



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 12, 2006

XTO Energy, Inc.
Attn: Mr. Ryan O'Kelley
810 Houston St.
Fort Worth, TX 76102-6298

Administrative Order NSL-5466

Dear Mr. O'Kelley:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS0-625448651**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 11, 2006, on behalf of XTO Energy, Inc. (XTO),

(b) your explanatory e-mail message dated September 21, 2006,

and

(b) the Division's records pertinent to this request.

XTO has requested to re-complete its Valencia Canyon Unit Well No. 45C (API No. 30-039-29697) at an unorthodox Pictured Cliffs gas well bottom-hole location, 1200 feet from the South line and 2132 feet from the East line (Unit O) of Section 34, Township 28 North, Range 4 West, N.M.P.M., in Rio Arriba County, New Mexico. The SE/4 of Section 4 will be dedicated to this well in order to form a non-standard 160-acre gas spacing unit in the Choza Mesa-Pictured Cliffs Gas Pool (74920). This pool is governed by statewide Rule 104.C(3), which provides for 160-acres units, with wells located at least 660 feet from a unit outer boundary.

Your application on behalf of XTO has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

The proposed location is approximately 508 feet from the western boundary of the spacing unit. It is our understanding that XTO is seeking this location for a re-completion of an existing well that was originally drilled directionally with the intention of completing it at a standard location in the Dakota formation. Due to mechanical complications, XTO was unable to complete the well in the Dakota as intended, and now seeks to re-complete the well uphole in the Pictured Cliffs.

It is also understood that all of S/2 of Section 34, including both the SE/4 on which the proposed well is located, and the SW/4 towards which the proposed unorthodox location encroaches, is covered by a federal oil and gas lease 100% owned by XTO and that all ownership interests in this lease, both working interest and royalty, are common, and further that this lease is dedicated to the Valencia Canyon (federal exploratory) Unit.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Pictured Cliffs gas well location for XTO's Valencia Canyon Unit No. Well No. 45C is hereby approved.

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec