

DATE IN <u>7/7/09</u>	SUSPENSE	ENGINEER <u>Brooks</u>	LOGGED IN <u>7/8/09</u>	TYPE <u>NSL</u>	APP NO. <u>0918934472</u>
-----------------------	----------	------------------------	-------------------------	-----------------	---------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



30-039-06527
Rio Arriba
Breech #244
XTO (5380)

ADMINISTRATIVE APPLICATION CHECKLIST

Aaron Austin

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS 817-885-3064 WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

6058

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

RECEIVED OOD
2009 JUL - 7 P 1:22

DC-811

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☒ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Aaron Austin

Print or Type Name

Signature

Landman

Title

7-6-09

Date

Aaron_Austin@xtoenergy.com
e-mail Address



July 6, 2009

VIA FEDEX OVERNIGHT

Mr. David Catanach
New Mexico Oil Conservation Division
1220 S St Francis Dr
Santa Fe NM 87504

Re: Application for Administrative Approval of Unorthodox Location
XTO Energy Inc.'s Breech C #244 – Tocito Formation
990' FNL and 990' FEL, Section 14, T26N, R6W
Rio Arriba County, New Mexico

Dear Mr. Catanach:

XTO Energy Inc. (XTO) hereby requests administrative approval for an unorthodox location for the above referenced well. Attached for your reference are the following exhibits:

1. Topographic map
2. Aerial photograph
3. Ownership map
4. Production map showing Tocito Production

The Breech C #244 was drilled in 1959 and is currently producing from the Dakota formation. XTO proposes to recompleate the well in the Tocito formation, which will be spaced as an 80 acre stand up unit, and downhole commingle with the Dakota formation. Since the existing Tocito pool rules call for a Tocito well to be located in the northwest quarter or the southeast quarter of a governmental quarter section only, the proposed operations would cause the current location of the wellbore to be NSL.

XTO has concluded that a stand alone new drill targeting the Tocito formation would be uneconomical. In an effort to prevent waste, minimize surface disturbance, and extract oil and gas that would otherwise be uneconomical to recover, XTO requests an administrative approval for the unorthodox location based on the above information.

Should you need any additional information, please contact me at (817) 885-3064.

