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|------------------------|-------------------------|--------------------|---------------------|-----------------|--------------------------|
| DATE IN 8/29/05 | SUSPENSE 9-19-05 | ENGINEER MS | LOGGED IN ms | TYPE NSL | APP NO. 629839623 |
|------------------------|-------------------------|--------------------|---------------------|-----------------|--------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



4-26N-4W

Apache
Jicarilla 102 #9F (33455)

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

- [1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**
- [A] Location - Spacing Unit - Simultaneous Dedication
X NSL NSP SD
 - Check One Only for [B] or [C]
 - [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
 - [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
 - [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**
- [A] Working, Royalty or Overriding Royalty Interest Owners
 - [B] X Offset Operators, Leaseholders or Surface Owner
 - [C] Application is One Which Requires Published Legal Notice
 - [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 - [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 - [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

| | | | |
|--------------------|-----------|--------------------------|---------|
| Richard Corcoran | | Land Manager | 8-22-05 |
| Print or Type Name | Signature | Title | Date |
| | | Rich.corcoran@cdxgas.com | |
| | | e-mail Address | |



CDX Gas, LLC
2010 Afton Place
Farmington, NM 87401
Main: 505-326-3003
Fax: 505-325-4007

RECEIVED

AUG 29 2005

OIL CONSERVATION
DIVISION

August 23, 2005

New Mexico Oil Conservation Division
Attn: Michael E. Stogner
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: ADMINISTRATIVE APPROVAL OF UNORTHODOX LOCATIONS
JICARILLA C #4F, Section 24, T26N-R5W
JICARILLA A #7F, Section 17, T26N-R5W
JICARILLA 151 #7G, Section 4, T26N-R5W
JICARILLA 102 #14F, Section 9, T26N-R4W
JICARILLA 102 #9F, Section 4, T26N-R4W
JICARILLA 102 #8F, Section 3, T26N-R4W
RIO ARriba COUNTY, NEW MEXICO

Dear Mr. Stogner:

CDX Rio, LLC hereby requests Administrative Approval for the following Unorthodox Locations all proposed as Blanco Mesaverde/Basin Dakota commingled wells except the Jicarilla 151 #7G which will be completed in the Dakota formation only; under the provisions of New Mexico Oil Conservation Division (NMOCD) Order R-10987-A, Basin Dakota pool and Order R-10987-B, Blanco Mesaverde pool.

| Well Name & Number | Bottom Hole / (Surface) Location | Sec-Twn-Rng | Formations / Spacing |
|-----------------------|---|-------------|--------------------------|
| 1) Jicarilla C #4F | 660 FSL, 2100 FWL | 24-T26N-R5W | MVRD - W/2 DKOT - W/2 |
| 2) Jicarilla A #7F | 660 FNL, 2055 FWL | 17-T26N-R5W | MVRD- W/2 DKOT- W/2 |
| 3) Jicarilla 151 #7G | 1470 FNL, 2305 FWL | 4-T26N-R5W | DKOT - W/2 |
| 4) Jicarilla 102 #14F | 120 FNL, 660 FWL | 9-T26N-R4W | MVRD - N/2 DKOT - W/2 |
| 5) Jicarilla 102 #9F | 585 FNL, 760 FEL | 4-T26N-R4W | MVRD- E/2 DKOT - E/2 |
| 6) Jicarilla 102 #8F | 660 FSL, 2100 FEL (430 FSL, 965 FEL) | 3-T26N-R4W | MVRD- E/2 DKOT - S/2 |

Each of the proposed locations is a standard 320 acre gas spacing unit and each well is to be located at the spot set out above. The location of each proposed test was selected to optimize recovery from the Dakota formation. Drainage areas are elliptical in shape and have been determined from a study done on Township 26 North Ranges 4 and 5 West and are more specifically set out in the attached Geological/Engineering report. In every case, except the Jicarilla 102 #9F, the proposed location encroaches on CDX Rio, LLC operated wells with the same ownership as the offending well. In addition to reservoir considerations the topography at Honolulu Mesa is very rough and the abundance of Cultural Resources made locating wells where there would not be significant overlap of existing drainage patterns unattainable.

