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October 27, 2008

HAND DELIVERED

Mr. Mark Fesmire, P.E., Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14247

REC'D
OCT 27 AM 9 49

Re: Application of XTO Energy Inc.
for an exception to the well density/location requirements of the
Special Rules and Regulations for the Basin Fruitland Coal
Gas Pool, San Juan County, New Mexico

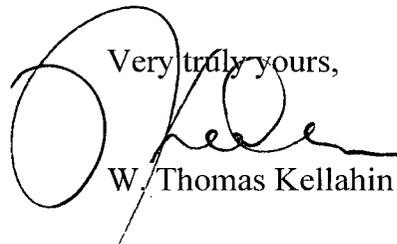
W/2 Section 6, T27N, R11W including the simultaneous dedication of the
Mudge A No. 8R well (API # 30-045-30519) (Unit Letter D) and Mudge A No
12 well (API # 30-045-28830 (Unit Letter E) both located in the NW/4 portion
of a standard 314.70-acre spacing unit consisting of the W/2 of this section

Dear Ms. Fesmire:

(OGRID = 5380)

On behalf of XTO Energy Inc., please find enclosed our referenced
application which we request be set for hearing on the Examiner's docket
now scheduled for December 4, 2008. Also enclosed is our proposed
advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: XTO Energy Inc
Attn: Ryan O'Kelley

CASE 14247: Application of XTO Energy Inc. for simultaneous dedication and an exception to the well density/location requirements of the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. Applicant seeks simultaneous dedication and an exception to the well density requirements within the Low Productivity Area governed by Rule 7(d)(1)(i) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to permit it to produce the following 2 Fruitland coal gas wells in the same quarter section (NW/4) on a standard 314.70-acre spacing and proration unit comprised of the W/2 of Section 6, T27N, R11W, NMPM:

- (a) Mudge A No. 8R well (API # 30-045-30519) (Unit Letter D) and
- (b) Mudge A No 12 well (API # 30-045-28830 (Unit Letter E)

These wells are located approximately 12 miles southeast of the Farmington, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
XTO ENERGY INC. FOR SIMULTANEOUS
DEDICAITON AN EXCEPTION TO THE WELL DENISTY-
LOCATION REQUIREMENTS FOR THE BASIN-FRUITLAND
COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 14247

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APPLICATION

XTO Energy Inc. ("XTO") by its attorneys, Kellahin & Kellahin, seeks for simultaneous dedication and an exception to the well density/location requirements of the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. Applicant seeks simultaneous dedication and an exception to the well density requirements within the Low Productivity Area governed by Rule 7(d)(1)(i) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to permit it to produce the following two Fruitland coal gas wells in the same quarter section (NW/4) on a standard 314.70-acre spacing and proration unit comprised of the W/2 of Section 6, T27N, R11W, NMPM:

- (A) Mudge A No. 8R Well (API # 30-045-30519) (Unit Letter D) and
- (b) Mudge A No 12 Well (API # 30-045-28830 (Unit Letter E)

In support of its application XTO states:

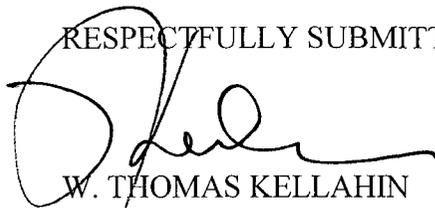
- (1) XTO is the current operator of the Mudge A No. 8R Well (API # 30-045-30519) that was originally drilled by Dominion Oklahoma Texas E & P, Inc. and completed on September 3, 2004 as a gas well in the Pictured Cliffs formation in the West Kutz-Pictured Cliffs Gas Pool. On May 3, 2004, Dominion filed an amended APD to add the Basin Fruitland Coal Gas. On the well completion form Dominion represented the perforations in the "FruitlandCoal/Pictured Cliffs: however, on the top of the form Dominion listed the pool as the "West Kutz PC". This well is located in Unit D being within the NW/4 of this section. See locator map Exhibit "A"