Yours truly,

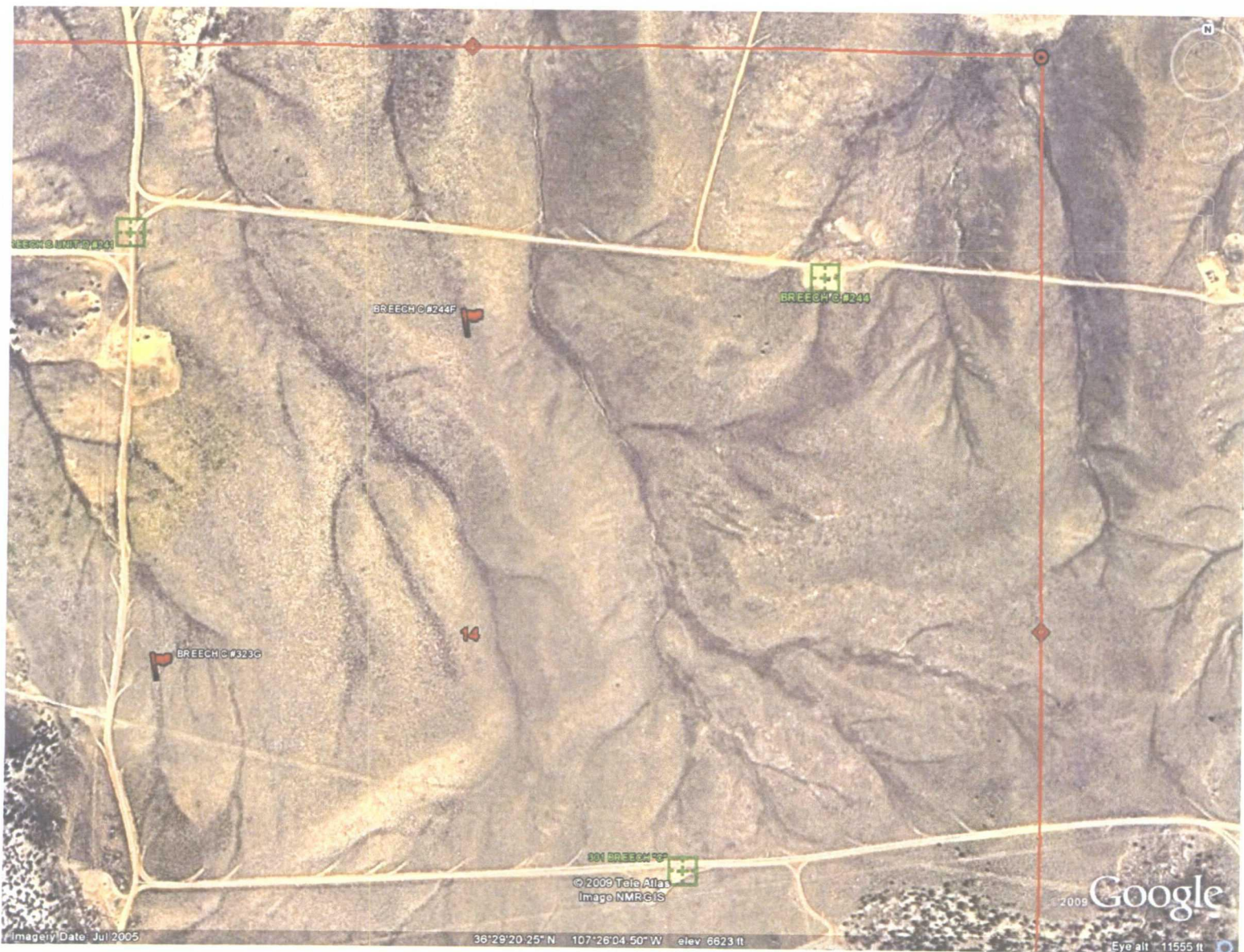
Aaron Austin
Landman

South Blanco - Tocito oil

cc: Pickle Inc.

