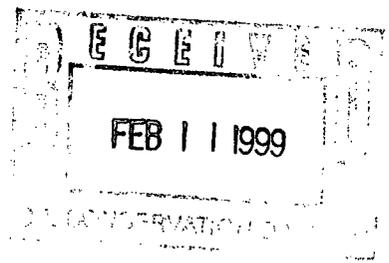


NSL 3/3/99



Cross Timbers Oil Company

February 9, 1999



Lori Wrotenbery, Director
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Request for Administrative Approval of an Unorthodox Location
Basin Fruitland Coal Pool
Stanolind Gas Com D #2
S/2 Section 17-32N-12W
San Juan County, New Mexico

Gentlemen:

Cross Timbers Operating Company hereby requests administrative approval of the following unorthodox location:

Well Name:	Stanolind Gas Com D #2
Pool:	Basin Fruitland Coal
Location:	600' FSL & 1350' FEL
Acreage Dedication:	S/2 Section 17-32N-12W, containing 320 acres, more or less
County/State:	San Juan County, New Mexico
Pool Rules:	Well location in NE/4 or SW/4

Attached is the following support and documentation for said application:

1. C-102 Plat
2. Geologic discussion
3. Copy of certified letter sent to offset operators/owners
 - A. Plat of offset operators
 - B. List of offset operators

We look forward to your approval and please call me at (817) 877-2336 with any questions.

Yours very truly,

Edwin S. Ryan, Jr.
Edwin S. Ryan, Jr.

cc: Bobby Smith - CTOC Midland

Gary Burch

Robin Tracy

NMCOD - Aztec District Office
1000 Rio Brazos Road
Aztec, New Mexico 87410

Offset Operators

02/09/99 16:29
 TRIGON SHEEHAN
 PO Box 1980, Hobbs, NM 88241-1980

915 887 0882
 CROSS TIMBERS
 Energy, Minerals & Natural Resources Department

FW LAND 002/002
 Revised February 21, 1997
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

District II
 PO Drawer 00, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number	'Pool Code 71629	'Pool Name BASIN FRUITLAND COAL
'Property Code	'Property Name STANOLINO GAS COM D	'Well Number 2
'OGRID No. 167067	'Operator Name CROSS TIMBERS OPERATING COMPANY	'Elevation 5989'

¹⁰ Surface Location

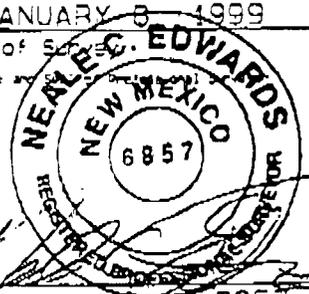
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	17	32N	12W		600	SOUTH	1350	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

'Dedicated Acres	'Type of Drilling	'Consolidation Code	'Draw No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

2635.38'	4	3	2	1	2645.28'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief. Signature Gary L. Morkestad Printed Name Vice-President / Production Title Date
	5	6	7	8		
	17					
	12	11	10	9		
2615.90'	13	14	15	16	2643.96'	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. Date of Survey JANUARY 8 1999 Signature and Seal of Surveyor  Certificate Number 6857
	600'	1350'	4995.85'	2441.34'		

STANOLIND GAS COM "D" #2 GEOLOGIC SUMMARY

The Stanolind Gas Com "D" #2 is a proposed 2000' Fruitland Coal test to be located 600' FSL and 1350' FEL of Section 17-T32N-R12W San Juan County, New Mexico. There is currently no Fruitland Coal production in the section.

The Fruitland Coal in this area can be divided into an upper coal sequence, which is actually 3 or more 5-10 ft. thick coals over a 50-100 ft. interval, and a lower coal, which is 30-35 ft. thick in the prospect area, and overlies the Pictured Cliffs Formation.

The proposed well lies within a NE-SW trending structural flexure (see attached structure map). To the NW of the axis of structural flexure, the beds are steeply dipping to the SE. To the SE of the flexure, the beds are gently dipping to the SE. The axis of flexure, in theory, should be an area of intense fracturing, which in turn would correspond to highly productive Fruitland Coal wells. Outstanding coal production has been established along this trend 2 mi. to the NE and 3 mi. to the SW.

The primary risk in this area is in the amount of water production associated with the coal gas. The Fruitland Formation outcrops approximately 2 mi. NW of the producing trend, and is a recharge area for water which flows down towards the producing wells. Wells nearer to the outcrop (and structurally higher) produce more water. The water inhibits gas production, and consequently, wells that are too far updip produce too much water and too little gas to be economic. This effect can be seen on resistivity logs; as the water saturation increases, the amount of resistivity greater than 80 ohms (used as a cutoff for gas production) decreases.

