

**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. 14143
ORDER NO. R-12824-A**

**APPLICATION OF XTO ENERGY, INC. FOR AN EXCEPTION TO THE WELL
DENSITY REQUIREMENTS FOR THE BASIN-DAKOTA GAS POOL AND
SIMULTANEOUS DEDICATION, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 26, 2008, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 20th day of August, 2008, 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 the subject matter of this case.
- (2) XTO Energy, Inc. ("XTO" or "Applicant") seeks approval to complete a fifth well in the Basin-Dakota Gas Pool (71599), within a previously established, non-standard 407.56-acre gas spacing and proration unit comprising the S/2 S/2 of irregular Section 19 and the N/2 of irregular Section 30, Township 29 North, Range 9 West, NMPM, in San Juan County, New Mexico ("the subject unit").
- (3) By Order No. R-12824 issued in case No. 13970 on October 24, 2007, the Division approved a similar request in the Blanco-Mesaverde Gas Pool (72319). It is therefore appropriate to assign Order No. R-12824-A to this case.

(3) By Order No. R-12824 issued in case No. 13970 on October 24, 2007, the Division approved a similar request in the Blanco-Mesaverde Gas Pool (72319). It is therefore appropriate to assign Order No. R-12824-A to this case.

(4) Well spacing and density in the Basin-Dakota Gas Pool are governed by Rules II.A and II.B of the Special Rules and Regulations for the Basin-Dakota Gas Pool, as amended by Order No. R-10987-B(2), effective January 29, 2002, which generally provide for 320-acre units, and allow up to four wells per unit, no more than two of which may be in a quarter section, and no more than one of which may be in a quarter/quarter section.

(5) By Order No. R-2046, issued in Case No. 2327 on August 14, 1961, the Oil Conservation Commission approved the establishment of the non-standard 407.56-acre gas unit in the Basin-Dakota Gas Pool.

(6) There are presently four wells that are completed in the Dakota Gas Pool within the subject unit, as follows:

3004531286 O -19-29N-9W 656 FSL & 2255 FWL
Well Name & Number: GERK GAS COM B No. 001F
Operator: XTO ENERGY, INC

3004524953 N -19-29N-9W 160 FSL & 790 FWL
Well Name & Number: GERK GAS COM B No. 001M
Operator: XTO ENERGY, INC

3004507886 G -30-29N-9W 1450 FNL & 1720 FEL
Well Name & Number: GERK GAS COM B No. 001
Operator: XTO ENERGY, INC

3004531285 F -30-29N-9W 1785 FNL & 855 FWL
Well Name & Number: GERK GAS COM B No. 001G
Operator: XTO ENERGY, INC

(7) XTO seeks to simultaneously dedicate the subject unit to its proposed Gerk Gas Com B Well No. 2, to be located 10 feet from the South line and 660 feet from the East line (Unit P) of Section 19, in addition to the four existing wells.

(8) Since the subject unit contains 407.56 acres, instead of the 320 acres in a standard Basin-Dakota unit, dedication of the subject unit to five, instead of the prescribed four wells would equate to approximately 80 acres per well, the same average well density as the special pool rules allow for a standard unit.

(9) At the hearing, XTO presented geologic testimony to the effect that:

(a) The Dakota formation in this area "is generally of low porosity and not great permeability," such that the existing wells are not draining the entire unit.

(b) While the productive zones in the Dakota formation can generally be correlated in the existing wells in the subject unit and its immediate vicinity, they are characterized by a high degree of variability in thickness, and stringers exist that are discontinuous between proximate wells, indicating that an additional well would likely encounter productive zones not present in any of the existing wells.

(10) In addition, XTO presented engineering testimony to the effect that the average drainage area calculated for the wells in the subject unit and the adjacent unit to the north, based on available geologic information and on the indicated decline curves of these wells, would be approximately 55 acres - considerably less than the 80 acres per well contemplated by the special pool rules.

(11) No other party appeared at the hearing or otherwise opposed this application.

(12) Allowing simultaneous dedication of the subject unit to the additional well proposed by Applicant would prevent waste by enabling Applicant to recover gas underlying the subject unit that cannot be produced from the existing wells, and would not impair correlative rights.

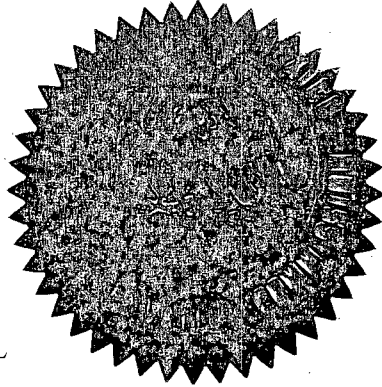
IT IS THEREFORE ORDERED THAT:

(1) Applicant, XTO Energy, Inc. is hereby granted an exception to the four-wells per unit well density provided in the Special Pool Rules for the Basin-Dakota Gas Pool, as herein provided.

(2) Simultaneous dedication of the subject unit to Applicant's proposed Gerk Gas Com B Well No. 2, to be located 10 feet from the South line and 660 feet from the East line (Unit P) of Section 19, and to the four existing wells located on the subject unit and completed in the Basin-Dakota Gas Pool, is hereby approved.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

for MARK E. FESMIRE, P.E.
Director