Basin Blanco Mancos

Enclosures





SECTION PLAT OF 9 SQUARE MILES

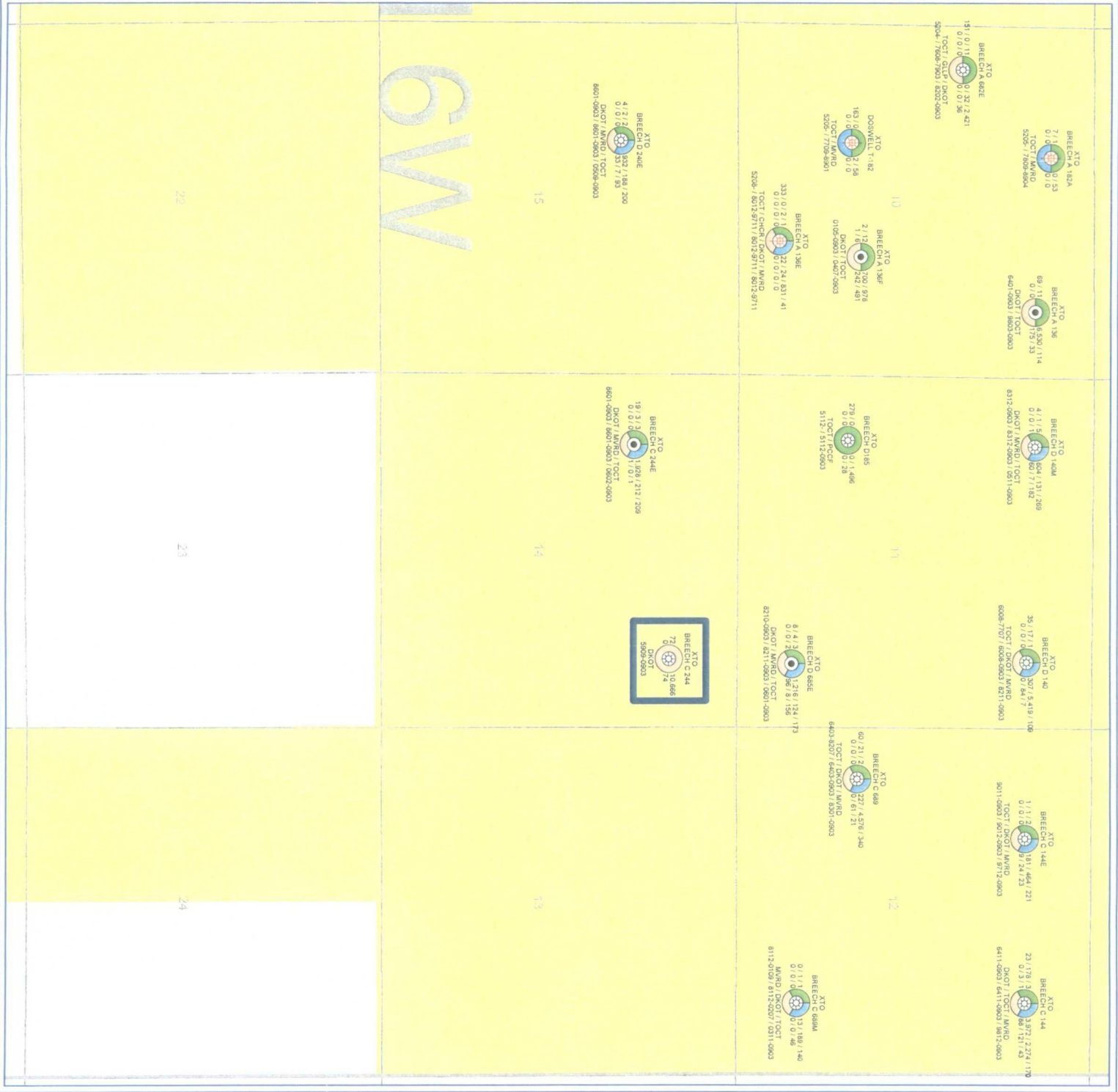
STATE: New Mexico COUNTY: Rio Arriba

PROSPECT: Breech C #244 DATE: July 6, 2009

SECTION: 14 TOWNSHIP: 26 North RANGE: 06 West

SCALE: 1"=2000'

10	11 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%	12
15	14 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%	13 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%
22	23	24



