Form 3160-5
(June 2015)

OCD Hobbs

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

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.

HOBBS OCD

APR 02 2018

RECEIVED

SUBMIT IN TRIPLICATE - Other instructions on page 2

5. Lease Serial No.
Multiple--See Attached

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.
NMNM84642X

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
Multiple--See Attached

2. Name of Operator
XTO ENERGY INCORPORATED
Contact: PATTY R URIAS
E-Mail: PATTY_URIAS@XTOENERGY.COM

9. API Well No.
Multiple--See Attached

3a. Address
6401 HOLIDAY HILL ROAD BLDG 5
MIDLAND, TX 79707

3b. Phone No. (include area code)
Ph: 432-620-4318
Fx: 432-618-3530

10. Field and Pool or Exploratory Area
ARROWHEAD

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Multiple--See Attached

11. County or Parish, State
LEA COUNTY, NM

12. CHECK THE 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	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Venting and/or Flaring
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ 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 recomplete 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

ARROWHEAD GRAYBURG UNIT SAT #4

ASSOCIATED WELLS:

ARROWHEAD GRAYBURG UNIT 184 GRAYBURG
ARROWHEAD GRAYBURG UNIT 186 GRAYBURG
ARROWHEAD GRAYBURG UNIT 188 GRAYBURG
ARROWHEAD GRAYBURG UNIT 195 GRAYBURG
ARROWHEAD GRAYBURG UNIT 197 GRAYBURG
ARROWHEAD GRAYBURG UNIT 200 GRAYBURG
ARROWHEAD GRAYBURG UNIT 202 GRAYBURG
ARROWHEAD GRAYBURG UNIT 204 GRAYBURG

SEE ATTACHED FOR CONDITIONS OF APPROVAL

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

Electronic Submission #350938 verified by the BLM Well Information System
For XTO ENERGY INCORPORATED, sent to the Hobbs
Committed to AFMSS for processing by DEBORAH MCKINNEY on 09/15/2016 (16DLM1008SE)

Name *(Printed/Typed)* PATTY R URIAS — Title REGULATORY ANALYST

Signature (Electronic Submission) — Date 09/13/2016

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By CHRISTOPHER WALLS — Title PETROLEUM ENGINEER — Date 03/26/2018

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 Hobbs

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 REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

MSB/OCD 4/3/2018

Additional data for EC transaction #350938 that would not fit on the form

5. Lease Serial No., continued

FEE
STATE

Wells/Facilities, continued

Agreement	Lease	Well/Fac Name, Number	API Number	Location
NMNM84642X	FEE	AGU 184	30-025-10094-00-S1	Sec 7 T22S R37E NWNW 660FNL 660FWL
NMNM84642X	STATE	AGU 186	30-025-31722-00-S1	Sec 12 T22S R36E NWNE 760FNL 1820FEL
NMNM84642X	STATE	AGU 188	30-025-31723-00-S1	Sec 12 T22S R36E NWNW 730FNL 520FWL
NMNM84642X	FEE	AGU 195	30-025-08882-00-S1	Sec 12 T22S R36E SENW 2310FNL 1650FWL
NMNM84642X	STATE	AGU 197	30-025-31631-00-S1	Sec 12 T22S R36E SENE 2210FNL 990FEL
NMNM84642X	FEE	AGU 200	30-025-31752-00-S1	Sec 7 T22S R37E NWSE 1780FSL 1880FEL
NMNM84642X	STATE	AGU 202	30-025-31561-00-S1	Sec 7 T22S R37E NWSW 1950FSL 350FWL
NMNM84642X	STATE	AGU 204	30-025-26478-00-S1	Sec 12 T22S R36E NWSE 2133FSL 1644FEL

32. Additional remarks, continued

ARROWHEAD GRAYBURG UNIT 209 GRAYBURG

DCP LINE LEAK REPAIR AS OF 7/28/16

PLEASE SEE ATTACHED FOR DETAILED INFORMATION

XTO Energy Inc.(XTO) requests approval to flare royalty-free for the reasons set forth in the marked paragraphs below:

☒ **Emergency Flaring:**

☒ *Equipment Malfunction or Failure*: Due to the equipment malfunction or failure more fully described in the "Additional Information" box below, XTO's production was unavoidably and automatically flared for a duration exceeding 24 hours per incident, 144 cumulative hours for the lease during the calendar month, or both. The method that XTO used to determine the duration of flaring and the flared volumes is set forth in the marked paragraph below.

