



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 8, 2006

Mark E. Fesimire, P.E.

Director

Oil Conservation Division

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

Attention: **Ryan O'Kelly**
Associate Landman
ryan_o'kelly@xtoenergy.com

Administrative Order NSL-5344

Dear Mr. O'Kelly:

Reference is made to the following: (i) your application for XTO Energy, Inc. ("XTO") that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 24, 2006 (*administrative application reference No. pTDS0-605930770*); and, (ii) more importantly, the Division's records in Aztec and Santa Fe.

The Division's Staff Examiner Acting on Behalf of the Director Finds That:

(1) XTO seeks approval to produce gas from the Morrison formation within its existing New Mexico Federal "N" Well No. 2-F (*API No. 30-045-33243*) at an unorthodox gas well location within a "160-acre" gas spacing unit comprising the "NE/4" of Section 17, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico, 1980 feet from the North line and 2610 feet from the East line (Lot 7/Unit G) of Section 17.

(2) By XTO's "Application for Permit to Drill or Reenter" ("APD") on U. S. Bureau of Land Management ("BLM") form No. 3160-3, dated July 15, 2005, this well was permitted as a "Basin Dakota Pool well" to be drilled to a proposed depth of 6,950 feet. Further, the OCD Form C-102 attached to this APD would indicate this well to be an infill Dakota gas well located at a standard gas well location (see the "*Special Rules for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, 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) within an existing 324.90-acre standard lay-down gas spacing unit for the Basin-Dakota Pool (*pool code 72319*) comprising Lots 1 through 8 (N/2 equivalent) of Section 17.

(3) Attachments to the APD however indicate that XTO expected to intersect the top of the Morrison Shale at a depth of 6,824 feet.

(4) Since there are no Morrison pools within the general area, any "deep" Morrison gas production from this well would be classified "wildcat" (see Division Rule 104.A) and would therefore be governed under the provisions of Division Rule 104.C (1), which provides for: (i) 640-acre spacing units comprising a single governmental section for gas wells in the San Juan Basin below the Dakota formation; and (ii) such wells to be located not closer to the outer boundary of the spacing unit, or section line, than 1200 feet, nor closer than 130 to any quarter section line, and no closer to any internal quarter-quarter section line than 10 feet.

(5) This well was spud on November 28, 2005 and a total depth of 7,000 feet was achieved on December 9, 2005 (see the "sundry notice" on this well on BLM form No. 3160-5 dated December 21, 2005).

(6) Within another sundry notice dated January 13, 2006, XTO states:

"[T]his well was permitted as a Basin Dakota Pool well. After review of the well logs XTO Energy requests permission to complete the [New Mexico Federal "N" Well No. 2-F] in the Morrison formation. The well logs showed potential productive Morrison sands deeper than Base of the Dakota SSands at 6,852 [feet] (defined as 400' below the Base of Greenhorn). XTO plans to test the Morrison from 6,853' - 6,896' and 6,936' - 6'942 [feet]."

(7) At the request of the Division's Aztec district office, XTO submitted an amended OCD Form C-102 dated February 7, 2006 for the Morrison-WC 30N12W17 gas interval (*pool code No. 97507*) showing the correct acreage assignment of 648.64 acres comprising all of Section 17.

(8) Even though the primary zone of interest for this well was the shallower Basin-Dakota interval, being a standard infill gas well location for the Basin-Dakota Pool, XTO knowingly and willfully drilled through to penetrate the Morrison interval at a location considered to be unorthodox, rather such zone was classified gas or oil, or rather developed on 640-acre, 160-acre, or 40-acre spacing.

(9) Any operator intending to test or complete any well within multiple zones that have different spacing and well location rules should make every attempt possible to locate such well at a location considered to be standard for each interval. Exceptions shall require substantial justification and unusual circumstances. Primary zones of interest do not necessarily take precedents over secondary intervals, but can be the contributing factor should geological factors warrant. The reason for this location within the deeper Morrison gas interval is neither based on topography or geology. Your application for XTO was not only filed after the fact and is unsupported, but also contains the wrong information.