XTO Energy

Breach C 244 - Add Tocio

0 2.111

FEET

POSTED WELL DATA

Operator

Well Label

PicCum - CUMULI, MBLS

PicCum - LAST OILKATE, BBLO

PicCum - CUMGAS, MNGF

PicCum - LAST GASDATE, MCFD

PicCum - FROM DATE, TO DATE

ATTRIBUTE MAP

Tocio Formation

Dakota Formation

Mesaverde Formation

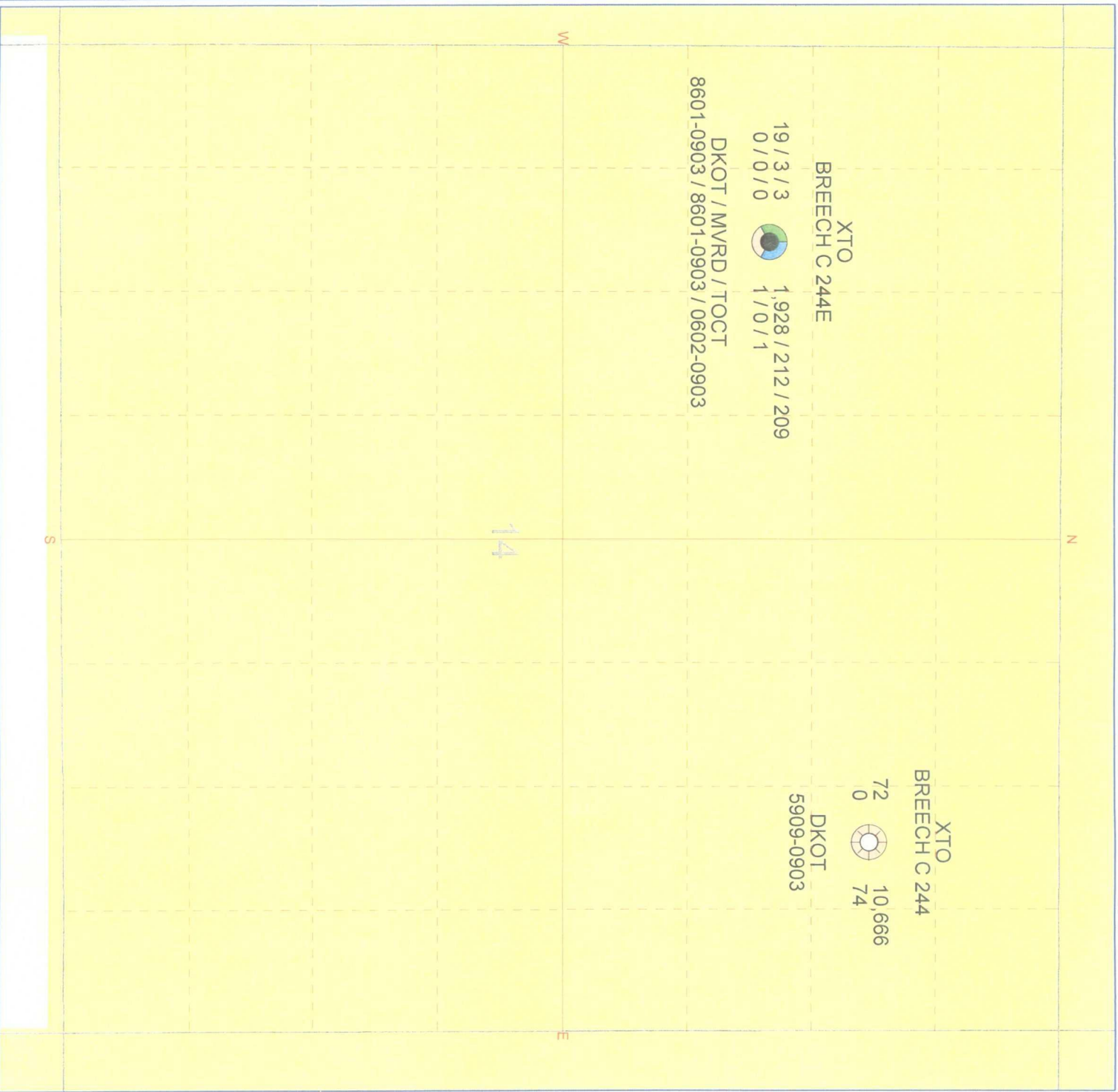
WELL SYMBOLS

Gas Well

Oil Well

P&A Gas Well

June 19, 2009



XTO Energy

Breecch C 244 - Add Tocito



POSTED WELL DATA

Operator: Well Label
 Pacum - CUMUL. MBLIS Pacum - CUMUL. MBLIS
 Pacum - LAST OILDATE. BRUD Pacum - LAST OILDATE. MCRD
 Pacum - FROM DATE: NO DATE

ATTRIBUTE MAP



June 18, 2009



July 6, 2009

VIA FEDEX OVERNIGHT

Pickle, Inc.
Attn: Mr. Stanley Adler
20501 Ventura Blvd., Suite 165
Woodland Hills, CA 91401

Re: Application for Administrative Approval of Unorthodox Location
XTO Energy Inc.'s Breech C #244 – Tocito Formation
990' FNL and 990' FEL, Section 14, T26N, R6W
Rio Arriba County, New Mexico

Dear Mr. Adler,

Enclosed is a copy of an Application for Administrative Approval of Unorthodox Location for the Breech C #244 well for the Tocito formation (South Blanco-Tocito Oil Pool). The application has also been sent to the New Mexico Oil Conservation Commission for administrative approval.

The proposed Breech C #244 completion in the Tocito formation would cause the well to be located in a Non-Standard Location (NSL). The existing well was drilled at a standard location for the currently producing Dakota formation, but not for the Tocito formation which has different pool rules and set back requirements. It would be uneconomical to drill a stand alone Tocito well, therefore, XTO is requesting permission from the New Mexico Oil Conservation Commission and necessary offsetting owners for approval to recomplete the existing well in an effort to conserve resources.

If Pickle Inc. objects to the above described operations, it must file an objection with the New Mexico Oil Conservation Commission within 20 days, as required by the OCD rule 15.13.D (19.15.15.13D NMAC). If you have no objection to the proposed non-standard location, please so indicate by signing and returning one copy of this letter to me at the address shown at the bottom of this letter.

Should you have any questions, please contact me at (817) 885-3064.

Yours truly,

A handwritten signature in black ink, appearing to read 'Aaron Austin', written over a horizontal line.

Aaron Austin
Landman

Enclosures

cc: David K. Brooks, NMOCD

Pickle, Inc.
Breech C #244 – NSL Notice
July 6, 2009
Page Two

_____ hereby waives notice of hearing and objection to
the application by XTO Energy Inc. for the non-standard location for the Breech C #244
well in the .

By: _____
Date: _____

SOUTH BLANCO-TOCITO POOL
(Formerly the Pettigrew-Tocito Pool)
Rio Arriba County, New Mexico

Order No. R-1191, Adopting Rules for the South Blanco-Tocito Pool, Rio Arriba County, New Mexico, June 10, 1958, as Amended by Order No. R-1191-A, May 21, 1959, Order No. R-2186, February 14, 1962, and Order No. R-1191-C, February 5, 1964.

Order No. R-1191 supersedes Order No. R-326, May 26, 1953, as Amended by Order No. R-1104, December 14, 1957, Order No. R-1144, March 25, 1958.

Application of Caulkins Oil Company to amend the special pool rules for the South Blanco-Tocito Oil Pool, Rio Arriba County, New Mexico.