Dary K. Burch
1/29/99

Stanolind Gas Com "D" #2
 Geologic Summary
 Page 2

The following table shows the effect of structure on gas and water production rates on coal wells along trend to the NE:

	STRUCT. TOP OF FRUITLAND COAL	INITIAL STABILIZED GAS RATE (MCF/MO)	INITIAL STABILIZED WATER RATE (BBL/MO)	CURRENT GAS RATE (MCF/MO.)	CURRENT WATER RATE (BBL/MO)
Southern Ute #6-24 SE SW Sec. 24-32N-12W La Plata Co., Colorado	+5361	10,000	20,000	15,000	12,000
Cundiff "A" #2 NE ¼ Sec. 17-32N-12W San Juan Co., NM	+5168	NA	NA	0*	0*
Stanolind Gas Com "B" #1E SE ¼ Sec. 9-32N-12W San Juan Co., NM	+4334	-----	-----	36,000**	1,800**
Southern Ute 32-11 #19-2 SW ¼ Sec. 19-32N-11W	+4175	30,000	6,000	120,000	1,000
* Well was tested in the Fruitland, but never put online and is now inactive (assumed to be uneconomic).					
** Well has just recently been put on-line.					

The Cundiff "A" #2 tested the Fruitland Coal at a legal location in Sec. 17 and did not make an economic well and is now inactive. A well at a legal location in the SW ¼ of Section 17 would likely be wet in the upper coals and may produce a substantial amount of water from the lower coal. In our opinion, the most geologically favorable, lowest risk, and best location from an economic standpoint would be in the SE¼. Therefore, in order to best capture the reserves in the SE¼ of Section 17, an unorthodox location is necessary.

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23

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LA PLATA COUNTY
STATE OF COLORADO

