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**Attorney at Law**

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September 18, 2009

**HAND DELIVERED**

Mr. Mark Fesmire, P.E., Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14395*

2009 SEP 18 A 11:40

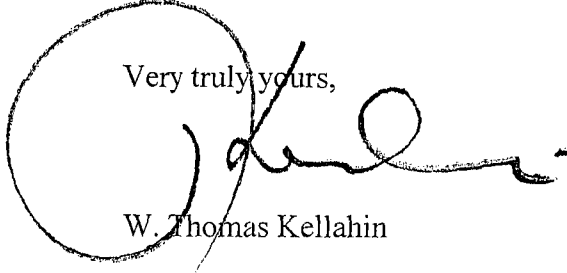
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Re: Application of XTO Energy Inc to  
terminate the South Blanco-Tocito Oil Pool,  
including its special rules and regulations,  
and to expand the Basin-Mancos Gas Pool and  
for an exception to Rule 19.15.12.9 NMAC to  
permit downhole commingling of production from  
Tocito formation, now Mancos, with Dakota production  
Rio Arriba County, New Mexico

Dear Mr. Fesmire:

On behalf of XTO Energy Inc., find enclosed our referenced application  
that we request be set for hearing on the Examiner's docket now scheduled for  
October 29, 2009. Also enclosed is our proposed advertisement of this case for the  
NMOCD docket.

Very truly yours,

  
W. Thomas Kellahin

cc: XTO Energy Inc.  
Attn: Aaron Austin

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF XTO ENERGY INC. TO TERMINATE THE  
SOUTH BLANCO-TOCITO OIL POOL, INCLUDING  
ITS SPECIAL RULES AND REGULATIONS AND TO  
EXPAND THE BASIN-MANCOS GAS POOL AND FOR  
AN EXCEPTION TO RULE 19.15.12.9 NMAC TO PERMIT  
DOWNHOLE COMMINGLING PRODUCTION FROM THE  
TOCITO FORMATION, NOW MANCOS FORMATION  
PRODUCTION WITH DAKOTA FORMATION PRODUCTION,  
RIO ARriba COUNTY, NEW MEXICO.**

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CASE NO. 14395

**APPLICATION**

XTO Energy Inc., ("XTO") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for the termination of the South Blanco-Tocito Oil Pool (Pool ID #6460), including its special rules and regulations, a pool for oil production from the Tocito portion of the Mancos Formation, to expand the Basin-Mancos Gas Pool (Pool ID #97232) to include all acreage that had been dedicated to the South Blanco-Tocito Oil Pool, and for an exception to Rule 19.15.12.9 NMAC to permit downhole commingling of production from Tocito formation, now Mancos, with Dakota production. Rio Arriba County, New Mexico.

AND in support states:

(1) By order R-132, dated March 26, 1952, the Division established the South Blanco-Tocito Pool, then called the Pettigrew-Tocito Pool.

(2) By Order R-1191, dated June 10, 1958, the Division adopted Special Rules and Regulations for the South Blanco-Tocito Oil Pool ("the Pool") that currently includes the following described acreage:

Township 26 North, Range 5 West  
Section 7: W/2

Township 26 North, Range 6 West  
Section 1: all  
Section 2: S/2; NW/4  
Sections 3 thru 6  
Section 7: NE/4  
Section 8: N/2  
Sections 9 thru 12  
Section 14: N/2  
Section 15: NW/4  
Section 16: N/2

Township 27 North, Range 6 West  
Section 32: SE/4; N/2SW/4  
Section 33: SW/4  
Section 34: S/2  
Section 36: All

See Locator Map attached as Exhibit "A" hereto

(3) The Rules for this Pool provide in part, that:

- (a) "Rule 2. Any wells projected to or completed in the South Blanco-Tocito Oil Pool shall be located on a tract containing 80-acres, more or less....
- (b) Rule 3. All wells hereafter projected to or completed in the South Blanco-Tocito Oil Pool shall be located in the center of the Northwest quarter or the Southeast quarter of a governmental quarter section, with a tolerance of 100 feet in any direction to avoid surface obstructions."