Jicarilla C #4F

The proposed well would be the third Dakota and second Mesaverde well(s) in the W/2 of Section 24-T26N-R5W. The Jicarilla C #4 (API #30-039-08139) located 1,650' FNL and 1,650' FWL of Section 24-T26N-R5W, was drilled to a total depth of 7,680', completed in the Mesaverde and Dakota formations in August of 1966, and has cumulatively produced 2,611,071 MCFG through June of 2005. The Jicarilla C #4E (API #30-039-22298) located 790' FSL and 990' FWL of Section 24-T26N-R5W, was drilled to a total depth of 7,525', completed in the Dakota formation on March 9, 1981 and has produced 1,022,372 MCFG through June of 2005. CDX Rio, LLC is the operator of the E/2 of Section 24-T26N-R5W, being the direction of encroachment; which has the same ownership as the W/2 of said Section 24, consequently no other offsetting operators are affected.

Jicarilla A #7F

The proposed well would be the third Dakota and second Mesaverde well(s) in the W/2 of Section 17-T26N-R5W. The Jicarilla A #7 (API #30-039-08097) located 1,595' FSL and 900' FWL of Section 17-T26N-R5W, was drilled to a total depth of 7,670', completed in the Dakota formation on October 6, 1966, and has cumulatively produced 563,205 MCFG through June of 2005. The Jicarilla A #7E (API #30-039-22896) located 940' FNL and 1,000' FWL of Section 17-T26N-R5W, was drilled to a total depth of 7,650', completed in the Dakota formation on September 13, 1982 and in the Mesaverde on July 8 2002, and has produced 571,490 MCFG through June of 2005.

CDX Rio, LLC is the operator of the E/2 of Section 17-T26N-R5W, being the direction of encroachment; which has the same ownership as the W/2 of said Section 17; consequently no other offsetting operators are affected.

Jicarilla 151 #7G

The proposed well would be the third Dakota well in the W/2 of Section 4 -T26N-R5W. The Jicarilla 151 #7 (API #30-039-21675) located 790' FNL and 790' FWL of Section 4 -T26N-R5W, was drilled to a total depth of 7,610', completed in the Dakota formation on October 25, 1978, and has cumulatively produced 657,208 MCFG through June of 2005. The Jicarilla 151 #7E (API #30-039-23163) located 1,030' FNL and 1,050' FWL of Section 4 -T26N-R5W, was drilled to a total depth of 7,723', completed in the Dakota formation on August 12, 1983, and has produced 710,899 MCFG through June of 2005.

~~CDX Rio, LLC is the operator of the E/2 of Section 4 -T26N-R5W, being the direction of~~ encroachment; which has the same ownership as the W/2 of said Section 4, consequently no other offsetting operators are affected.

Jicarilla 102 #14F

The proposed well would be the third Dakota and Mesaverde well(s) in its respective proration unit; consisting of the W/2 of Section 9-T26N-R4W for the Basin Dakota formation and the N/2 of Section 9 for the Blanco Mesaverde formation. The Jicarilla 102 #14 (API #30-039-06594) located 1,620' FNL and 1,730' FWL of Section 9 -T26N-R4W, was drilled to a total depth of 8,320', completed in the Dakota formation on October 4, 1963, and has cumulatively produced 1,480,920 MCFG through June of 2005. The Jicarilla 102 #14E (API #30-039-22457) located 1,110' FSL and, 800' FWL of Section 9-T26N-R4W, was drilled to a total depth of 8,254', completed in the Dakota formation on October 9, 1980, and has cumulatively produced 585,547 MCFG through June of 2005. The Jicarilla 102 #29 (API #30-039- 21581) located 1,560' FNL and 1,790' FEL of Section 9 -T26N-R4W, was drilled to a total depth of 6,250', completed in the Mesaverde formation on April 3, 1978, and has cumulatively produced 527,294 MCFG through December of 2003. The Jicarilla 102 #29A (API #30-039-22931) located 910' FNL and 1,740' FWL of Section 9 -T26N-R4W, was drilled to a total depth of 7,649', completed in the Mesaverde formation on August 2, 1982, and has cumulatively produced 692,919 MCFG through June of 2005.