CASE NO. 1420
Order No. R-1191

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m. on April 16, 1958, at Roswell, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission,"

NOW, on this 10th day of June, 1958, the Commission, a quorum being present, having considered the application and the evidence adduced, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Caulkins Oil Company, is the operator of a water injection project in the South Blanco-Tocito Oil Pool in Rio Arriba County, New Mexico.

(3) That the applicant proposes that the Special Rules and Regulations for the South Blanco-Tocito Oil Pool as promulgated by Order No. R-326, dated May 26, 1953, and by Commission Order No. R-1144, dated March 25, 1958, be amended to provide for a system of transferring allowables within said water injection project and to provide credit against gas-oil ratio limitations for net water injected into the reservoir.

(4) That amendment of the Special Rules and Regulations for the South Blanco-Tocito Oil Pool to provide that allowables may be transferred from injection wells to other producing wells within the water injection project will not impair correlative rights.

(5) That production from any one well within the water injection project should be limited to twice the top unit allowable or three hundred (300) barrels a day, whichever is greater.

(6) That in order to prevent the waste of casinghead gas, a no-flare order should be entered for the South Blanco-Tocito Oil Pool, effective October 1, 1958.

(7) That the Rules and Regulations for the South Blanco-Tocito Oil Pool, as set forth in Commission Order No. R-326, dated May 26, 1953, and Commission Order No. R-1144, dated March 25, 1958, should be superseded by this order so as to consolidate all Special Rules and Regulations for the South Blanco-Tocito Oil Pool and for the South Blanco-Tocito Water Injection Project in one order.

(8) That the findings of the Commission, as recited in Commission Order R-326 and Commission Order R-1144, should be incorporated by reference in this order.

IT IS THEREFORE ORDERED:

(1) That the findings of the Commission, as recited in Commission Order R-326 and Commission Order R-1144, be and the same are hereby incorporated by reference in this order.

(2) That the Rules and Regulations for the South Blanco-Tocito Oil Pool as set forth in Commission Order R-326, dated May 26, 1953, and Commission Order R-1144, dated March 25, 1958, be and the same are hereby superseded.

(3) That Special Pool Rules for the South Blanco-Tocito Pool, Rio Arriba County, New Mexico, be and the same are hereby promulgated as follows, effective July 1, 1958:

**SPECIAL RULES AND REGULATIONS
FOR THE SOUTH BLANCO-TOCITO OIL POOL**

RULE 1. Any well drilled to or completed in the Tocito formation within one mile of the boundaries of the South Blanco-Tocito Oil Pool shall be spaced, drilled, operated, and prorated in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. All wells projected to or completed in the South Blanco-Tocito Oil Pool shall be located on a tract containing 80 acres, more or less, comprising the East half, West half, North half, or South half of the governmental quarter section in which the well is located. Allowables for wells located on such 80-acre tracts shall be assigned in accordance with the 80-acre proportional factor for pools in the 6000 to 7000-foot depth range. Wells located on tracts comprising less than 80 acres shall be assigned an allowable which shall bear the same proportion to the standard 80-acre allowable that the acreage assigned to such well bears to 80 acres.

RULE 3. All wells hereafter projected to or completed in the South Blanco-Tocito Oil Pool shall be located in the center of the Northwest quarter or the Southeast quarter of a governmental quarter section, with a tolerance of 100 feet in any direction to avoid surface obstructions.

RULE 4. That all wells hereafter projected to or completed in the South Blanco-Tocito Oil Pool shall be cased in accordance with the following casing rules:

(a) The surface casing shall consist of new or reconditioned pipe with an original mill test of not less than 1000 pounds per square inch, and at least one string of surface casing shall be set at a depth sufficient to protect all potable water-bearing strata encountered, and not less than 450 feet below the surface of the ground. Sufficient cement shall be used to fill the annular space back of the pipe to the bottom of the cellar. Cement shall be allowed to stand a minimum of 24 hours before initiating tests. Before drilling the plug a pump pressure of at least 600 pounds per square inch shall be applied. If at the end of 30 minutes the pressure shows a drop of 100 pounds per square inch, or more, the casing shall be condemned, subject to corrective operations and further testing.

(b) The producing oil string shall consist of new or reconditioned pipe with an original mill test of not less than 2100 pounds per square inch. The producing string shall be set and cemented with sufficient cement to fill the calculated annular space behind the pipe to a minimum of 1000 feet above the guide shoe. Cement shall be allowed to stand a minimum of 72 hours before initiating tests. Before drilling the plug a pump pressure of at least 600 pounds per square inch shall be applied.