(10) However, subsequent to the Division's review of this matter and considering that: (i) all of Section 17 is included within a single federal lease (*United States Government lease No. NM-047*) in which mineral interests within the deep Morrison interval is common throughout and where XTO is the leasehold operator; and (ii) the resultant deep Morrison location, unbeknownst to you, is only unorthodox internally and does not encroach upon any other lease or affected mineral interests. This application, which took a great deal of the Division's time to adequately and fairly respond to, will be approved only with your understanding that the Division's spacing and well location rules are serious matters and are in place for the purpose of assuring orderly development of New Mexico's valuable oil and gas resources and that XTO must not get into a mode of thinking that considers these rules minor inconveniences and that such applications for exceptions are "open and shut" cases.

It Is Therefore Ordered That:

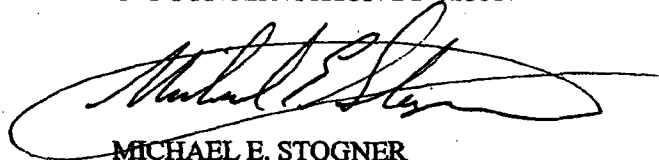
(1) By the authority granted me under the provisions of Division Rules 104.F (2), XTO Energy, Inc. ("XTO") is hereby authorized to produce its existing New Mexico Federal "N" Well No. 2-F (*API No. 30-045-33243*) at an unorthodox deep Morrison gas well location within a standard 648.64-acre gas spacing unit comprising all of Section 17, Township 30 North, Range 12 West, NMPM, Morrison-WC 30N12W17 gas interval (*pool code No. 97507*), San Juan County, New Mexico, 1980 feet from the North line and 2610 feet from the East line (Lot 7/Unit G) of Section 17.

(2) **PLEASE NOTE HOWEVER THAT IN THE FUTURE**, XTO, as a prudent operator: (i) should take all steps necessary to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations; and (ii) must submit complete and correct applications seeking administrative relief from the Division's rules and regulations, otherwise all such future applications will be subject to the Division's hearing process until further notice.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER
Engineering Assistant to the Division Director

MES/ms

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
Mr. James Bruce, Legal Counsel for XTO Energy, Inc. - Santa Fe



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 25, 2005

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
george_cox@xtoenergy.com

Administrative Order NSL-5243

Dear Mr. Cox:

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 28, 2005 (*administrative application reference No. pMES0-520656792*); and (ii) the Division's records in Santa Fe and Aztec, including Mr. Michael E. Stogner's (an Engineer with the Division in Santa Fe) telephone conversation with Mr. Steve Hayden (a Geologist with the Division's district office in Aztec) on Friday morning, July 22, 2005 regarding the WC Basin Mancos (97232) gas producing interval in the San Juan Basin and the file on Division Administrative Order NSL-4401: as it relates to your request on behalf of XTO Energy, Inc. ("XTO") to recomplete the existing J. C. Gordon "D" Well No. 3-F (API No. 30-045-32584) into the Mancos formation at an unorthodox gas well location 2395 feet from the North line and 995 feet from the West line (Unit E) of Section 23, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico.

Pursuant to Division Rule 104.C (3), the NW/4 of Section 23 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.

Your application has been duly filed under the provisions of Division Rules 104.F and 1207.A (2).

The Division understands that XTO recently drilled this well (spud date - April 5, 2005) to a total depth of 7,020 feet as an infill gas well in the Basin-Dakota Pool (71599) within an existing standard 320-acre stand-up gas spacing and proration unit comprising the W/2 of Section 23 at a standard gas location pursuant to 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.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Mancos gas well location within the proposed standard 160-acre gas spacing unit comprising the NW/4 of Section 23 is hereby approved.

IT SHALL BE NOTED HOWEVER THAT this order is restricted to a completion within the WC Basin Mancos interval; IF HOWEVER, any subsequent: (i) completion of this wellbore into; or (ii) assignment of any Mancos completion within this wellbore to, the Angels Peak-Gallup Associated Pool (2170), shall be subject to all applicable provisions of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended.

PLEASE NOTE ALSO THAT IN THE FUTURE, 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 encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations. Any future disregard to the Division's well spacing rules with respect to secondary or primary intervals may subject all such future requests to the Division's hearing process.

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
File: NSL-4401



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

XTO Energy, Inc.