CDX Rio, LLC is the operator of All of Section 4 -T26N-R4W, being the direction of encroachment; which has the same ownership as the W/2 and N/2 of Section 9, T26N-R4W, consequently no other offsetting operators are affected.

Jicarilla 102 #9F

The proposed well would be the third Dakota and Mesaverde well(s) in the E/2 of Section 4-T26N-R4W. The Jicarilla 102 #9 (API #30-039-06715) located 1,600' FNL and 1,800' FEL of Section 4 -T26N-R4W, was drilled to a total depth of 8,416', completed in the Dakota formation on June 30, 1963, and has cumulatively produced 2,221,652 MCFG through June of 2005. The Jicarilla 102 #9E (API #30-039-22456) located 970' FSL and 920' FEL of Section 4 -T26N-R4W, was drilled to a total depth of 8,150', completed in the Dakota formation on October 17, 1980, and has cumulatively produced 1,817,603 MCFG through June of 2005. The Jicarilla 102 #5 (API #30-039-06718) located 1,450' FNL and 1,450' FEL of Section 4 -T26N-R4W, was drilled to a total depth of 6,448', completed in the Mesaverde formation on September 19 1957, and has cumulatively produced 744,680 MCFG through June of 2005. The Jicarilla 102 #5A (API #30-039- 23197) located 1,120' FSL and 790' FEL of Section 4 -T26N-R4W, was drilled to a total depth of 6,088', completed in the Mesaverde formation on October 5, 1983, and has cumulatively produced 444,000 MCFG through June of 2005.

Burlington Resources is the operator of All of Section 33-T27N-R4W, being the direction of encroachment.

Moving this location 75' north of the window was necessary due to Archeological consideration in addition to the reservoir conditions depicted on the attached plats.

Jicarilla 102 #8F

The proposed well would be the third Dakota and fourth Mesaverde well(s) in its respective proration unit; consisting of the S/2 of Section 3-T26N-R4W for the Basin Dakota formation and the E/2 of Section 3 for the Blanco Mesaverde formation. This well is at a standard location for the Dakota formation being the S/2 of section 3 but non-standard for the E/2 of Section 3 Mesaverde spacing unit. The Jicarilla 102 #8 (API #30-039-06679) located 1,790' FSL and 1,480' FWL of Section 3 -T26N-R4W, was drilled to a total depth of 8,120', completed in the Dakota formation on June 12, 1963, and has cumulatively produced 3,934,418 MCFG through June of 2005. The Jicarilla 102 #8E (API #30-039-22454) located 1,700' FSL and 940' FEL of Section 3 -T26N-R4W, was drilled to a total depth of 8,096', completed in the Mesaverde and Dakota formations on October 31, 1980, and has cumulatively produced 2,202,424 MCFG through June of 2005. The Jicarilla 102 #8A (API #30-039- 23195) located 1,120' FNL and 1,080' FEL of Section 3 -T26N-R4W, was drilled to a total depth of 6,089', completed in the

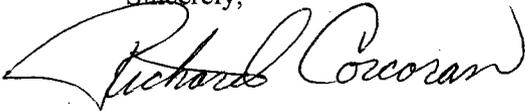
formation on September 19 1983, and has cumulatively produced 278,679 MCFG through June of 2005. The Jicarilla 102 #7 (API #30-039-06709) located 1,850' FNL and 2,390' FEL of Section 3 -T26N-R4W, was drilled to a total depth of 8,192', completed in the Mesaverde formation on December 16, 2002, and has cumulatively produced 163,675 MCFG through June of 2005.

CDX Rio, LLC is the operator of All of Section 10-T26N-R4W, being the direction of encroachment; which has the same ownership as the E/2 and S/2 of Section 3, T26N-R4W; consequently no other offsetting operators are affected.

Attached is a well location plat showing dedicated acreage (C-102), a topographic plat of the area, a map showing all offsetting owners and our Geologic/Engineering explanation of the reservoir considerations establishing the increased recovery that we expect to gain by moving the proposed wells to non-standard locations.

Your favorable consideration of this request would be appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Richard Corcoran". The signature is written in black ink and is positioned above the printed name and title.

