



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

June 30, 2006

Mark E. Fesmire, P.E.
Director

Joanna Prukop
Cabinet Secretary

Oil Conservation Division

XTO Energy, Inc.
810 Houston Street
Fort Worth, Texas 76102-6298

Attention: Christopher Spencer
christopher_spencer@xtoenergy.com

Administrative Order NSL-5418

Dear Mr. Spencer:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 20, 2006 (*administrative application reference No. pTDS0-617148783*); and (ii) the Division's records in Aztec and Santa Fe: all concerning XTO Energy, Inc.'s ("XTO") 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:

It is the Division's understanding that XTO recently drilled its L. C. Kelly Well No. 20 (*API No. 30-04533441*), accidentally, at an unorthodox Mesaverde/Dakota infill gas well location within an existing 318.41-acre gas spacing and proration unit ("GPU") for both the Blanco-Mesaverde (*72319*) and Basin-Dakota (*71599*) Pools comprising Lots 7, 8, 9, 10, 15, 16, 17, and 18 (W/2 equivalent) of Section 3, Township 20 South, Range 12 West, NMPM, San Juan County, New Mexico, 815 feet from the South line and 2515 feet from the West line (Lot 18/Unit N) of Section 3.

Gas production from both zones within this GPU is to be simultaneously dedicated to XTO's (i) above-described L. C. Kelly Well No. 20; (ii) L. C. Kelly Well No. 4-E (*API No. 30-045-25843*), located at a standard gas well location 1160 feet from the North line and 920 feet from the West line (Lot 8/Unit D) of Section 3; (iii) L. C. Kelly Well No. 17 (*API No. 30-045-31625*), located at a standard gas well location 660 feet from the North line and 1965 feet from the West line (Lot 7/Unit C) of Section 3; and (iv) L. C. Kelly Well No. 18 (*API No. 30-045-32421*), located at a standard gas well location 2545 feet from the South line and 1975 feet from the West line (Lot 15/Unit K) of Section 3.

All of Section 3 is a single federal lease (*U. S. Government lease No. SF-081239*) with common mineral interests in which TXO is the leasehold operator; therefore, there are no adversely effected offsets to the subject well and 318.41-acre GPU.

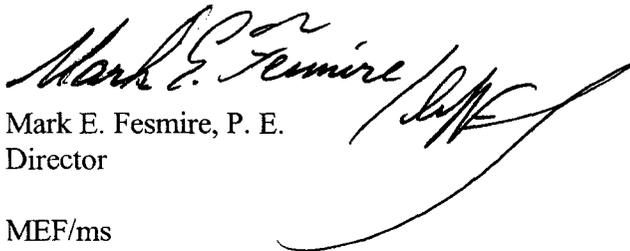
This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing both pools.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Basin-Dakota/Blanco-Mesaverde infill gas well location for XTO's existing L. C. Kelly Well No. 20 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.

IT SHALL BE NOTED HOWEVER THAT any future accidental unorthodox locations drilled by XTO will require a hearing before a duly appointed Division Examiner for approval.

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

MEF/ms

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