



CD- Aztec

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

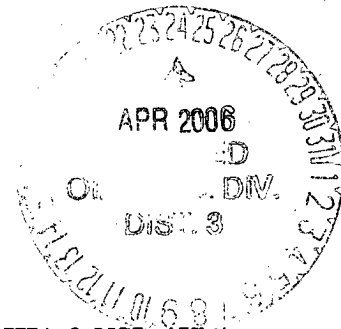
BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

April 19, 2006

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

CDX Rio, L.L.C.
2010 Afton Place
Farmington, New Mexico 87401

Attention: **Richard Corcoran**
Land Manager
Rich.Corcoran@cdxgas.com



Division Administrative Orders NSL-5368 (BHL) & NSL-457-A

Dear Mr. Corcoran:

Reference is made to the following: (i) your application dated August 23, 2005 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 29, 2005 (*administrative application reference No. pMES0-529839381*); (ii) the Division's initial response from Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, by e-mail on Wednesday afternoon, October 26, 2005, requesting additional information to support your application; (iii) your reply dated November 1, 2005 with the requested information; (iv) Mr. Stogner's second request for information by e-mail on Wednesday morning, November 16, 2005; (v) your reply of Tuesday, November 22, 2005 to Mr. Stogner's second e-mail; (vi) Mr. Stogner's third e-mail on Friday, November 25, 2005 requesting information; (vii) Mr. Stogner's fourth request for information by e-mail on Friday, January 6, 2006; (viii) your amendment to this application dated March 9, 2006 (*administrative application reference No. pTDS0-607247238*) and submitted to the Division on March 13, 2006; (ix) Felicia's telephone conversation with Mr. Stogner on Wednesday afternoon, April 19, 2006; and (x) the Division's records in Aztec and Santa Fe, including the files on Division Administrative Orders NSL-457 and DHC-2947 and in Division Case No. 4443 (see Division Order No. R-4059, dated November 10, 1970): all concerning CDX Rio, L.L.C.'s ("CDX") request for an exception to the well location requirements provided within the "*Special Rules and Regulations for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 and dated February 1, 1999, as amended by Division Order No. R-10987-A (1), dated December 2, 2002, for CDX's:

(1) proposed Jicarilla Apache "102" Well No. 8-F to be directionally drilled to an unorthodox subsurface infill gas well location within a standard 321.14-acre stand-up gas spacing and proration unit ("GPU") comprising Lots 1 and 2, the S/2 NE/4 and the SE/4 (E/2 equivalent) of Section 3, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico; and

(2) existing Jicarilla Apache "102" Well No. 7 (*API No. 30-039-06709*), located at an unorthodox gas well location 1850 feet from the North line and 2390 feet from the East line (Unit G) of Section 3.

Your applications have been duly filed under the provisions of Division Rules 104.F, 111.C (2), and 605.B and the applicable rules governing the Blanco-Mesaverde Pool.

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It is the Division's understanding that CDX intends to drill its aforementioned Jicarilla Apache "102" Well No. 8-F from a surface location 430 feet from the South line and 965 feet from the East lines (Unit P) of Section 3 vertically to an approximate 250 feet, set 9 5/8-inch surface casing, drill out and kick-off to the west-northwest and at an approximate depth of 4,000 feet (MD) return to vertical at a targeted subsurface location that is approximately 660 feet from the South line and 2100 feet from the East line (Unit O) of Section 3. The well will then be drilled (vertically) through the Blanco-Mesaverde Pool [estimated top at 5,049 feet (MD), or 4851 feet (TVD); estimated base at 6,473 feet (MD), or 6,275 feet (TVD)] to a total depth of 8,228 feet (MD), or 8029 feet (TVD), within the Basin-Dakota Pool.

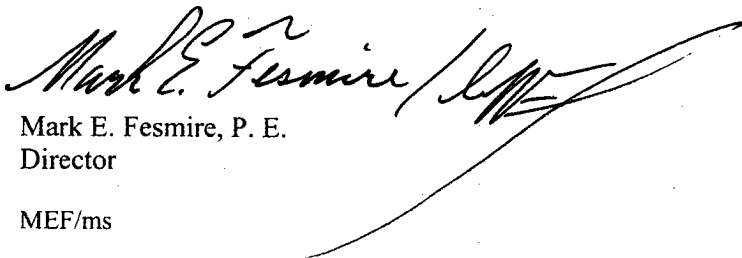
This 321.14-acre Mesaverde GPU is currently dedicated to CDX's: (i) above-described Jicarilla Apache "102" Well No. 7, which well was the subject of Division Administrative Order NSL-457; (ii) Jicarilla Apache "102" Well No. 8-E (*API No. 30-039-22454*), located at a standard infill gas well location 1700 feet from the South line and 940 feet from the East line (Unit I) of Section 3; and (iii) Jicarilla Apache "102" Well No. 8-A (*API No. 30-039-23195*), located at a standard infill gas well location 1120 feet from the North line and 1080 feet from the East line (Lot 1/Unit A) of Section 3.

The Dakota completion for this well is within an existing 320-acre standard lay-down GPU comprising the S/2 of Section 3 and, pursuant to the well location provisions of the "*Special Rules and Regulations for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, dated June 30, 2000, as amended by Division Orders No. R-10987-B (1), dated August 10, 2000, and R-10987-B (2), dated January 29, 2002, and Division Rule 111.A (13), is considered to be standard.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described: (i) subsurface unorthodox Blanco-Mesaverde infill gas well location for CDX's proposed Jicarilla Apache "102" Well No. 8-F; and (ii) existing unorthodox Blanco-Mesaverde gas well location for CDX's Jicarilla Apache "102" Well No. 7 (*API No. 30-039-06709*), are hereby approved. Further, all four of the aforementioned Jicarilla Apache "102" Wells No. 7, 8-A, 8-E, and 8-F, and existing 321.14-acre GPU shall be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico and to the Blanco-Mesaverde Pool.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
File: NSL-457