Richard Corcoran
Land Manager



To: Mike Stogner
From: Rod Seale, Senior Petroleum Engineer and Peter Kondrat, Senior Geologist
Subject: Approval Request of Mesaverde-Dakota Formations Unorthodox Infill Locations due to Reservoir Considerations
Location: CDX Rio, LLC Leasehold, Jicarilla Apache Nation, San Juan Basin
Date: August 22, 2005

Application:

CDX Rio, LLC respectfully requests the approval of the following listed unorthodox Mesaverde-Dakota Formations infill locations due to reservoir considerations.

| Well Name & Number | Spot of Bottom Hole Location | Sec-Twn-Rng | Formations |
|--|------------------------------|-------------|------------|
| 1) Jicarilla C #4F | 660 FSL, 2100 FWL | 24-T26N-R5W | MVRD-DKOT |
| 2) Jicarilla A #7F | 660 FNL, 2055 FWL | 17-T26N-R5W | MVRD-DKOT |
| 3) Jicarilla 151 #7G | 1470 FNL, 2305 FWL | 4-T26N-R5W | DKOT |
| 4) Jicarilla 102 #14F | 120 FNL, 660 FWL | 9-T26N-R4W | MVRD-DKOT |
| 5) Jicarilla 102 #9F | 585 FNL, 760 FEL | 4-T26N-R4W | MVRD-DKOT |
| 6) Jicarilla 102 #8F (Directional Well) | 660 FSL, 2100 FEL | 3-T26N-R4W | MVRD-DKOT |

Summary:

CDX Rio, LLC is continuing its Mesaverde-Dakota 80-acre increased density infill development program of its San Juan Basin Tapicito Project located in the Jicarilla Apache Nation, Rio Arriba County, New Mexico. CDX is currently permitting both standard and non-standard locations to fulfill the development program. The proposed unorthodox gas well locations are necessitated by a combination of topographic, engineering and geologic factors.

Utilizing geologic and engineering data, CDX has completed a detailed study identifying the most optimal locations for Mesaverde and Dakota Formation infill wells. These locations are defined as optimal because they ensure maximum recovery of reserves and minimize waste.

CDX has constructed various maps for the Mesaverde and Dakota Formations that depict:

- 1) Bulk volume hydrocarbon feet
- 2) Original GIP (OGIP)
- 3) Estimated Ultimate Recovery (EUR)
- 4) Remaining GIP (RGIP)
- 5) EUR Drainage Volume Ellipses that depict Producing Characteristics
- 6) Optimal Infill Development Locations

Exhibits

Attached are two sets of maps for each proposed unorthodox infill location.

- 1) Land plats that show CDX's leasehold and the proposed new drill bottom-hole locations.
- 2) Dakota Formation EUR drainage volume ellipses that depict the producing characteristics of the existing wells and also the proposed unorthodox infill locations. The volume ellipses acreage was computed using bulk volume hydrocarbon feet and EUR.
 - a. Both Mesaverde and Dakota Formations have fracture-permeability anisotropy resulting in elliptical drainages. Following the area's best practices the elliptical drainages were drawn at a 3.7:1 aspect ratio and with a maximum horizontal permeability direction of N10°.



- b. The location of the Dakota Formation drainage ellipses is the primary reason for permitting non-standard locations. Dakota Formation infill locations were selected to optimize recovery for the rock unit.

References

NMOCD Case Number 12508; Order Number R-11503

NMOCD Case Number 12745; Order Number R-10987-B; 2002; To Amend the Special Rules and Regulations for the Basin-Dakota Pool to Increase Well Density and Amend the Well Location Requirements; Burlington Resources Oil and Gas Company and Conoco Incorporated; 15 pages

SPE Paper #60288; 2000; Producing Characteristics and Drainage Volume of Dakota Reservoirs, San Juan Basin; Arild Sunde, Her-Yuan Chen, Lawrence W. Teufel; 10 pages

SPE Paper #77742; 2002; An Effective Technique of Estimating Drainage Shape, Magnitude and Orientation in a Low-Permeability Gas Sand; Ryan L. Robinson and Thomas W. Engler; 8 pages

SPE Paper #39974; 1998; Drainage Efficiency in Naturally Fracture Tight Gas Sandstone Reservoirs; H. Harstad, L.W. Teufel and J.C. Lorenz; 11 pages

