



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 4, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

CDX Gas, L.L.C.

4801 N. Butler Avenue – Suite 2000

Farmington, New Mexico 87401

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

Administrative Order NSL-5091

Dear Mr. Corcoran:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division (“Division”) on June 17, 2004 (*administrative application reference No. pSEM0-416948194*); (ii) your telephone conversation with Mr. Michael E. Stogner, Hearing Officer/Engineer with the Division in Santa Fe, on Tuesday afternoon, August 3, 2004; and (iii) the Division’s records in Aztec and Santa Fe: all concerning CDX Gas, L.L.C.’s (“CDX”) request to drill its proposed Jicarilla 151 Well No. 8-F at an unorthodox Gallup gas well location 2600 feet from the North line and 1215 feet from the East line (Unit H) of Section 3, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 3 is to be dedicated to this well in order to form a standard 159.80-acre gas spacing unit for the Undesignated BS Mesa-Gallup Pool (72920).

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

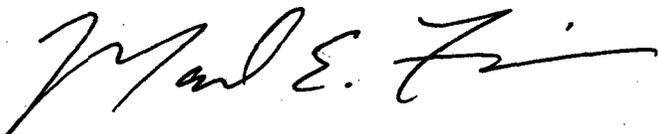
It is the Division’s understanding that this well is to be dually completed in the Gallup formation and the Basin-Dakota Pool (71599). Under the rules governing the Basin-Dakota Pool, see the “*Special Rules for the Basin-Dakota Pool*,” as promulgated by Division Order No. R-10987-B, issued in Case No. 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, this location within an existing standard 319.80-acre stand-up gas spacing and proration unit comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 3, is standard.

It is further understood that all of Sections 3, 4, 9, and 10, all in Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico comprise a single Jicarilla Apache tribal oil and gas lease (Jicarilla Contract No. 151) with common mineral ownership from the base of the Mesaverde formation to a point 800 feet below the top of the Greenhorn formation in which CDX controls 100% of the operating rights; therefore, there are no adversely effected offset mineral interests to the subject unorthodox Gallup well within the aforementioned 160-acre unit.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Gallup gas well location within the proposed standard 159.80-acre gas spacing unit comprising the NE/4 equivalent of Section 3 is hereby approved.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

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