810 Houston Street

Fort Worth, Texas 76102-6298

March 21, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Attention: Christopher Spencer
christopher_spencer@xtoenergy.com

Administrative Order NSL-5171 (SD)

Dear Mr. Spencer:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on January 14, 2005 (*administrative application reference No. pSEM0-501841823*); (ii) the Division's initial response by e-mail from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe, sent to you on March 4, 2005; (iii) the only response to this e-mail submitted, not by you or by any XTO Energy, Inc. ("XTO") staff member but, by Mr. Steven Hayden, Geologist of the Division's District of in Aztec on March 10, 2005; and (iv) the Division's records in Aztec and Santa Fe: all concerning XTO's request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard infill gas well location within an existing standard 320-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629) comprising the S/2 of Section 26, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

This application with the assistance of the Division's Aztec District III office has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*"; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

This unit is currently dedicated to XTO's Morris Gas Com. Well No. 1 (API No. 30-045-07817), located at a standard coal gas well location 1650 feet from the South and West lines (Unit K) of Section 26.

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the following described well to be drilled as an unorthodox infill coal gas well within this 320-acre gas spacing unit is hereby approved:

**Morris Gas Com. Well No. 2
1810' FSL & 470' FEL (Unit I)
(API No. 30-045-32642).**

Further, XTO is hereby authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from its existing Morris Gas Com. Well No. 1 with the proposed Morris Gas Com. Well No. 2.

IT SHALL BE NOTED HOWEVER THAT approximately four years ago this bureau enacted a policy whereby any incomplete administrative filing older than 30 days is to be withdrawn and returned. Any future application from XTO must stand on its own merit and not rely on work performed but this agency on your behalf, albeit unsolicited, nonetheless any applicant that does not initially submit sufficient information to complete any application nor does not provide the information requested by subsequent correspondence shall be deemed incomplete and denied.

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
James Bruce, Legal Counsel for XTO Energy, Inc. – Santa Fe



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

May 30, 2003

XTO Energy, Inc.
810 Houston Street - Suite 2000
Fort Worth, Texas 76102-6298
Attention: George A. Cox
George_Cox@XTOEnergy.com

Telefax No. (817) 870-1671

Administrative Order NSL-4891

Dear Mr. Cox:

Reference is made to: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 9, 2003 (*administrative application reference No. pKRV0-313329318*); and (ii) the Division's records in Aztec and Santa Fe: all concerning XTO Energy, Inc.'s ("XTO") request for a non-standard Gallup oil well location for XTO's existing M. N. Galt "B" Well No. 1-Y (API No. 30-045-30354), which was recently drilled and completed (December, 2000/January/2001) in the Basin-Dakota Pool (71599) as an infill gas well within the W/2 equivalent of Section 6, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico, being a standard 331.42-acre stand-up gas spacing and proration unit, at a standard gas well location 1450 feet from the South line and 1800 feet from the West line (Unit K) of Section 6.

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.

It is our understanding that XTO now intends to abandon the Dakota interval within the M. N. Galt "B" Well No. 1-Y and recomplete up-hole into the Undesignated Kutz-Gallup Oil Pool (36550); however, pursuant Division Rule 104.B (1), as revised, this location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NE/4 SW/4 (Unit K) of Section 6.

By the authority granted me under the provisions of Division Rule 104.F (2), as revised, the above-described unorthodox Gallup oil well location for XTO's M. N. Galt "B" Well No. 1-Y is hereby approved.

PLEASE NOTE HOWEVER THAT IN THE FUTURE, XTO, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones

Administrative Order NSL-4891

XTO Energy, Inc.

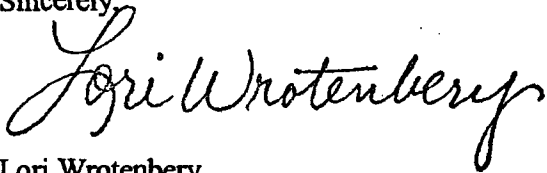
May 30, 2003

Page 2

to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations.

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

Sincerely,

A handwritten signature in cursive script, reading "Lori Wrotenberg".

Lori Wrotenberg
Director

LW/MES/kv

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