(4) Current Operators and Drilling Plan for the Area:

- (a) There are currently three operators (XTO Energy Inc, Burlington Resources Oil and Gas Company, LP and Chevron Midcontinent, LP) that operate 32 Tocito wells within the Pool. XTO operates 27 of these 32 wells. There are currently three operators (Chevron Midcontinent LP, Energen Resources Corporation and CDX Rio LLC) that operate 7 Tocito wells that are within one (1) mile of the Pool boundary. Chevron Midcontinent operates 5 of these 7 wells.

- (b) XTO plans to drill an additional 37 wells within the Pool and 26 wells within one mile of the Pool boundary. Of the planned new drill wells, approximately 26 wells will be at locations that will be unorthodox (“NSL”) exceptions to the current well location rules for the Pool, and 17 wells will be NSL within one mile of the Pool boundary.

(5) By Order R-12984, dated September 3, 2008, the Division adopted operating rules for the Basin-Mancos Gas Pool but denied designation of pre-approved downhole commingling of production. See NMOCD Case 14133.

(6) The Basin Mancos Gas Pool is defined as:

- (a) Vertical limits are from the base of the Point Lookout formation, the lowest subdivision of the Mesaverde, to the base of the Greenhorn member of the Mancos formation, and
- (b) Horizontal boundaries are all of San Juan and Rio Arriba Counties and all of Section 21, Township 23 North Range 5 West in Sandoval County, NM

(7) All of XTO’s planned wellbores will be drilled as gas wells in the Basin-Dakota Gas Pool with the Tocito added as a secondary target. The Tocito Member (or basal Niobrara Sandstone) is part of the Mancos Formation.

(8) The anticipated productivity of the Tocito portion of the Mancos Formation will be inadequate to justify drilling “stand-alone” wellbores into this zone. In order to be produced, these wells must be drilled in conjunction with a well that also produces from the Dakota formation.

(9) These future wellbores will be downhole commingled with production from the Tocito and the Dakota.

(10) Applicant further requests an exception to Rule 303.C(4) now Rule 19.15.12.9 NMAC based upon the demonstration by the Applicant of the following as set forth in Rule 19.15.12.11 NMAC: The director may grant an exception to 19.15.12.9 NMAC to permit the commingling of multiple producing pools in existing or proposed well bores when the following conditions are met.

- (1) The fluids from each pool are compatible and combining the fluids will not damage the pools.
- (2) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in the pools to be commingled.
- (3) The bottom perforation of the lower zone is within 150 percent of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure with normal pressure assumed to be 0.433 psi per foot of depth. If the pools to be commingled are not within this vertical interval, then evidence is required to demonstrate that commingling will not result in shut-in or flowing well bore pressures in excess of any commingled pool's fracture parting pressure. The fracture parting pressure is assumed to be 0.65 psi per foot of depth unless the applicant submits other measured or calculated pressure data acceptable to the division.
- (4) The commingling will not result in the permanent loss of reserves due to cross-flow in the well bore.

(5) Fluid-sensitive formations that may be subject to damage from water or other produced liquids are protected from contact with the liquids produced from other pools in the well.

(6) If any of the pools being commingled is prorated, or the well's production has been restricted by division order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.

(7) The commingling will not reduce the value of the total remaining production.

(11) The existing Tocito "oil" wells will not be adversely affected by inclusion in the Basin-Mancos Gas Pool or by being downhole commingled with production from the Dakota formation.

(12) The existing Tocito wells are listed on Exhibit "B" attached hereto

(13) The existing oil wells in the Tocito Pool have demonstrated a limited drainage area thereby leaving possible production at locations outside of the "standard" wells location windows for this Pool.

(14) Drilling of wells in this Pool pursuant to the current well location rules will require both the Division and the operator(s) to devote unnecessary time, money and effort to file and process unorthodox well location applications ("NSL").

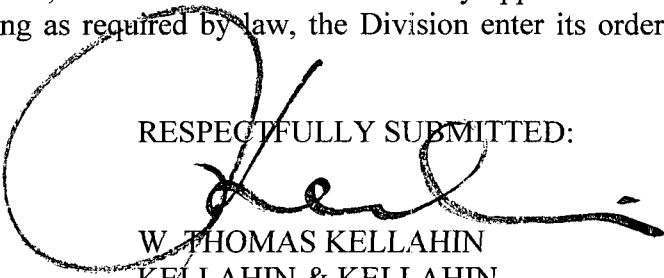
(15) Approval of this application will provide greater flexibility for Tocito wells and allow a small resource to be developed in conjunction with Basin Dakota Gas Pool wells

(16) Approval of this application will protect correlative rights and prevent waste.

