

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

**APPLICATION OF XTO ENERGY, INC.
FOR SPACING WITHIN THE BIG EDDY
FEDERAL EXPLORATORY UNIT,
EDDY AND LEA COUNTIES, NEW MEXICO**

Case No. 26248

ORDER ON PRELIMINARY OBJECTIONS OF V-F PETROLEUM INC.

This matter came before the Hearing Examiner on the Preliminary Objections filed by V-F Petroleum Inc. ("V-F") and the related arguments in V-F's Amended Prehearing Statement. Having received oral argument from XTO in response and V-F's reply and reviewed the filings of XTO Energy, Inc. ("XTO") and V-F, the applicable statutes and rules, and the arguments of counsel, the Hearing Examiner issues the following findings, conclusions, and order.

FINDINGS OF FACT

1. XTO filed an application seeking certain spacing accommodations within the existing Big Eddy Federal Exploratory Unit ("FEU"), an approved federal unit covering approximately 133,444 acres in Eddy and Lea Counties.
2. Specifically, XTO requests an order providing that:
 - Standard horizontal spacing units lying within the FEU may be composed of tracts that align with the FEU boundaries (using governmental quarter-quarter-quarter sections or equivalents), without the need for non-standard spacing unit approval; and
 - The completed interval of any horizontal well drilled within the FEU may be located anywhere within the FEU without unorthodox-location approval, subject only to the applicable setbacks measured from the FEU boundaries.
3. V-F objects on the threshold ground that the application seeks, in substance, an amendment of 19.15.16.15 NMAC applicable to a large geographic area and multiple pools, and that such relief may be granted only by the Oil Conservation Commission through formal rulemaking under NMSA 1978, § 70-2-12.2.

4. V-F further objects that XTO redacted or withheld Exhibit B-2 (containing tract-level ownership, commitment, and acreage information) from the parties of record, thereby impairing V-F's ability to prepare for hearing and violating due process.

5. XTO is the designated operator of the FEU and the majority working-interest owner within the unit. The FEU boundaries are irregular and do not follow regular section lines.

CONCLUSIONS OF LAW

1. The Division has broad adjudicatory authority under the Oil and Gas Act to enter orders necessary to prevent waste and protect correlative rights, including orders addressing spacing, well location, and the orderly development of lands within approved units. NMSA 1978, §§ 70-2-11, 70-2-12.

2. An application that seeks case-specific spacing and location accommodations inside an existing, already-approved federal exploratory unit, limited to the lands committed to that unit and to wells drilled by the unit operator, is an adjudicatory matter properly before the Division. It is not a general amendment or repeal of a rule requiring Commission rulemaking under § 70-2-12.2.

3. The relief requested is limited to the geographic boundaries of a single existing FEU and applies only to horizontal wells drilled within that unit under the unit agreement. It does not rewrite 19.15.16.15 NMAC on a statewide or multi-unit basis, nor does it eliminate the underlying spacing rules for lands outside the FEU.

4. The Division routinely adjudicates spacing, pooling, unorthodox-location, and unit-related issues that affect large acreage positions. The fact that the requested relief is novel or broad does not convert an otherwise adjudicatory application into a rulemaking.

5. V-F's jurisdictional objection is therefore overruled. The Division has authority to hear and decide the application on its merits.

6. With respect to the redacted Exhibit B-2, parties of record are entitled to a fair opportunity to review material evidence and to cross-examine witnesses. Withholding essential ownership and commitment data from a protesting party raises legitimate due-process concerns. XTO shall promptly produce an unredacted version of Exhibit B-2 to all parties of record under an appropriate protective order if confidentiality is claimed, or shall

show cause why the exhibit should remain redacted. Failure to cure the deficiency may result in exclusion of the exhibit or other appropriate sanctions.

ORDER

IT IS THEREFORE ORDERED that:

1. V-F's preliminary objection challenging the Division's jurisdiction and authority to hear XTO's application is **OVERRULED**. The application shall proceed to hearing on the merits before the Division.
2. XTO shall, within three (3) business days of this Order, produce to all parties of record a complete, unredacted copy of Exhibit B-2 (or the equivalent ownership/commitment data), subject to a mutually acceptable protective order if XTO asserts confidentiality. If the parties cannot agree on a protective order, they shall promptly submit competing proposed orders for the Hearing Examiner's consideration.
3. The hearing on the merits shall proceed as previously scheduled (or as reset by subsequent notice). The Hearing Examiner will address any remaining evidentiary or procedural issues at the commencement of the hearing.
4. This Order is effective immediately.

Hearing Examiner
Oil Conservation Division

Date: September 16, 2026