- (2) Effective July 1, 2007, XTO replaced Dominion as the operator of the Mudge A No 8R well by a change of operator form approved by the OCD on August 16, 2007.
- (3) On April 28, 2008, XTO discovered that the Mudge A No 8R was completed in the Fruitland formation and not in the Pictured Cliffs formation.
- (4) XTO is also the current operator of the Mudge A No 12 Well (API # 30-045-28830 that was originally drilled by Louis Dreyfus Natural Gas Corporation and completed on February 3, 1993 with first production on March 21, 1993 from the Fruitland coal-gas formation. This well is located in Unit E also being within the NW/4 of this section. See locator map attached as Exhibit "A"
- (5) Effective July 2007, XTO replaced Dreyfus as the operator of the Mudge A No 12 well by a change of operator form approved by the OCD.
- (6) The location of the Mudge A No. 12 well was approved by Division Administrative order NSL-3195, dated November 17, 1992, and referenced a standard 314.70-acre gas spacing and proration unit.
- (7) The Basin-Fruitland Coal Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as two wells may be drilled and produce within the low productivity area of the pool. See Rule 7(d)(1)(i), by Order R-8768-F, dated July 17, 2003,
- (8) The Special Pool Rules and Regulations provide, among other things, that an optional infill well shall not be located within the same quarter section (160-acre tract) as original well.
- (9) On September 8, 2008, XTO voluntarily shut-in the Well No. Mudge A No 8R and report this non-compliance to the OCD-Aztec. XTO continues to produce the Mudge A No 12.
- (10) While the total number of wells in this Fruitland coal gas spacing and proration unit ("GPU") is two and thus in compliance with the total well density for a standard 314.70-acre GPU, the Mudge A No.8 R and Mudge A No. 12 are located in the same quarter section and therefore are non-compliant with the location rules for the low productivity area of this pool.

- (11) XTO's technical witness will demonstrate at the hearing that based upon decline curve analysis of immediate adjacent coal-gas wells, the production of both the Mudge A No. 8R and the Mudge A No. 12 at the same time did not adversely affect the offsetting production.
- (12) XTO's data also shows that allowing both these wells to produce at the same time will allow for the recovery of gas that otherwise may not be recovered.
- (13) XTO proposes to not drill another Fruitland coal-gas well in the SW/4 of this spacing unit.
- (14) In accordance with Division's notice rules, XTO will send notice to all proper offsetting parties. See map and list Attached is Exhibit "B"
- (15) Approval of this application will not impair the correlative rights of any other interest owner in the Basin-Fruitland Coal Gas Pool and will afford XTO the opportunity to utilize the existing wells to produce the reserves from this GPU.
- (16) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, XTO Energy Inc, therefore requests that the Division enter its order granting an exception to the well density/location requirements of Rule 7(d)(1)(i) the Special Rules and Regulations of the Basin-Fruitland Coal Gas Pool approving the location of the Mudge A No. 8R and the Mudge A No.12 quarter section and authoring XTO to simultaneously produce both wells and that this application be set for hearing before an Examiner of the Oil Conservation Division on December 4, 2008 and after notice and hearing as required by law, the Division enter its order granting this application.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285



SECTION PLAT OF 9 SQUARE MILES

STATE: New Mexico COUNTY: San Juan
PROSPECT: Mudge A No. 8R & Mudge A No. 12 DATE: October 24, 2008
SECTION: 6 TOWNSHIP: 27 North RANGE: 11 West

SCALE: 1"=2000'