(17) In accordance with the Division's notice requirements, a copy of this application has been sent to the operators in the pool and to operators of Mancos wells within 1 mile of the outer boundary of this pool as listed on Exhibit "C" and to the interest owners within each existing 80-acre Tocito spacing unit operated by XTO as listed on Exhibit "D" notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the Examiner's docket now scheduled for October 29, 2009.

WHEREFORE, XTO Energy Inc., as applicant, requests that this application be set for hearing on October 29, 2009 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving this application.

RESPECTFULLY SUBMITTED:

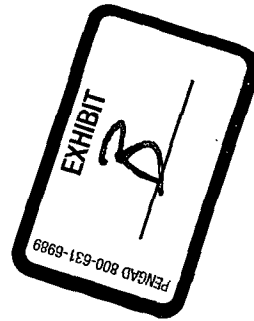


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KELLAHIN & KELLAHIN  
706 Gonzales Road  
Santa Fe, New Mexico 87501  
Telephone: (505) 982-4285

[illegible]

Wells within the Tocito Pool Boundary

API	WELL	WELL_NO	STATUS	TOWNSHIP	TOWN_DIR	RANGE_M	RANGE_DIR	SECTION_M	WELL_SPOT	OPERATOR
30039294190000	BREECH E	79		26 N		6 W		1 G		XTO ENERGY
30039231840000	STATE A	62M		26 N		6 W		2 D		XTO ENERGY
30039066620000	STATE COM	113		26 N		6 W		2 M		XTO ENERGY
30039226010000	STATE COM	113E		26 N		6 W		2 P		XTO ENERGY
30039236340000	BREECH E	89E		26 N		6 W		3 E		XTO ENERGY
30039234270000	BREECH E	58M		26 N		6 W		3 P		XTO ENERGY
30039276760000	BREECH E	850		26 N		6 W		5 C		XTO ENERGY
30039229080000	BREECH E	50E		26 N		6 W		5 D		XTO ENERGY
30039294140000	BREECH E	65		26 N		6 W		5 G		XTO ENERGY
30039066970000	BREECH E	583M	(INA)	26 N		6 W		5 L		XTO ENERGY
30039066440000	BREECH E	104	(INA)	26 N		6 W		5 P		XTO ENERGY
30039067390000	RINCON UNIT	150		26 N		6 W		5 A		CHEVRON MIDCONTINENT, L.P.
30039273300000	BREECH B	147		26 N		6 W		7 G		XTO ENERGY
30039266200000	BREECH A	132R		26 N		6 W		9 G		XTO ENERGY
30039066290000	BREECH A	136		26 N		6 W		10 A		XTO ENERGY
30039266210000	BREECH A	136F		26 N		6 W		10 J		XTO ENERGY
30039823490000	BREECH D	140	(INA)	26 N		6 W		11 A		XTO ENERGY
30039230850000	BREECH D	140M		26 N		6 W		11 D		XTO ENERGY
30039229110000	BREECH D	685E		26 N		6 W		11 P		XTO ENERGY
30039081560000	BREECH C	144		26 N		6 W		12 A		XTO ENERGY
30039243860000	BREECH C	144E		26 N		6 W		12 C		XTO ENERGY
30039081510000	BREECH C	689	(INA)	26 N		6 W		12 L		XTO ENERGY
30039226690000	BREECH C	689M		26 N		6 W		12 P		XTO ENERGY
30039234280000	BREECH C	244E		26 N		6 W		14 E		XTO ENERGY
30039234290000	BREECH D	240E		26 N		6 W		15 F		XTO ENERGY
30039253280000	STATE B COM	233R		26 N		6 W		16 A		XTO ENERGY
30039251830000	RINCON UT	130E		27 N		6 W		32 J		CHEVRON MIDCONTINENT, L.P.
30039258760000	BREECH F	1F		27 N		6 W		33 K		XTO ENERGY
30039067970000	REUTER	2		27 N		6 W		34 L		BURLINGTON RESOURCES OIL & GAS CC
30039256880000	BREECH F	8M		27 N		6 W		34		XTO ENERGY
30039259790000	JOHNSTON A COM C	9A		27 N		6 W		36 F		BURLINGTON RESOURCES OIL & GAS CC
30039260860000	JOHNSTON A	13M		27 N		6 W		36 O		BURLINGTON RESOURCES OIL & GAS CC