SPE Paper #39911; 1998; Potential for Infill Drilling in a Naturally Fractured Tights Gas Sandstone Reservoir; H. Harstad, L.W. Teufel and J.C. Lorenz; 11 pages

SPE Paper #38580; 1997; Methodology to Optimize Completions in the Mesaverde Formation, San Juan Basin, New Mexico; Brian P. Ault, Earuch F. Broacha and David L. Holcomb; 20 pages

SPE Paper #60295; 2000; Influence of Permeability Anisotropy and Reservoir Heterogeneity on Optimization of Infill Drilling in Naturally Fractured Tight-Gas Mesaverde Sandstone Reservoirs, San Juan Basin; H.K. Al-Hadrami and L.W. Teufel; 12 pages

SPE Paper #68598; 2001; Practical Methods to High-Grade Infill Opportunities Applied to the Mesaverde, Morrow and Cotton Valley Formations; J.W. Hudson, J.E. Jochen, J.P. Spivey; 11 pages

SPE Paper #21484; 1991; The Impact of Improved Technology on Potential Tight Gas Reserves in the San Juan Basin; M.R. Haas and T.E. Crist; 14 pages



CDX Gas, LLC
2010 Afton Place
Farmington, NM 87401
Main: 505-326-3003
Fax: 505-325-4007

August 23, 2005

Ms. Linda Dean
Burlington Resources
3401 E. 30th
Farmington, New Mexico 87402

Re: ADMINISTRATIVE APPROVAL OF UNORTHODOX LOCATION
JICARILLA 102 #9F
585' FNL & 760' FWL
SECTION 4-T26N-T4W
RIO ARRIBA COUNTY, NEW MEXICO

Dear Ms. Dean:

CDX RIO, LLC has filed with the New Mexico Oil Conservation Division (NMOCD), an application for the Administrative Approval of an unorthodox location for its Jicarilla Apache 102 #9F. A copy of the application has been attached for your review.

If you have no objection to this unorthodox location, please sign three copies of the attached waiver, return one executed copy to the NMOCD at 1220 South Saint Frances Drive in Santa Fe, New Mexico 87505, one copy to our office and retain one copy for your files.

Your cooperation in this matter is appreciated.

Sincerely,

Richard P. Corcoran
Land Manager

WAIVER

Burlington Resources hereby waives objection to the above referenced Application for Unorthodox location for CDX RIO, LLC's Jicarilla 102 #9F well.

Date: _____ By: _____

New Mexico Oil Conversation Division
Attention: Michael E. Stogner
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Sec : 04 Twp : 26N Rng : 04W Section Type : NORMAL

| Section | Area | Owner | Section | Area | Owner | Section | Area | Owner | Section | Area | Owner |
|--------------|-------|-----------------------|--------------|-------|--------------|--------------|-------|--------------|--------------|-------|--------------|
| 4 | 41.52 | Indian owned A A A | 3 | 41.36 | Indian owned | 2 | 41.20 | Indian owned | 1 | 41.04 | Indian owned |
| E | 40.00 | | F | 40.00 | | G | 40.00 | | H | 40.00 | |
| Indian owned | | | Indian owned | | | Indian owned | | | Indian owned | | |
| L | 40.00 | | K | 40.00 | | J | 40.00 | | I | 40.00 | |
| Indian owned | | | Indian owned | | | Indian owned | | | Indian owned | | |
| M | 40.00 | | N | 40.00 | | O | 40.00 | | P | 40.00 | |
| Indian owned | | | Indian owned | | | Indian owned | | | Indian owned | | |

