



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 23, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: George A. Cox, CPL
Regional Land Manager
george_cox@xtoenergy.com

Administrative Order NSL-5355

Dear Mr. Cox:

Based **only** on the information contained within your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 28, 2006 (*administrative application reference No. pTDS0-605954303*), XTO Energy, Inc. ("XTO") seeks to recomplete its existing Kutz Federal Well No. 16 (API No. 30-045-33038) into the Mancos formation at an unorthodox gas well location 2175 feet from the South line and 845 feet from the West line (Unit L) of Section 33, Township 28 North, Range 10 West, NMPM, San Juan County, New Mexico.

Pursuant to Division Rule 104.C (3), the SW/4 of Section 33 is to be dedicated to this well in order to form a standard 160-acre gas spacing unit for this gas bearing Mancos interval designated WC Basin Mancos (97232).

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

From your application, the Division understands that "[T]he above captioned well was drilled and completed as a Basin Dakota infill well spaced as a W/2 320-acre unit." Pursuant to the well location provisions on 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 well is considered to be "standard."

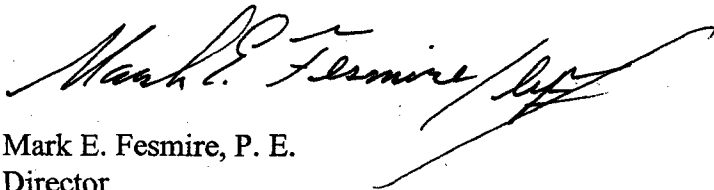
By the authority granted me under the provisions of Division Rule 104.F (2) and based only on the information provided, the above-described unorthodox Mancos gas well location within the proposed standard 160-acre gas spacing unit comprising the SW/4 of Section 33 is hereby approved.

IT SHALL BE NOTED HOWEVER THAT this location exception order is restricted to a completion within the WC Basin Mancos interval only. Any subsequent completion of this wellbore into any other formation and/or pool spaced on 160 acres shall render this order null and void. **FURTHERMORE**, the addition of any other zone to this wellbore with 160-acre acre spacing, other than the Mancos formation, will require a Division hearing before a duly appointed Examiner.

AS A REMINDER, the Division's well spacing and well location rules, rather by special pool rules or under Division Rule 104, are serious matters and exist for the purpose of promoting orderly development of New Mexico's valuable oil and gas resources. **HENCEFORTH**, XTO, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones to be completed. All future applications by XTO seeking such exception for a secondary interval for a recently drilled well will require a hearing until further notice [see Division Rule 104.F (5)].

Jurisdiction of this matter shall be further retained for the entry of any such subsequent 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
James Bruce, Legal Counsel for XTO Energy, Inc. – Santa Fe