**EXHIBIT "C"**  
**NOTICE LISTS OF OPERATORS**

Chevron Midcontinent Limited Partnership  
322 County Road 3100  
Aztec, NM 87410

Energen Resources Corporation  
2010 Afton Place  
Farmington, NM 87401  
Attn: David Poage

CDX Rio Limited Liability Corporation  
2700 Farmington Ave  
Building K, Suite 1  
Farmington, NM 87401

Burlington Resources Oil & Gas Company LP,  
An affiliate of ConocoPhillips  
P.O. Box 4289  
Farmington, NM 87499-4289



**South Blanco Tocito Oil Pool Owners - XTO Operated Wells**

XTO Energy Inc.  
810 Houston St.  
Fort Worth, TX 76102

Harriet M. Buchenau Living Trust  
DTD 8/30/94  
P.O. Box 867585  
Plano, TX 75086

Energen Resources Corporation  
605 Richard Arrington Blvd. N.  
Birmingham, AL 35203

Ted Weiner Oil Properties Trust  
Gwedolyn Weiner, Trustee  
P.O. Box 121938  
Fort Worth, TX 76121

Accord DU LAC Partnership LLP  
P.O. Box 676281  
Rancho Santa Fe, CA 92067

Texas Crude Oil- Joint Venture  
P.O. Box 122389  
Fort Worth, TX 76121

George W. Umbach  
c/o Bank of America Agent  
Attn: J. Mark Choplin  
P.O. Box 1588  
Tulsa, OK 74101

P.T. Bee  
4925 Greenville Ave, Ste. 200  
Dallas, TX 75206

GW Holdings Inc.  
P.O. Box 121938  
Fort Worth, TX 76121

Texas Crude Energy  
P.O. Box 122389  
Fort Worth, TX 76121

Joseph W. Bartlett, Jr.  
5117 Lyton Ave.  
Las Vegas, NV 89146



Dorothy Bartlett  
c/o Ms. Kay Ward  
3719 22nd St., Ste. A  
Lubbock, TX 79410

Robt Umbach Cancer Foundation  
Wells Fargo Bank, NA, Agent  
Trust Account No. 11221601  
Attn: Operations  
P.O. Box 5383  
Denver, CO 80217

Pennies from Heaven, LLC  
Bank of America, NA  
Trust Oil & Gas  
P.O. Box 840738  
Dallas, TX 75284

Margie S. Elkins  
11008 Alexandria Dr.  
Frisco, TX 75035

Gail Smith Keys  
1803 Crestview Dr.  
Carrollton, TX 75006

MMS XTO Federal  
c/o XTO Energy Inc.  
810 Houston St.  
Fort Worth, TX 76102

WWR Enterprises Inc.  
c/o Petroleum Asst. Mgt. LLC  
P.O. Box 745  
Hobbs, NM 88241

Greg & Nancy Vance Family  
Limited Partnership  
c/o Production Gathering Co. LP  
8080 N. Central Express Way, Ste. 1090  
Dallas, TX 75206

Ceefam, LLC  
c/o Little Oil & Gas Inc.  
P.O. Box 1258  
Farmington, NM 87499

Betsy Bryant  
2201 Brookhollow  
Abilene, TX 79605

Susan Ritter  
4700 Via Media  
Austin, TX 78746

Mitzi Easley  
1203 Arronimik Cir.  
Austin, TX 78746

Henrietta E. Schultz, Trustee  
500 N. Akard, Suite 2940  
Dallas, TX 75201

Patrick Robinson  
7036 S. Shawnee St.  
Aurora, CO 80016

Estate of Marcia Berger  
Nancy Higgins Executor  
Petroleum Asset Management Agent  
P.O. Box 745  
Hobbs, NM 88241