Proposed 199F

322.24

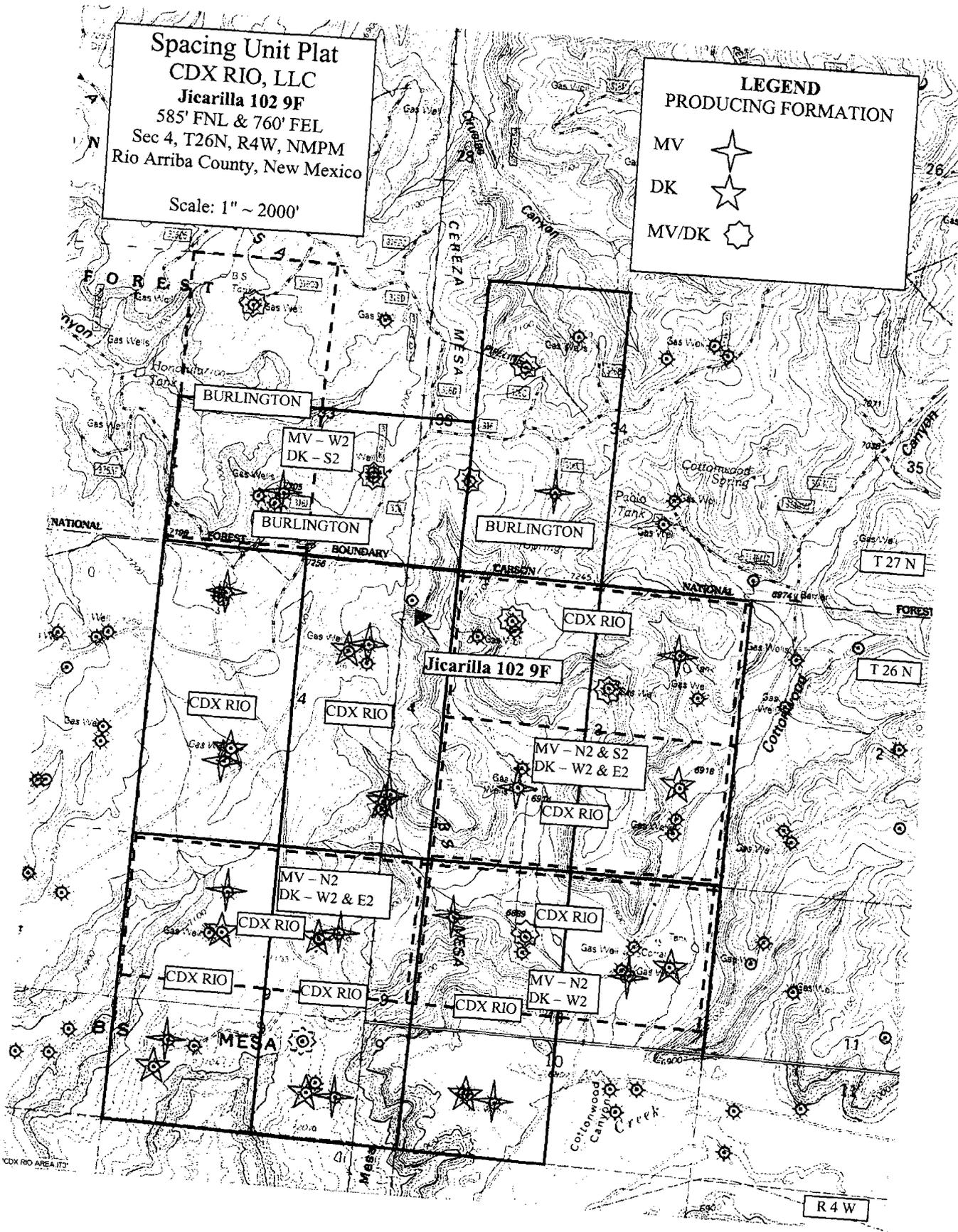
Spacing Unit Plat
CDX RIO, LLC
Jicarilla 102 9F
 585' FNL & 760' FEL
 Sec 4, T26N, R4W, NMPM
 Rio Arriba County, New Mexico

 Scale: 1" ~ 2000'

