



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 29, 2007

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

Attention: Mr. Ryan O'Kelley

Re: **Kutz Federal Well No. 12F**
API No. N/A
1220' FSL & 2525' FWL (Unit N)
Section 21, T-28 North, R-10 West, NMPM,
San Juan County, New Mexico

Administrative Order NSL-5678

Dear Mr. O'Kelley:

Reference is made to the following:

- (a) XTO Energy, Inc.'s ("XTO" or "applicant") application for a non-standard well location (*administrative application reference No. pCLP0720627605*) for the Kutz Federal Well No. 12F that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 20, 2007; and
- (b) the Division's records pertinent to your request.

XTO requests approval of an unorthodox well location for its proposed Kutz Federal Well No. 12F in the Basin-Dakota Gas Pool (Prorated Gas – 71599) and the Otero-Chacra Pool (Gas – 82329) to be drilled 1220 feet from the South line and 2525 feet from the West line (Unit N) of Section 21, Township 28 North, Range 10 West, NMPM, San Juan County, New Mexico. The SW/4 of Section 21 is to be dedicated to the well in the Otero-Chacra Pool forming a standard 160-acre spacing and proration unit. The well is also to be dedicated to an existing 320-acre gas spacing and proration unit in the Basin-Dakota Gas Pool comprising the W/2 of Section 21.

The Otero-Chacra Pool is currently governed by Division Rule 19.15.3.104(C)(3) which requires standard 160-acre spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the unit nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

The Basin-Dakota Gas Pool is currently governed by special pool rules established by Division Order No. R-10987, as amended, which require standard 320-acre gas spacing and proration units with initial and infill wells to be located no closer than 660 feet to the outer boundary of the gas proration unit and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

The applicant presented evidence to demonstrate that the proposed unorthodox location is necessitated by topographic considerations within the SW/4 of Section 21, as well as engineering considerations, namely XTO's desire to maximize the distance between the proposed well and the XTO Kutz Federal Well No. 12, an existing Basin-Dakota Gas Pool producing well located within the SW/4 of Section 21.

The applicant provided notice of its application to the owners of operating rights within the E/2 of Section 21, Township 28 North, Range 10 West, NMPM, being the affected offset acreage. The applicant also provided notice to the owners of operating rights within the Chacra and Dakota formations within the W/2 of Section 21. No party objected to the application within the 20-day waiting period prescribed by Division Rule 19.15.3.104(F).

Division records show that the Kutz Federal Well No. 12F will be the only producing well from the Otero-Chacra Pool within the SW/4 of Section 21, and the fourth well producing from the Basin-Dakota Gas Pool within the W/2 of Section 21.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Basin-Dakota Gas Pool and Otero-Chacra Pool is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', is written over a horizontal line.

Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management-Farmington