

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 9, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

CDX Rio, L.L.C.

2010 Afton Place

Farmington, New Mexico 87401

Attention: Richard Corcoran

Land Manager

Rich.Corcoran@cdxgas.com

Administrative Order NSL-5293-A

Dear Mr. Corcoran:

Reference is made to the following: (i) your application dated May 17, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 19, 2006 (*administrative application reference No. pMES0-614257660*); and (ii) the Division's records in Aztec and Santa Fe, including the file on Division Administrative Order NSL-5293 (*administrative application reference No. pMES0-529839623*): all concerning CDX Rio, L.L.C.'s ("CDX") request for exceptions to the well location requirements provided within 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.

CDX proposes to drill its Jicarilla Apache "102" Well No. 9-M at an unorthodox infill gas well location in both the Blanco-Mesaverde (72319) and Basin-Dakota (71599) Pools 935 feet from the South line and 2225 feet from the East line (Unit O) of Section 4, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

Gas production from the shallower Blanco-Mesaverde Pool is to be included within an existing standard 322.24-acre stand-up gas spacing and proration unit ("GPU") comprising Lots 1 and 2, the S/2 NE/4, and the SE/4 (E/2 equivalent) of Section 4, which is currently dedicated to CDX's two: (i) Jicarilla Apache "102" Well No. 5 (API No. 30-039-06718), located at a standard gas well location 1450 feet from the North and East lines (Unit G) of Section 4; and (ii) Jicarilla Apache "102" Well No. 5-A (API No. 30-039-23197), located at a standard Mesaverde infill gas well location 1120 feet from the South line and 790 feet from the East line (Unit P) of Section 4.

CDX Rio, L.L.C.

June 9, 2006

Page 2

Division Administrative Order NSL-5293-A

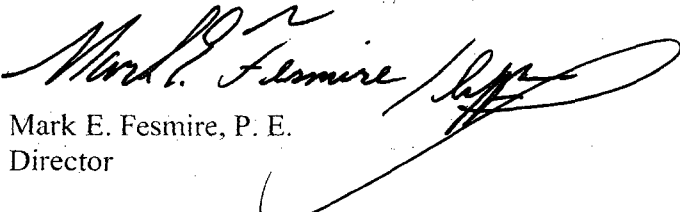
Gas production from the deeper Basin-Dakota Pool is to be included within an existing standard 322.24-acre stand-up GPU also comprising the E/2 equivalent of Section 4, which is currently dedicated to CDX's two: (i) Jicarilla Apache "102" Well No. 9 (API No. 30-039-06715), located at a standard gas well location 1600 feet from the North line and 1800 feet from the East line (Unit G) of Section 4; and (ii) Jicarilla Apache "102" Well No. 9-E (API No. 30-039-22456), located at a standard Dakota infill gas well location 970 feet from the South line and 920 feet from the East line (Unit P) of Section 4.

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 Division Administrative Order NSL-5293, dated October 25, 2005, CDX also received authority to drill its proposed Jicarilla Apache "102" Well No. 9-F (API No. 30-039-29664) at an unorthodox infill gas well location in both the Blanco-Mesaverde and Basin-Dakota Pools 585 feet from the North line and 760 feet from the East line (Lot 1/Unit A) of Section 4, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. To date the Jicarilla Apache "102" Well No. 9-F has not been drilled; however, the granting of this request shall not effect the drilling of either the Jicarilla Apache "102" Well No. 9-F or 9-M. Therefore, the provisions of Division Administrative Order NSL-5293 shall remain in full force and effect until further notice.

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 CDX's proposed Jicarilla Apache "102" Well No. 9-M is hereby approved. 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.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: U. S. Bureau of Land Management – Farmington
New Mexico Oil Conservation Division – Aztec
File: NSL-5293