R12W

STATE OF NEW MEXICO
SAN JUAN COUNTY

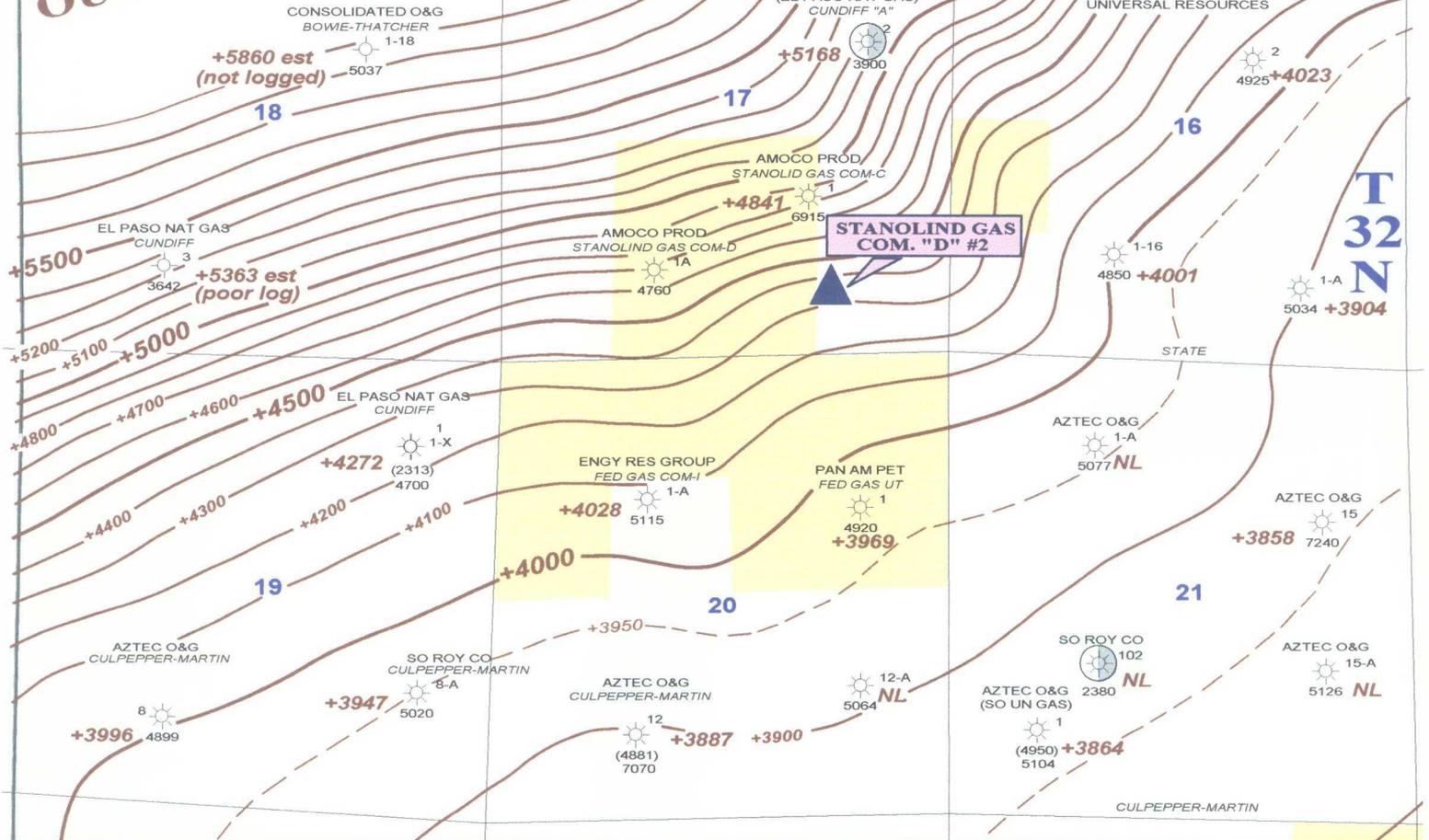
7

8

9

OUTCROP

AREA



T
32
N

-LEGEND-

- LOWER FRUITLAND COAL PRODUCTION
- UPPER & LOWER FRUITLAND COAL PRODUCTION
- NL NO LOG
- PROPOSED FRUITLAND COAL DRILL WELL LOCATION

Cross Timbers Oil Company

SAN JUAN BASIN
T 32 N - R 12 W
SAN JUAN COUNTY, NEW MEXICO

STRUCTURE MAP
TOP OF UPPER FRUITLAND COAL
CONTOUR INTERVAL: 100 feet
GEOLOGIST: GARY BURCH
DATE: NOVEMBER 1998



Scale 1:24000.





Cross Timbers Oil Company

February 9, 1999

CERTIFIED MAIL

TO: Offset Operators - See Attached

Re: Unorthodox Location
Stanolind Gas Com D # 2
S/2 Section 17-32N-12W
San Juan County, New Mexico

Gentlemen:

Cross Timbers Operating Company filed the attached application for administrative approval of the above Unorthodox Location with the New Mexico Oil Conservation Division on February 9, 1999. If you object to the application, you must file a written objection with the Oil Conservation Division within twenty (20) days of the date the application was filed.

Should you have any questions please feel free to call me at (817)877-2336.

Yours very truly,

Edwin S. Ryan, Jr.

OFFSET OPERATORS/OWNERS
UNORTHODOX LOCATION
STANOLIND GAS COM D #2
S/2 SECTION 17-32N-12W
SAN JUAN COUNTY, NEW MEXICO

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499

Burlington Resources Oil and Gas Company
P.O. Box 4289
Farmington, New Mexico 87499

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mailpiece, or on the back if space does not permit.
 ■ Write "Return Receipt Requested" on the mailpiece below the article number.
 ■ The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Burlington Resources Oil&Gas Co
 P.O. Box 4289
 Farmington, New Mexico 87499

4a. Article Number
 2 293 179 152
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
 X

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

Z 293 179 152

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to
Street & Number
Post Office, State, & ZIP Code
Postage \$
Certified Fee
Special Delivery Fee
Restricted Delivery Fee
Return Receipt Showing to Whom & Date Delivered
<small>Return Receipt Showing to Whom</small>

Burlington Resources Oil&Gas Co
 P.O. Box 4289
 Farmington, New Mexico 87499
 ESR 2/9/99
 Standind Gas Com D #2 Offset Operators

Fold at line over top of envelope to the right of the return address.

CERTIFIED

Z 293 179 152

SENDER:
 ■ Complete items 1 and/or 2 for additional services.
 ■ Complete items 3, 4a, and 4b.
 ■ Print your name and address on the reverse of this form so that we can return this card to you.
 ■ Attach this form to the front of the mailpiece, or on the back if space does not permit.
 ■ Write "Return Receipt Requested" on the mailpiece below the article number.
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I also wish to receive the following services (for an extra fee):
 1. Addressee's Address
 2. Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Dugan Production Corporation
 P.O. Box 420
 Farmington, New Mexico 87499

4a. Article Number
 2 293 179 153
 4b. Service Type
 Registered Certified
 Express Mail Insured
 Return Receipt for Merchandise COD
 7. Date of Delivery

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

3. Signature: (Addressee or Agent)
 X

Thank you for using Return Receipt Service.

Z 293 179 153

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to
Street & Number
Post Office, State, & ZIP Code
Postage \$
Certified Fee
Special Delivery Fee
Restricted Delivery Fee
Return Receipt Showing to Whom & Date Delivered
<small>Return Receipt Showing to Whom</small>

Dugan Production Corporation
 P.O. Box 420
 Farmington, New Mexico 87499
 ESR 2/9/99
 Standind Gas Com D #2 Offset Operators

Fold at line over top of envelope to the right of the return address.