☐ The flared production was measured by a meter installed on the flare line. The total duration and volume of flaring for each flare incident (if intermittent) and the total duration and volume for each calendar month, as measured by the meter, is provided in the "Additional Information" box below.

☒ There is no meter installed on the flare line. XTO estimated the start date based on a comparison of the metered sales volume to the daily average sales volumes. Specifically, XTO divided the theoretical flare volume (derived by the difference between the average sales volumes and the actual sales volume for a given duration) by the average daily sales volume and then multiplied that figure by 24 to determine an estimated number of hours. The sales meter is the first meter for the production (there is no separate production meter). XTO determined the flared volumes by comparing the sales volume during the period of flaring to the average sales volume. Specifically, XTO subtracted the actual sales volume from the average sales volume (both figures taken from the sales meter).

☐ *Relief of High Line Pressure*: To relieve the high line pressure described more fully in the "Additional Information" box below, XTO's production was unavoidably and automatically flared for a duration exceeding 24 hours per incident, 144 cumulative hours for the lease during the calendar month, or both. The flaring occurred due to high line pressure on a third-party gathering line. When the production in the line reached the pressure threshold for the line, XTO's production could not be delivered into the line. As a result, XTO's production automatically flared. The pressure threshold is determined by all of the production in the line, not just XTO's production; therefore, XTO had no control over the condition of the line that caused the flaring. Additionally, the flaring automatically occurred when XTO's production could not be delivered into the line, and XTO had no ability to reinitiate delivery into the line until the abnormally high line pressure was relieved. As soon as the abnormal line pressure was relieved and delivery into the line resumed, the flaring ended.

☐ The flared production was measured by a meter installed on the flare line. The total duration and volume of flaring for each flare incident (if intermittent) and the total duration and volume for each calendar month, as measured by the meter, is provided in the "Additional Information" box below.

☐ There is no meter installed on the flare line. XTO estimated the start date based on a comparison of the metered sales volume to the daily average sales volumes. Specifically, XTO divided the theoretical flare volume (derived by the difference between the average sales volumes and the actual sales volume for a given duration) by the average daily sales volume and then multiplied that figure by 24 to determine an estimated number of hours. The sales meter is the first meter for the production (there is no separate production meter). XTO determined the flared volumes by comparing the sales volume during the period of flaring to the average sales volume. Specifically, XTO subtracted the actual sales volume from the average sales volume (both figures taken from the sales meter).

☐ **Initial Well Test Flaring**: Due to initial well testing more fully described in the "Additional Information" box below, XTO's production was flared for a duration exceeding 30 days or of a volume exceeding 50 MMcf before 30 days of flaring.

☐ The flared production was metered. The total duration of flaring and volume flared in relation to this initial well test flaring event is provided in the "Additional Information" box below.

Additional Information:

DCP Line leak repair - first 24 hrs 7/28/16 - not to exceed 196 mcfd.

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Pursuant to **NTL-4A III**, Lessees or operators are hereby authorized to vent or flare gas on a short-term basis without incurring a royalty obligation in the following circumstances:

A. Emergencies. During temporary emergency situations, such as compressor or other equipment failures, relief of abnormal system pressures, or other conditions which result in the unavoidable short-term venting or flaring of gas. However, this authorization to vent or flare gas in such circumstances without incurring a royalty obligation is limited to 24 hours per incident and to 144 hours cumulative for the lease during any calendar month, except with the prior authorization, approval, ratification, or acceptance of the Supervisor.
B. Well Purging and Evaluation Tests. During the unloading or cleaning up of a well during drillstem, producing, routine purging, or evaluation tests, not exceeding a period of 24 hours.
C. Initial Production Tests. During initial well evaluation tests, not exceeding a period of 30 days or the production of 50 MMcf of gas, whichever occurs first, unless a longer test period has been authorized by the appropriate State regulatory agency and ratified or accepted by the Supervisor.
D. Routine or Special Well Tests. During routine or special well tests, other than those cited in NTL-4A III.B and C above, only after approval by the Supervisor.

