



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 28, 2006

CDX Rio, L.L.C.
2010 Afton Place
Farmington, New Mexico 87401

Attention: Richard Corcoran
Land Manager
Rich.corcoran@cdxgas.com

Administrative Order NSL-5414

Dear Mr. Corcoran:

Reference is made to the following: (i) your application dated May 31, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 5, 2006 (*administrative application reference No. pTDS0-615654113*); and (ii) the Division's records in Aztec and Santa Fe: all concerning CDX Rio, L.L.C.'s ("CDX") request for exceptions to the well location requirements provided within both the:

(A) "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002; and

(B) "*Special Rules for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, issued in Case No. 12290 and dated June 30, 2000, as amended by Division Orders No. R-10987-B (1), dated August 10, 2000, and R-10987-B (2), dated January 29, 2002:

CDX proposes to drill its Jicarilla "B" Well No. 4-M at an unorthodox gas well location in both the Blanco-Mesaverde (72319) and Basin-Dakota (71599) Pools 2260 feet from the North line and 2575 feet from the East line (Unit G) of Section 21, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico

Gas production from the deeper Basin-Dakota Pool is to be included within an existing standard 320-acre stand-up gas spacing and proration unit ("GPU") comprising the E/2 of Section 21, which production is currently simultaneously dedicated to CDX's: (i) Jicarilla "B" Well No. 4 (*API No. 30-039-82260*), located at a standard gas well location 1650 feet from the North line and 990 feet from the East line (Unit H) of Section 21; and (ii) Jicarilla "B" Well No. 4-E (*API No. 30-039-22293*), located at a standard infill gas well location 940 feet from the South line and 880 feet from the East line (Unit P) of Section 21.

The proposed Jicarilla "B" Well No. 4-M will be the initial Mesaverde gas well within this same 320-acre stand-up GPU.

This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing both pools.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Basin-Dakota/Blanco-Mesaverde gas well location for CDX's proposed Jicarilla "B" Well No. 4-M is hereby approved. Further all of the aforementioned wells and both spacing units will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: U. S. Bureau of Land Management – Farmington
New Mexico Oil Conservation Division – Aztec