LEGEND

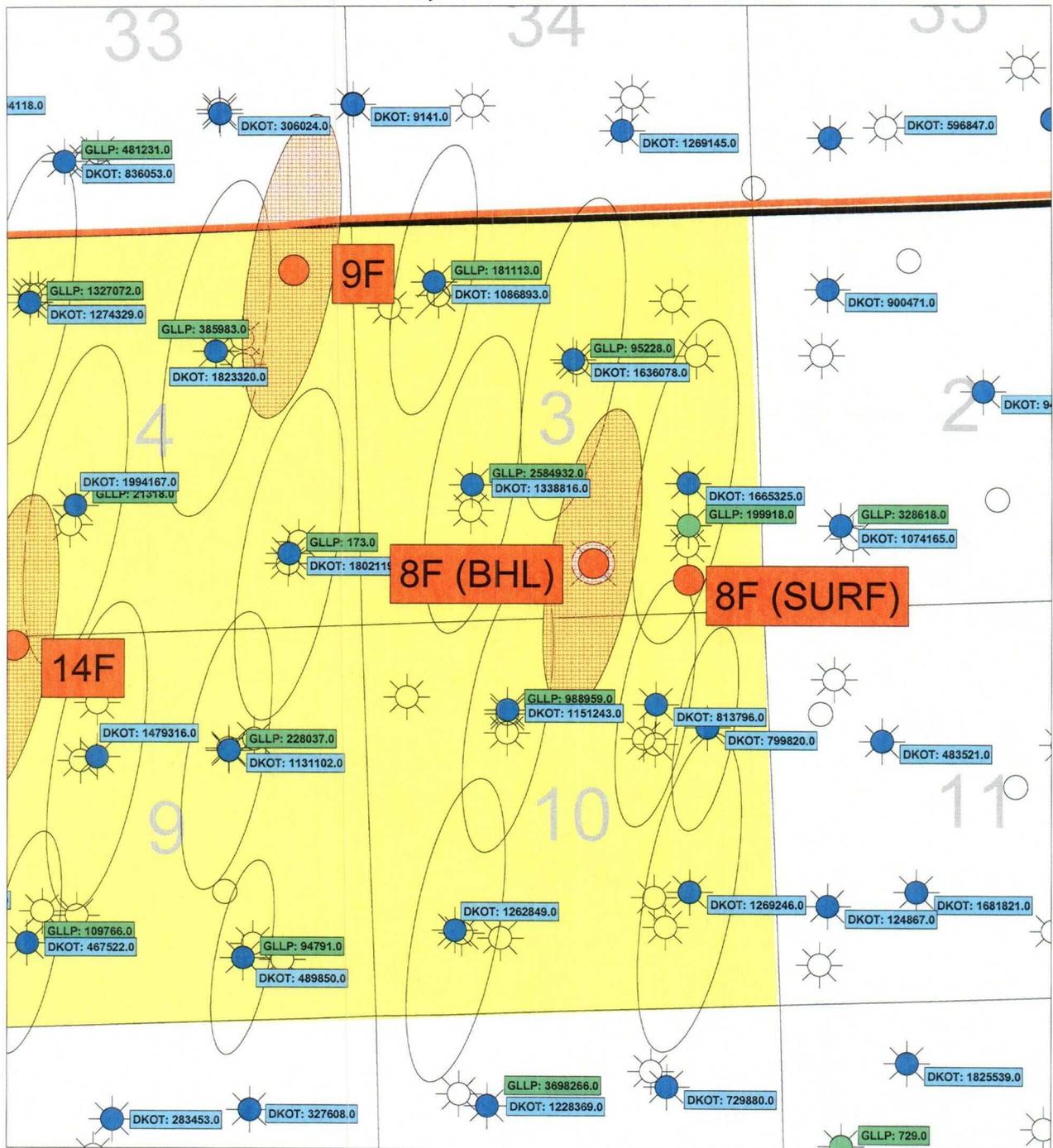
PRODUCING FORMATION

- MV 
- DK 
- MV/DK 



CDX RIO AREA ITZ

**PROPOSED JICARILLA 102 #8F AND 102 #9F DAKOTA FORMATION EUR DRAINAGES
CDX GAS LLC, JICARILLA APACHE NATION**



 DAKOTA FORMATION
EXPECTED ULTIMATE
RECOVERY (EUR)
DRAINAGE ELLIPSE

 PROPOSED DAKOTA
FORMATION
EXPECTED ULTIMATE
RECOVERY (EUR)
DRAINAGE ELLIPSE
(80 ACRES)

1 inch = 2000 feet

 102 #8F & 102
#9F
MVRD/DKOT
COMPLETION

 GLLP/DKOT
CUM GAS
AS OF 1/2005

 DKOT CUM GAS
AS OF 1/2005

CDX GAS
 CDX RIO, LLC
DAKOTA FORMATION
LEASEHOLD

 GLLP CUM GAS
AS OF 1/2005