If a flaring event conforms with the requirements listed above as per NTL-4A III., the flared volumes are not royalty bearing and the operator does not need to submit a Sundry Notice. Report flared volumes as unavoidably lost on OGOR B.

Condition of Approval to Flare Gas

1. The first 24 hours of a temporary emergency flare* is considered "unavoidably lost" and is therefore royalty free. Flared volumes that are considered unavoidably lost are not to be included in Sundry Notice (Form 3160-5). NTL-4A specifies no more than 24 hours per incident and no more 144 hours cumulative for the lease during any calendar month. These Volumes are not royalty bearing and shall be reported on OGOR "B" as disposition code"23".
2. Flared volumes considered to be "avoidably lost":
   - Exceeding the first 24 hours for each temporary emergency flare event (144 hours cumulative for the lease per month), well purging and evaluation test.
   - During initial well evaluation tests, exceeding a period of 30 days or the production of 50 MMcf of gas, whichever occurs first
   - Scheduled flaring operations

   These flare events will require prior approval via Notice of Intent- Sundry Notice (Form 3160-5). Volumes flared beyond limits defined in NTL-4A are considered "avoidably lost" and will require payment of royalties, unless an exception is granted in accordance with NTL-4A.IV.B.. Volumes for avoidably lost gas shall be reported on OGOR "B" reports as disposition code "08". If the operator believes that the flared volumes were "unavoidably lost" and the BLM determines them to be "avoidably lost", the operator can submit a more detailed request via Sundry Notice (Form 3160-5) for an exception in accordance with NTL-4A.IV.B.. As an alternative to producing oil and flaring gas the operator may choose to shut the well in and avoid paying royalties on otherwise avoidably lost gas.
3. Approval not to exceed 90 days, if flaring is still required past 90 days submit new request for approval.
4. Submit Subsequent Report with actual volumes of gas flared for each month gas is flared on a Sundry Notice (Form 3160-5). Include method for volume determination and duration. Report unavoidably lost (first 24 hrs of unexpected event) and avoidably lost (exceeding the first 24 hrs or flared gas that has been approved as avoidably lost by the Authorized Officer) volumes and durations on the Subsequent Report.

5. An updated facility diagram is required within 60 days of modifications to existing facilities per Onshore Order #3.
6. This approval does not authorize any additional surface disturbance.
7. Subject to like approval from NMOCD

Regulations and Definitions

Definition: As per **NTL-4A II. A.** "Avoidably lost" production shall mean the venting or flaring of produced gas without the prior authorization, approval, ratification, or acceptance of the Supervisor and the loss of produced oil or gas when the Supervisor determines that such loss occurred as a result of (1) negligence on the part of the lessee or operator, or (2) the failure of the lessee or operator to take all reasonable measures to prevent and/or to control the loss, or (3) the failure of the lessee or operator to comply fully with the applicable lease terms and regulations, appropriate provisions of the approved operating plan, or the prior written orders of the Supervisor, or (4) and combination of the foregoing.

NTL-4A.IV.B. Oil Well Gas. Except as provided in II.C and III above, oil well gas may not be vented or flared unless approved in writing by the Supervisor. The Supervisor may approve an application for the venting or flaring of oil well gas if justified either by the submittal of **(1)** an evaluation report supported by engineering, geologic, and economic data which demonstrates to the satisfaction of the Supervisor that the expenditures necessary to market or beneficially use such gas are not economically justified and that conservation of the gas, if required, would lead to the premature abandonment of recoverable oil reserves and ultimately to a greater loss of equivalent energy than would be recovered if the venting or flaring were permitted to continue or **(2)** an action plan that will eliminate venting or flaring of the gas within 1 year from the date of application.

*Temporary Emergency Flaring is defined as an unexpected situation requiring immediate action. A flaring event is considered an emergency if the occurrence is out of the operators control and the operator had less than 24 hrs notification of the event. Scheduled or routine flare events will not be considered an emergency.