CERTIFIED

Z 293 179 153

MAIL

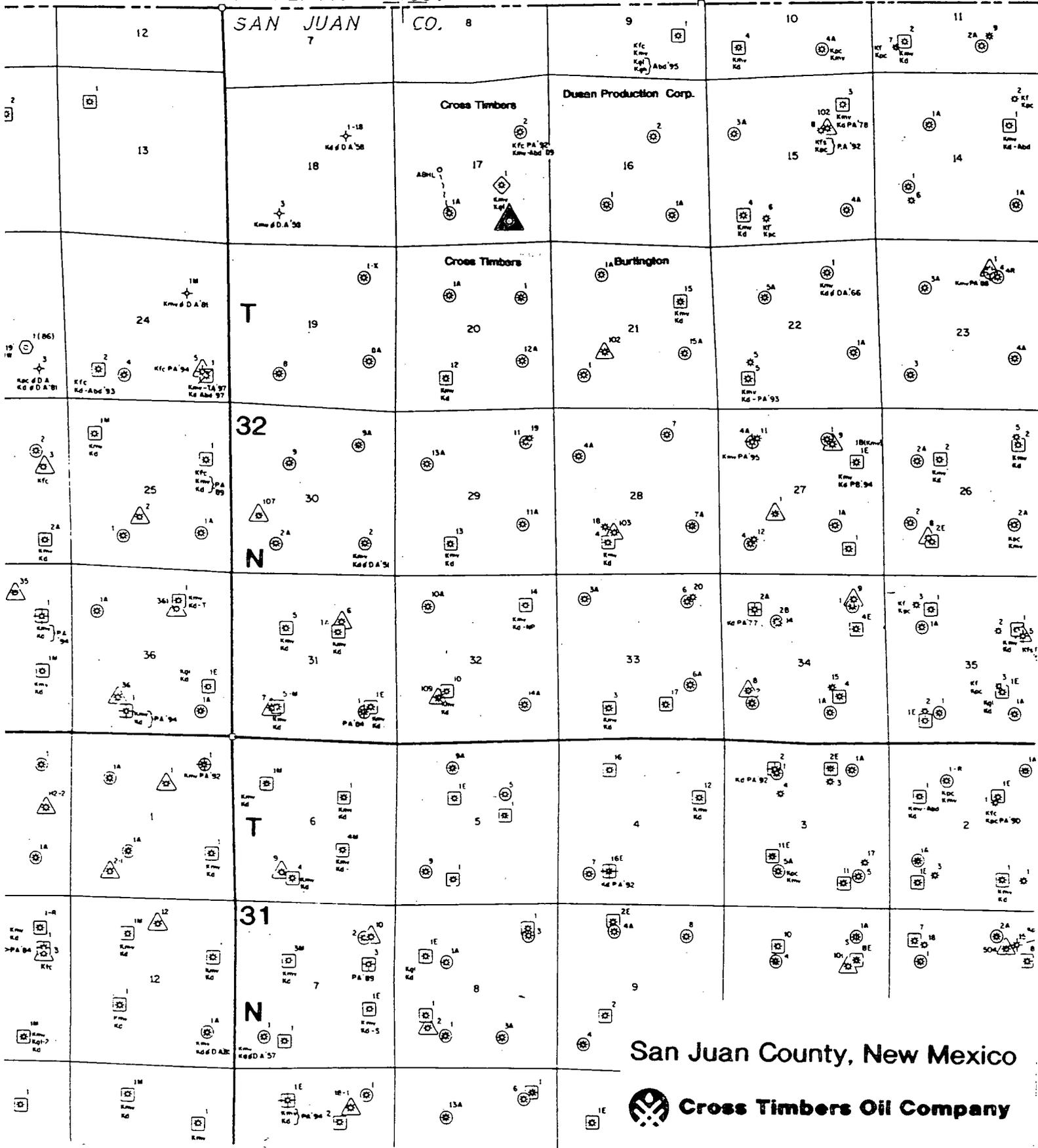
R-13-W

LA PLATA CO.

R-12-W

SAN JUAN

CO.



San Juan County, New Mexico



CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/12/99 09:00:30
OGOMES -TPWU
PAGE NO: 2

Sec : 17 Twp : 32N Rng : 12W Section Type : NORMAL

12 38.31 Federal owned	11 38.42 Federal owned	10 37.42 Federal owned A	9 37.53 Federal owned
13 37.75 Federal owned	14 37.87 Federal owned A	15 37.61 Federal owned	16 37.72 Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

76.06
76.29

152.35
750.28

302.63

76.29

75.03
75.25

150.28

75.25

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/12/99 08:51:45
OGOMES -TPWU
PAGE NO: 1

Sec : 17 Twp : 32N Rng : 12W Section Type : NORMAL

4 39.18 Federal owned	3 38.31 Federal owned	2 35.71 Federal owned	1 36.60 Federal owned
5 38.70 Federal owned	6 37.83 Federal owned	7 36.02 Federal owned	8 36.92 Federal owned A

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12