(SOUTH BLANCO-TOCITO (FORMERLY THE PETTIGREW-TOCITO POOL) POOL - Cont'd.)

If at the end of 30 minutes the pressure shows a drop of 100 pounds per square inch, or more, the casing shall be condemned, subject to corrective operations and further testing.

RULE 5. (As Amended by Order No. R-2186, February 14, 1962.) Upon completion of any well in the South Blanco-Tocito Oil Pool and annually, during the month of October, a bottom-hole pressure test shall be made and a report thereof filed with the Commission on Commission Form C-124. Bottom-hole pressures shall be taken in accordance with the provisions of Rule 302 of the Commission Rules and Regulations except that wells shall remain shut-in for a minimum of 72 hours prior to testing. Tests shall be corrected to a reservoir datum plane of minus one hundred feet (-100).

RULE 6. Upon completion of any well in the South Blanco-Tocito Oil Pool and semi-annually during the months of April and October, a gas-oil ratio test shall be made and a report thereof filed with the Commission on Commission Form C-116.

RULE 7. Prior to making tests required in Rules 5 and 6 above, each operator in the South Blanco-Tocito Oil Pool shall notify all other operators in the pool, as well as the Commission of the time such tests are to be conducted. Tests may be witnessed by representatives of the other operators and the Commission, if they so desire.

RULE 8. The limiting gas-oil ratio for the South Blanco-Tocito Oil Pool shall be two thousand (2000) cubic feet of gas for each barrel of oil produced.

RULE 9. No casinghead gas produced from any well completed in the South Blanco-Tocito Oil Pool shall be flared or vented after October 1, 1958.

RULE 10. All wells drilled to and completed in the South Blanco-Tocito Oil Pool prior to May 26, 1953, whose locations do not conform to the well spacing requirements of Rule 3 above are excepted from the requirements of said Rule and their locations are hereby approved as unorthodox well locations. This approval shall apply to the following wells:

	Well No.	Unit	Sec.	Twp.	Rge.
Caulkins Oil Company	T-132	A	9	26N	6W
Caulkins Oil Company	T-134	C	10	26N	6W
Caulkins Oil Company	T-157	E	10	26N	6W
Caulkins Oil Company	T-182	K	10	26N	6W
Caulkins Oil Company	T-207	O	10	26N	6W

RULE 11. In addition to the above Rules for the South Blanco-Tocito Oil Pool, the following Rules shall apply to the operation of all wells completed in the Tocito formation and located within the South Blanco Water Injection Project Area, hereinafter referred to as the "Project."

(a) 1. (As Amended by Order No. R-1191-A, May 21, 1959, and Order No. R-1191-C, February 5, 1964.) The project area shall comprise that area described as follows:

T-26-N, R-6-W S/2 SW/4 Sec. 3; S/2 Sec. 4; S/2 S/2 Sec. 5; Sec. 6; NE/4 Sec. 7; N/2 Sec. 8; N/2, N/2 S/2 Sec. 9; N/2, N/2 SW/4, SE/4 Sec. 10; Secs. 11, 12; N/2 Sec. 13; N/2 Sec. 14.

2. Expansion of the project area to include additional acreage may be approved administratively by the Secretary-Director of the Commission for good cause shown. To obtain such approval, the project operator shall file proper application with the Commission, furnishing copies of said application to all interested parties. "Interested parties" are defined as being working interest owners and royalty owners within the project area and immediately offsetting it. The Secretary-Director may approve the expansion of the project area if, within 20 days after receiving the application, no objection is received from any interested party. The Secretary-Director may grant immediate approval provided waivers of objection are received from all interested parties.

(b) The allowable for the Project shall be the sum of the allowables of the several wells within the project area, including those wells which are shut-in or are used as water injection wells. Allowables for all wells shall be determined in a manner hereinafter prescribed.

(c) Allowables for water injection wells may be transferred to producing wells within the project area, as may be the allowables for producing wells which, in the interest of more efficient operation of the Project, are shut-in or are curtailed in their rate of production.

(d) The project allowable may be produced from any well or wells in the project area in any proportion, provided said rate of production is consistent with efficient operation of the Project and provided further, that no well shall produce in excess of two times the top unit allowable for the South Blanco-Tocito Oil Pool, or 300 barrels per day, whichever is greater.

(e) The allowable assigned to any water injection well, which is to be transferred to any other well or wells in the Project area for production, shall in no event exceed the producing capacity of the well prior to conversion to water injection, as determined by the average daily rate of production during the last three months the well was produced prior to such conversion.