Epic Royalties, LLC  
2960 Inca St. #207  
Denver, CO 80202

Lorraine N. Higbie  
1600 Broadway, Ste. 1400  
Denver, CO 80202

Odyssey Royalties, LLC  
8261 S Monaco Court  
Englewood, CO 80112

Cyrene Inman  
Nationsbank TX, Agent  
P.O. Box 840738  
Dallas, TX 75284

Roger B. Nielsen  
1200 Danbury Dr.  
Mansfield, TX 76063

Carolyn Nielsen Sedberry  
c/o Little Oil & Gas Inc.  
P.O. Box 1258  
Farmington, NM 87499

Frank A. Potenziani  
Potenziani Family Partnership  
P.O. Box 676370  
Rancho Santa Fe, CA 92067

Sarah S Mims Trust  
William L Madsen & Sarah S Mims  
Co-Trustees  
P.O. Box 111846  
Carrollton, TX 75011

Zap Minerals, LP  
1616 South Voss Rd., Ste 875  
Houston, TX 77057

BP America Production Company  
IBM Business Consulting Serv.  
P.O. Box 22047  
Tulsa, OK 74121

Merrion Oil & Gas Corp.  
610 Reilly Ave.  
Farmington, NM 87401

Betty Adkins  
P.O. Box 218  
Midland, TX 79702

Kathryn McCormick  
2705 Westwind Rd.  
Las Croces, NM 88007

Margaret Wygocki  
721 Robin Rd.  
Lansing, MI 48917

Patrick H. Hannifin  
765 Santa Camelia Drive  
Solana Beach, CA 92075

Robert Hannifin  
P.O. Box 218  
Midland, TX 79702

Sharbro Oil Limited Company  
P.O. Box 840  
Artesia, NM 88211

Nuevo Sies, LP  
P.O. Box 2588  
Roswell, NM 88202

Pickle Inc.  
c/o Michael D. Mackel  
P.O. Box 16163  
Beverly Hills, CA 90209

Mary Ann Walker  
17524 Ivy Hill Dr.  
Dallas, TX 75287

Lynn Walker Burton  
17524 Ivy Hill Dr.  
Dallas, TX 75287

Gwen Walker Boyle  
17524 Ivy Hill Dr.  
Dallas, TX 75287

Brown Energy  
P.O. Box 752  
Wichita Falls, TX 76307

H Limited Partnership  
P.O. Box 2185  
Santa Fe, NM 87504

Pitch Energy Corporation  
P.O. Box 304  
Artesia, NM 88210

Matias A. & Emeline L. Zamora  
Rev. Trust  
Matias & Emeline Zamora, Trustees  
P.O. Box 28667  
Santa Fe, NM 87592

Theodore Blechar Intervivos Trust  
Martha B. Gibbons, Trustee  
6669 Barnaby Street NW  
Washington, DC 20015

Robert W. Smith & Thelma M. Smith  
Rev. Trust  
P.O. Box 1034  
Pagosa Springs, CO 81147

Tex Zia Properties Ltd.  
P.O. Box 261427  
Plano, TX 75026

Martha Lou H. Dixon  
311 Taggard  
Burnet, TX 78611

Anita M Briggs  
115 Fish and Game Rd.  
Cherry Valley, NY 13320

Robert E. Zimmerman, Jr.  
P.O. Box 570174  
Houston, TX 77257

CASE 14395: Application of XTO Energy Inc, to terminate the South Blanco-Tocito Oil Pool, including its special rules and regulations, and to expand the Basin-Mancos Gas Pool and for an exception to Rule 19.15.12.9 NMAC to permit downhole commingling of production from Tocito formation, now Mancos, with Dakota production, Rio Arriba County, New Mexico. Applicant requests that the Division enter an order terminating the South Blanco-Tocito Oil Pool (Pool ID #6460) including its special rules and regulations and expanding the Basin-Mancos Gas Pool (Pool ID#97232) to include all acreage that was dedicated to the South Blanco Tocito Oil Pool. Applicant also seeks an exception to Rule 19.15.12.9 NMAC to permit downhole commingling of production from Tocito formation, now Mancos, with Dakota production. The southwest corner of this pool is located approximately 4 miles Southwest from the El Paso Natural Gas Company Largo station on NM Highway 403, New Mexico.