



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 9, 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

Administrative Order NSL-5396

Dear Mr. Corcoran:

Reference is made to the following: (i) your application dated May 17, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 19, 2006 (*administrative application reference No. pMES0-614253808*); and (ii) the Division's records in Aztec and Santa Fe: all concerning CDX Rio, L.L.C.'s ("CDX") request for exceptions to the well location requirements provided within the:

(A) "*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; and

(B) "*Special Rules for the Basin-Dakota Pool*," as promulgated by Division Order No. R-10987-B, issued in Case No. 12290 and 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.

CDX proposes to drill its Jicarilla Apache "102" Well No. 11-M at an unorthodox infill gas well location in both the Blanco-Mesaverde (72319) and Basin-Dakota (71599) Pools 1668 feet from the South line and 468 feet from the West line (Unit L) of Section 10, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

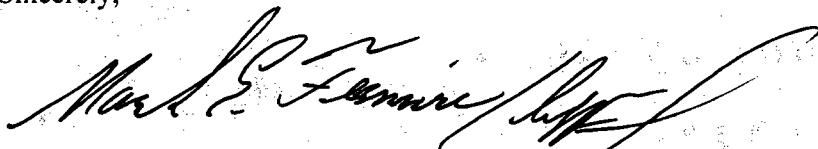
Gas production from the shallower Blanco-Mesaverde Pool is to be included within an existing standard 320-acre lay-down gas spacing and proration unit ("GPU") comprising the S/2 of Section 10, which is currently dedicated to CDX's two: (i) Jicarilla Apache "102" Well No. 16 (API No. 30-039-20190), located at a standard gas well location 1070 feet from the South line and 1450 feet from the East line (Unit O) of Section 10; and (ii) Jicarilla Apache "102" Well No. 16-A (API No. 30-039-21852), located at a standard Mesaverde infill gas well location 1070 feet from the South line and 1150 feet from the West line (Unit M) of Section 10.

Gas production from the deeper Basin-Dakota Pool is to be included within an existing standard 320-acre stand-up GPU comprising the W/2 of Section 10, which is currently dedicated to CDX's two: (i) Jicarilla Apache "102" Well No. 11 (API No. 30-039-06610), located at a standard gas well location 1190 feet from the North line and 1850 feet from the West line (Unit C) of Section 10; and (ii) Jicarilla Apache "102" Well No. 11-E (API No. 30-039-22459), located at a standard Dakota infill gas well location 1110 feet from the South line and 1065 feet from the West line (Unit M) of Section 10.

This application has been duly filed under the provisions of Division Rules 104.F and 605.B and the applicable rules governing both pools.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Basin-Dakota/Blanco-Mesaverde infill gas well location for CDX's proposed Jicarilla Apache "102" Well No. 11-M is hereby approved. All of the aforementioned wells and both spacing units will be subject to all existing rules, regulations, policies, and procedures applicable to prorated gas pools in Northwest, New Mexico.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

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