



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 20, 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-5428

Dear Mr. Corcoran:

Reference is made to the following: (i) your original application dated May 31, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 5, 2006 (*administrative application reference No. pTDS0-615653727*); (ii) the Division's initial response from Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, by letter dated June 29, 2006 withdrawing this application from the Division's administrative review process and setting this matter to hearing (see Division Case No. 13754); (iii) your letter dated July 12, 2006 with supplemental information that serves to correct your original filing; and (iv) the Division's records in Aztec and Santa Fe, including the record in Case No. 13754: all concerning CDX Rio, L.L.C.'s ("CDX") request for exceptions to the well location requirements provided within both 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 "A" Well No. 4-M at an unorthodox gas well location in both the Blanco-Mesaverde (72319) and Basin-Dakota (71599) Pools 1780 feet from the South line and 580 feet from the West line (Lot 3/Unit L) of Section 19, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

CDX Rio, L.L.C.

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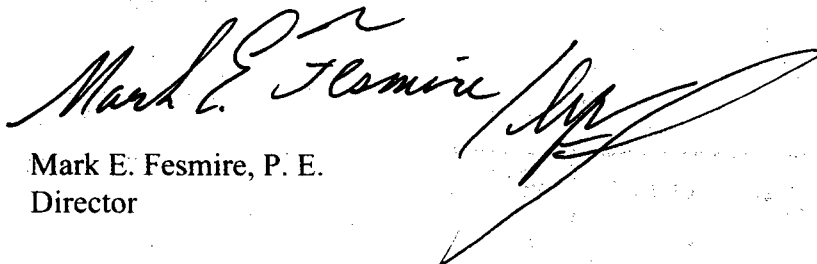
Gas production from the deeper Basin-Dakota Pool is to be included within an existing standard 319.16-acre stand-up gas spacing and proration unit ("GPU") comprising Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 19, which production is currently simultaneously dedicated to CDX's: (i) Jicarilla "A" Well No. 4 (API No. 30-039-08062), located at a standard Dakota gas well location 1850 feet from the South and West lines (Unit K) of Section 19; and (ii) Jicarilla "A" Well No. 4-E (API No. 30-039-22292), located at a standard Dakota infill gas well location 950 feet from the North line and 1075 feet from the West line (Lot 1/Unit D) of Section 19.

The proposed Jicarilla "A" Well No. 4-M will be the initial Mesaverde gas well within this same 319.16-acre stand-up GPU.

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 gas well location for CDX's proposed Jicarilla "A" Well No. 4-M is hereby approved. Further 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
Division Case No. 13754