Conversion of producing wells to water injection, as abandonment of said producing wells is necessitated by water encroachment, shall be made only after approval of such conversion by the Secretary-Director of the Commission. To obtain such approval, the Project operator shall file proper application for conversion with the Commission, providing copies of said application to all interested parties. The Secretary-Director may approve the conversion to water injection if, within 20 days after receiving the application, no objection to said conversion is received. The Secretary-Director may grant immediate approval provided waivers of objection are received from all interested parties.

(f) The allowable assigned to any well which is to be shut-in or curtailed and which is to be transferred from said well to any other well or wells in the project area shall in no event exceed the ability of the well to produce oil as determined by a 24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well under test shall be produced in the same manner and at a constant rate. The project operator shall notify all other operators in the South Blanco-Tocito Oil Pool, as well as the Commission, of the time such tests are to be conducted. Tests may be witnessed by representatives of the other operators and the Commission, if they so desire.

(g) The allowable assigned to any well in the Project shall be based upon the ability of the well to produce oil and shall be subject to the limiting gas-oil ratio (2000 to 1) for the South Blanco-Tocito Oil

(SOUTH BLANCO-TOCITO POOL - Cont'd.)

Pool, except that credit for daily average net water injected into the Tocito formation through any injection well or wells located within the project area may be applied to any well or wells producing with a gas-oil ratio in excess of two thousand cubic feet of gas per barrel of oil. Total credit for net water injected in the project area shall be the gas equivalent volume of the daily average net water injected during a one-month period. The daily average gas equivalent of net water injected shall be computed in accordance with the following formula:

E-g: (V-w inj - V-w prod) X

$$\frac{5.61 \text{ ft}^3}{\text{bbl}} \times \frac{P-a}{15.025} \times \frac{520 \text{ degrees}}{625 \text{ degrees}} \times \frac{1}{Z}$$

where:

E-g	equals	Average daily gas equivalent of net water injected
V-w inj	equals	Average daily volume of water injected, barrels
V-w prod	equals	Average daily volume of water produced, barrels
P-a	equals	Average reservoir pressure at datum of -100 feet, psig / 11.5, as determined from most recent semi-annual survey.
15.025	equals	Pressure base, psi
520 degrees	equals	Temperature base of 60 degrees F expressed as absolute temperature
625 degrees	equals	Reservoir temperature of 175 degrees F expressed as absolute temperature
Z	equals	Supercompressibility factor for 0.7 gravity gas at average reservoir pressure, P-a, interpolated from supercompressibility tabulation below:

Pressure	Z	Pressure	Z
2000	0.845	1200	0.889
1900	0.849	1100	0.897
1800	0.853	1000	0.905
1700	0.857	900	0.914
1600	0.861	800	0.923
1500	0.865	700	0.932
1400	0.873	600	0.941
1300	0.881	500	0.950

Distribution of the total calculated average daily gas equivalent volume may be made to any well or wells with gas-oil ratios in excess of two thousand to one. The daily adjusted oil allowable for any such well receiving water injection credit shall be determined as follows:

Well's

Adjusted equals (Top unit allowable X 2000) / gas
Allowable equivalent volume assigned to well
Well's gas-oil ratio

provided however, that in no event shall the gas equivalent volume assigned to a well be such as to cause the well's adjusted allowable to exceed the top unit allowable for the pool.

(h) Each month the project operator shall, within three days after the normal unit allowable for Northwest New Mexico has been established, submit to the Commission a South Blanco-Tocito Water Injection Project Operator's Report, on a form prescribed by the Commission, outlining thereon the data required, and requesting allowables for each of the several wells in the Project.

(i) The Commission shall, upon review of the report and after any adjustments deemed necessary, assign allowables to each well in the Project for the next succeeding month in accordance with these rules.

(j) The Special Rules and Regulations for the operation of wells in the project area shall prevail against the Special Rules and Regulations for the South Blanco-Tocito Oil Pool, if in conflict therewith.

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

BISTI-LOWER GALLUP POOL San Juan County, New Mexico

Order No. R-1069-B, Adopting Temporary Operating Rules for the Bisti-Lower Gallup Pool, San Juan County, New Mexico, January 17, 1958, as Amended by Order No. R-1069-F, June 1, 1973, and Order No. R-1069-G, March 23, 1976.

Order No. R-1069-D, February 2, 1959, makes permanent the rules adopted in Order No. R-1069-B.

Application of Sunray Mid-Continent Oil Company for an order extending the horizontal limits of the Bisti-Lower Gallup Oil Pool, in San Juan County, New Mexico, and temporarily establishing uniform 80-acre well spacing and promulgating special rules and regulations for said pool.

CASE NO. 1308
Order No. R-1069-B

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 o'clock a.m., on September 18, 1957, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," and that this cause came on for rehearing before the Commission, upon the petition of Sunray Mid-Continent Oil Company et al, at 9 o'clock a.m. on December 18, 1957 at Santa Fe, New Mexico.

NOW, on this 17th day of January, 1958, the Commission, a quorum being present, having considered the application, the petitions for rehearing, and the evidence adduced at both the original hearing and the rehearing and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Order No. R-1069 should be superseded by this order.

(3) That the Commission found in Order No. R-1069 that "... the Commission should continue to follow its established policy of extending the horizontal limits of oil and gas pools in the State of New Mexico to include only such acreage as has been proven productive by actual drilling operations."

(4) That the petitioners on rehearing failed to show cause why the Commission should deviate from the aforementioned policy in the Bisti-Lower Gallup Oil Pool.

(5) That sufficient evidence was adduced by the petitioners on rehearing, in addition to the evidence adduced at the original hearing, to justify the establishment of 80-acre proration units in the Bisti-Lower Gallup Oil Pool on a temporary basis.

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, July 08, 2009 4:38 PM
To: 'Aaron_Austin@xtoenergy.com'
Subject: Breech C #244; NSL Application

Dear Mr. Austin

The referenced NSL application does not contain sufficient information to enable us to determine if the requisite notices have been sent. The ownership plat attached does not indicate ownership of Section 12. Either the S/2 SW/4 or the W/2 SW/4 would be an "adjoining spacing unit." See Rule 2.7.A(5). Since the well is located in a quarter-quarter section not allowed by the applicable spacing rule, notice is required to affected persons in *all* adjoining spacing units. See Rule 4.12.A(2)(d). Please advise us of the ownership of the S/2 SW/4 and W/2 SW/4 of Section 12.

Also, do you contemplate dedicating a E/2 NE/4 or a N/2 NE/4 spacing unit to this well in the Tocito?

Thanks for your attention.

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

Brooks, David K., EMNRD

From: Aaron_Austin@xtoenergy.com
Sent: Thursday, July 09, 2009 9:16 AM
To: Brooks, David K., EMNRD
Subject: Re: Breech C #244; NSL Application
Attachments: Breech C #244 - 9 Section Ownership Map - Revised.pdf

Mr. Brooks,

Thank you for bringing these issues to my attention. I have attached an updated ownership map that includes ownership information on Section 12.

It is also the same 91% / 9% working interest split between XTO and Pickle Inc. If you would like me to send a hard copy, I can put a couple copies in the mail today and you should have them within the next few days.

Also, as stated in my letter, this will be a stand-up 80 acre unit, so it will be the E/2NE/4 of the quarter section. I probably should have been more specific in my original letter. If there is anything else you need please feel free to contact me via email or phone.

Thanks again.

(See attached file: Breech C #244 - 9 Section Ownership Map - Revised.pdf)

Aaron Austin
XTO Energy Inc.
Phone: (817) 885-3064
Fax: (817) 885-1854

"Brooks, David
K., EMNRD"
<david.brooks@state.nm.us>

<Aaron_Austin@xtoenergy.com>

To

cc

07/08/2009 05:37
PM

Subject

Breech C #244; NSL Application

Dear Mr. Austin

The referenced NSL application does not contain sufficient information to enable us to determine if the requisite notices have been sent. The ownership plat attached does not indicate ownership of Section 12. Either the S/2 SW/4 or the W/2 SW/4 would be an "adjoining spacing unit." See Rule 2.7.A(5). Since the well is located in a quarter-quarter section

not allowed by the applicable spacing rule, notice is required to affected persons in all adjoining spacing units. See Rule 4.12.A(2)(d). Please advise us of the ownership of the S/2 SW/4 and W/2 SW/4 of Section 12.

Also, do you contemplate dedicating a E/2 NE/4 or a N/2 NE/4 spacing unit to this well in the Tocito?

Thanks for your attention.

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the MessageLabs Email Security System.

This inbound email has been scanned by the MessageLabs Email Security System.



SECTION PLAT OF 9 SQUARE MILES

STATE: New Mexico COUNTY: Rio Arriba

PROSPECT: Breech C #244 DATE: July 6, 2009

SECTION: 14 TOWNSHIP: 26 North RANGE: 06 West

SCALE: 1'=2000'

10	11 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%	12 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%
15	14 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%	13 XTO Energy Inc – 91.00% Pickle Inc. – 9.00%
22	23	24