



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 Rio, 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-5092

Dear Mr. Corcoran:

Reference is made to the following: (i) your initial application submitted to the New Mexico Oil Conservation Division ("Division") on June 23, 2004 (*administrative application reference No. pMES0-421758361*); (ii) your telefax of August 3, 2004 with the necessary information to complete your application; (iii) your telephone conversations with Mr. Michael E. Stogner, Hearing Officer/Engineer with the Division in Santa Fe, on Tuesday and Wednesday, August 3 and 4, 2004; and (iv) the Division's records in Aztec and Santa Fe: all concerning CDX Rio, L.L.C.'s ("CDX") request to drill its proposed Jicarilla "B" Well No. 7-F at an unorthodox oil well location within the Tapacito-Gallup Associated Pool (58090) 1305 feet from the North line and 780 feet from the West line (Unit D) of Section 16, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

The W/2 NW/4 of Section 16 is to be dedicated to this well in order to form a standard 80-acre stand-up oil spacing and proration unit in the Tapacito-Gallup Associated Pool.

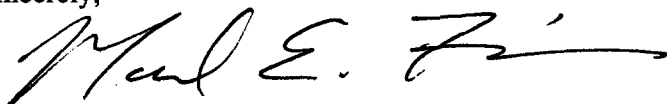
It is the Division's understanding that this well is to be dually completed in the Gallup formation and the Basin-Dakota Pool (71599). Under the rules governing the Basin-Dakota Pool, see the "*Special Rules for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, issued in Case No. 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 320-acre lay-down gas spacing and proration unit comprising the N/2 of Section 16, is standard.

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, and the applicable provisions the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico/Special Rules and Regulations for the Tapacito-Gallup Associated Pool*," as promulgated by Division Order No. R-5353, as amended.

By the authority granted me under the provisions of: (i) **Rule 2 (c)** of the Division's Associated Pool Rules (Order No. R-5353, as amended); and (ii) Division Rule 104.F (2), as revised, the above-described unorthodox Gallup oil well location within the proposed standard 80-acre oil spacing and proration unit comprising the W/2 NW/4 of Section 16 is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", with a stylized flourish at the end.

Mark E. Fesmire, P. E.
Director

MEF/mes

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