



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

XTO Energy, Inc.

c/o Permits West, Inc.

37 Verano Loop

Santa Fe, New Mexico 87505

September 13, 2005

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

Attention: Brian Wood

30-039-29604

Administrative Order NSL-5276

Dear Mr. Wood:

Reference is made to the following: (i) your application on behalf of the operator, XTO Energy, Inc. ("XTO"), submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 3, 2005 (*administrative application reference No. pMES0-525555445*); and (ii) the Division's records in Aztec and Santa Fe: all concerning XTO's request for an exception to the well location requirements provided within the "Special Rules 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 its proposed Valencia Canyon Unit Well No. 40-B to be drilled at an unorthodox infill gas well location 2410 feet from the South line and 2175 feet from the West line (Unit K) of Section 35, Township 28 North, Range 4 West, NMPM, Blanco-Mesaverde Pool (72319), Rio Arriba County, New Mexico.

The Blanco-Mesaverde gas production from this well is to be included within an existing standard 320-acre lay-down gas spacing and proration unit ("GPU") comprising the S/2 of Section 35, which is currently dedicated to XTO's: (i) Valencia Canyon Unit Well No. 40 (API No. 30-039-22082), located at a standard gas well location 910 feet from the South line and 870 feet from the West line (Unit M) of Section 35; and (ii) Valencia Canyon Unit Well No. 40-A (API No. 30-039-25534), located at a standard infill gas well location 970 feet from the South line and 1660 feet from the East line (Unit O) of Section 35.

This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing the Blanco-Mesaverde Pool.

It is the Division's understanding that all of Sections 35 comprises a single Federal lease (*United States Government lease No. NM-14923*) in which XTO is the leasehold operator.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Blanco-Mesaverde infill gas well location for XTO's proposed Valencia Canyon Unit Well No. 40-B is hereby approved. Further, all three of the aforementioned Valencia Canyon Unit Wells No. 40, 40-A, and 40-B and existing 320-acre GPU will 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.

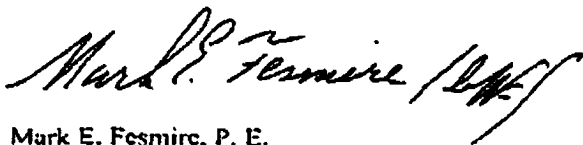
XTO Energy, Inc.  
September 13, 2005  
Page 2

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Division Administrative Order NSL-5276

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a stylized flourish or initials.

Mark E. Fesmire, P. E.  
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
U. S. Forest Service - Bloomfield