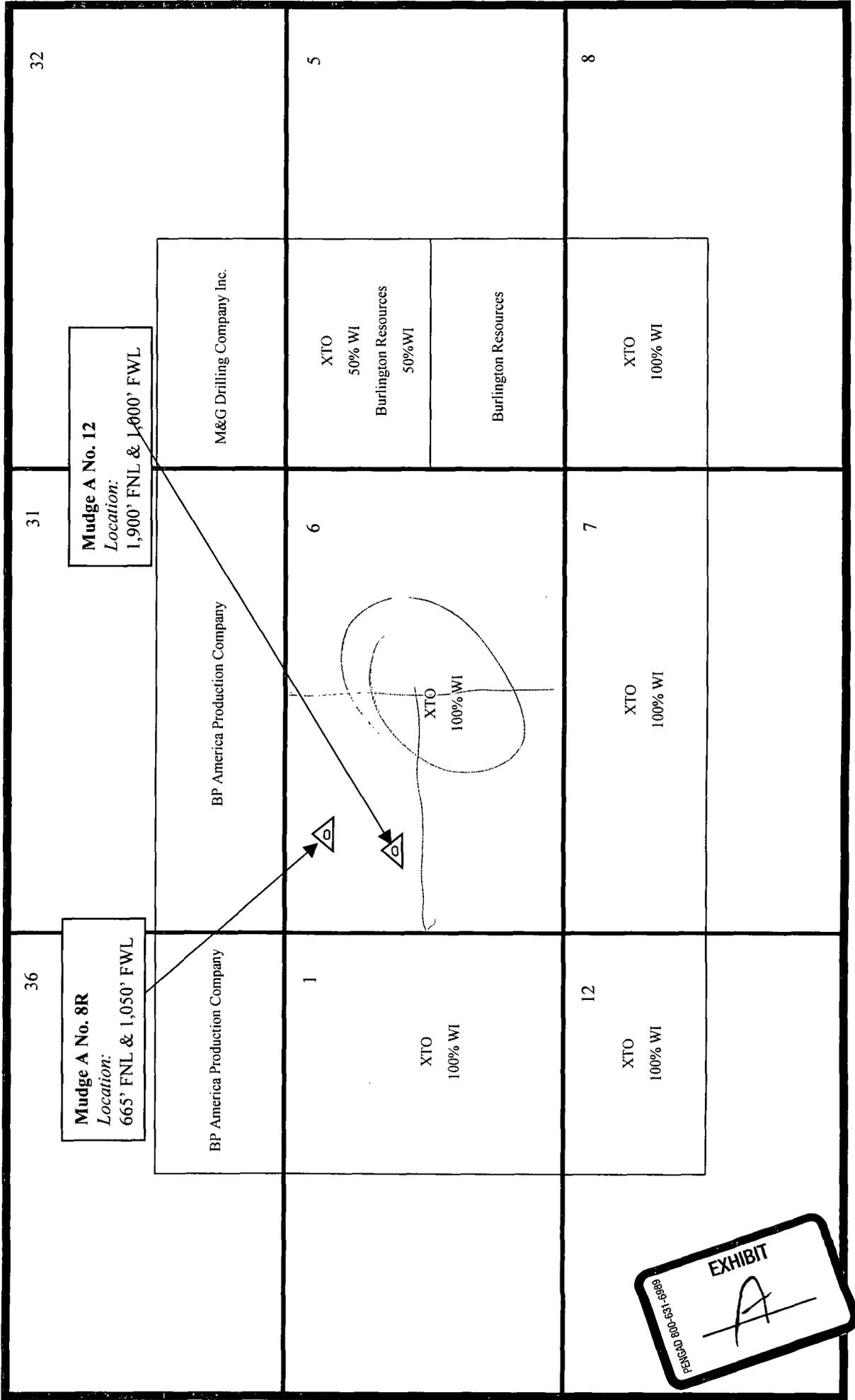


EXHIBIT "B"

BP America Production Company
501 Westlake Park Blvd.
Houston, TX 77079

M&G Drilling Company Inc.
P.O. Box 5940
Farmington, NM 87401

Burlington Resources Oil & Gas Company LP
3401 East 30th St.
Farmington, NM 87402