ inch;

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan is not required for this wellbore.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 8 ⅝ inch shall be set at **1300 Feet** with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5 ½ inch Production casing is to **circulate to surface.**

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8 ⅝ inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2 M psi.**

III. Pressure Control (continued):

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

-The test shall be done by an independent service company
-The results of the test shall be reported to the appropriate BLM office.
-Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
-Use of drilling mud for testing is not permitted since it can mask small leaks.
-Testing must be done in safe workman-like manner. Hard line connections shall be required.
-Both low pressure and high pressure testing of BOPE is required.

BLM Serial Number: NM-010388
Company Reference: XTO Energy Inc.
Well No. & Name: SEMGSAU #115

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS
CARLSBAD FIELD OFFICE

A copy of the grant and attachments, including stipulations and map, will be on location during construction. BLM personnel may request to view a copy of your permit during construction to ensure compliance with all stipulations.

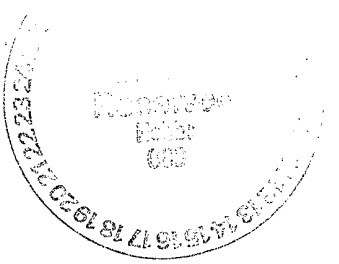
The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.



D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil of other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages to Federal lands resulting there from, the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar.

Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

/__/ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

/_X_/ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

/__/ Flat-blading is authorized on segment(s) delineated on the attached map.

3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, outsloping, insloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

/_x_/ 400 foot intervals.

/__/ _____ foot intervals.

/__/ locations staked in the field as per spacing intervals above.

/__/ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

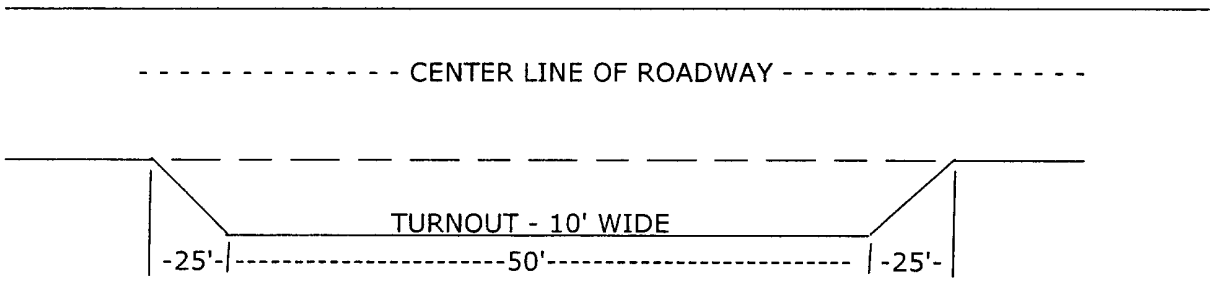
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

spacing interval = $\frac{400'}{\text{road slope in \%}}$ + 100'

Example: 4% slope: spacing interval = $\frac{400}{4}$ + 100 = 200 feet

4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



STANDARD TURNOUT - PLAN VIEW

5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

7. MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.

10. SPECIAL STIPULATIONS: