

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

*CASE NO. 13327
ORDER NO. R-11132-C*

APPLICATION OF XTO ENERGY, INC. TO AMEND DIVISION ORDER NO. R-11132-B, SIMULTANEOUS DEDICATION, AND AN UNORTHODOX GAS WELL LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 19, 2004, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 10th day of September, 2004, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Division Order No. R-11132-B, issued in Case No. 12578 on August 8, 2001, authorized and reiterated the following:

(a) The supersession of Division Orders No. R-11131, issued in Case No. 12099 on February 5, 1999, R-11132, issued in Case No. 12100 on February 5, 1999, and R-11132-A, issued in Case No. 12210 on September 29, 1999.

(b) Cross Timbers Oil Company to directionally drill its Ute Indians "A" Well No. 32 (API No. 30-045-30489) at an unorthodox surface gas well location 560 feet from the South line and 1120 feet from the East line (Unit P) of Section 2, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico, to a targeted bottomhole location within the Morrison formation approximately 1031 feet from the South line and 1656 feet from the East line (Unit O) of Section 2.

(c) Establishment of a drilling window or "producing area" within both the Dakota and Morrison intervals for the Ute Indians "A" Well No. 32 to include that area within a standard 160-acre gas spacing unit comprising the SE/4 of Section 2 no closer than the standard setback requirement of 660 feet to the outer boundary of this unit [see Division Rules 104.C (3) and 111.A (7)].

(d) An exception to Division Rule 104.D (3) within the Ute Dome-Dakota Pool (86720) for the simultaneous dedication of the SE/4 of Section 32 to the above-described Ute Indians "A" Well No. 32 and to the Ute Indians "A" Well No. 20 (API No. 30-045-24605), located at an orthodox gas well location 1580 feet from the South line and 1520 feet from the East line (Unit J) of Section 2.

(e) An exception to Division Rule 104.D (3) within the Undesignated Ute Dome-Morrison Pool (97039) for the simultaneous dedication of the SE/4 of Section 32 also to the above-described Ute Indians "A" Well No. 32 and to the Ute Indians "A" Well No. 27 (API No. 30-045-29863), located at an unorthodox gas well location 2600 feet from the South line and 1000 feet from the East line (Unit I) of Section 2.

(f) All of Section 2, being a standard 640-acre, more or less, gas spacing and proration unit in the Ute Dome-Paradox Pool (86760) to be dedicated to the Ute Indians "A" Well No. 26 (API No. 30-045-29868), located at an unorthodox surface location 570 feet from the South line and 1045 feet from the East line (Unit P) of Section 2 and a non-standard subsurface gas well location at a depth of 8,558 feet (MD) 802 feet from the South line and 1023 feet from the East line (Unit P) of Section 2.

(3) Division Order No. R-11131, issued in Case No. 12099 on February 5, 1999, authorized the following:

(a) Cross Timbers Oil Company to drill the above-described Ute Indians "A" Well No. 27 at the unorthodox location in both the Ute Dome-Dakota and Ute Dome-Morrison Pools.

(b) An exception to Division Rule 104.D (3) within the Undesignated Ute Dome-Morrison Pool for the simultaneous dedication of the SE/4 of Section 2 to the above-described Ute Indians "A" Wells No. 20, 26, and 27.

(4) The applicant, XTO Energy, Inc. ("XTO"), seeks an order amending Division Order No. R-11132-B to allow: (i) an exception to Division Rule 104.D (3) in order to simultaneously dedicate the SE/4 of Section 2 in the Ute Dome-Dakota Pool to the Ute Indians "A" Wells No. 27 and 32; and (ii) reactivate approval of the above unorthodox location for the Ute Indians "A" Well No. 27 in the Ute Dome-Dakota Pool.

(5) Applicant testified that Cross Timbers Oil Company changed its name to XTO in 2001 and that the current status of the Ute Indians "A" Wells No. 20, 27, and 32 is as follows:

- (a) Well No. 20 is not producing and is to be plugged and abandoned.
- (b) Well No. 27 is producing from the Undesignated Ute Dome-Morrison Pool.
- (c) Well No. 32 is producing from the Ute Dome-Dakota Pool.

(6) The Division's records indicate that the Ute Indians "A" Well No. 26 is producing from the Ute Dome-Paradox Pool.

(7) XTO proposes to abandon the Morrison interval within its Ute Indians "A" Well No. 27 at this time and attempt to recover additional gas from the Dakota zone by recompleting up-hole into the Ute Dome-Dakota Pool. If successful and upon further evaluation, XTO may consider downhole commingling the Morrison and Dakota intervals within the wellbore in order to deplete both zones in a more efficient and economic manner.

(8) In the nine section area comprising Sections 34, 35, and 36, Township 32 North, Range 14 West, NMPM, and Sections 1, 2, 3, 10, 11, and 12, Township 31 North, Range 14 West, NMPM, all in San Juan County, New Mexico, XTO owns 100 percent of the working interests and the Ute Mountain Ute Indian Tribe owns 100 percent of the royalty interests.

(9) A representative of the Ute Mountain Ute Tribe was in attendance at the hearing, however no interested party appeared in opposition to the application.

(10) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of any remaining Dakota gas in this unit and will otherwise prevent waste and protect correlative rights.

- (11) The applicant's request should therefore be granted.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, XTO Energy, Inc. ("XTO"), successor operator to Cross Timbers Oil Company, is hereby granted an exception to Division Rule 104.D (3) within the Ute Dome-Dakota Pool (86720) whereby the SE/4 of Section 2, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico, being a standard 160-acre gas spacing unit in this pool, shall be simultaneously dedicated to XTO's:

(a) Ute Indians "A" Well No. 32 (API No. 30-045-30489), located at a surface location 560 feet from the South line and 1120 feet from the East line (Unit P) of Section 2; and

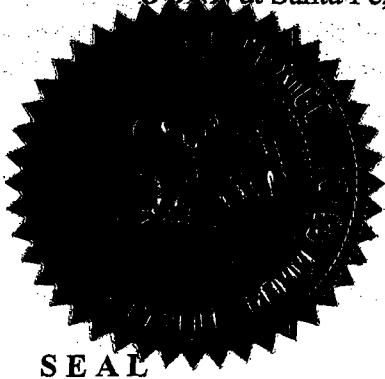
(b) Ute Indians "A" Well No. 27 (API No. 30-045-29863), located at an unorthodox gas well location, herein approved, 2600 feet from the South line and 1000 feet from the East line (Unit I) of Section 2.

IT IS FURTHER ORDERED THAT:

(2) All provisions of Division Order No. R-11132-B, issued in Case No. 12578 on August 8, 2001, not in conflict with this order, shall remain in full force and effect until further notice.

(3) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P. E.
Director