



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 12, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Cross Timbers Oil Company
810 Houston Street - Suite 2000
Fort Worth, Texas 76102-6298
Attention: Tim Welch

Telefax No. (817) 885-2224

Administrative Order NSL-4553(BHL)

Dear Mr. Welch:

Reference is made to the following: (i) your application dated December 11, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe and Aztec: all concerning Cross Timbers Operating Company's ("Cross Timbers") request for a non-standard subsurface gas well location, pursuant to Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2), to be applicable to the Undesignated Ute Dome-Dakota Pool and the Morrison formation (proposed Ute Dome-Morrison Pool, see Division Case No. 12604), for the proposed Ute Indians "A" Well No. 33 (**API No. 30-045-30490**) to be drilled from a surface location 200 feet from the North line and 700 feet from the East line (Lot 1/Unit A) of Section 3, Township 31 North, Range 14 West, NMPM, as projected into the unsurveyed Ute Mountain Indian Reservation, San Juan County, New Mexico. Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 3, being a standard 160.24-acre gas spacing and proration unit for both intervals, is to be dedicated to this well.

It is our understanding that Cross Timbers intends to kickoff from the vertical portion of this wellbore at a depth of 350 feet in a south-southeasterly direction and continue to drill directionally to an estimated true vertical depth of 3,196 feet at a targeted unorthodox bottomhole location to be approximately 632 feet from the North line and 844 feet from the East line (Lot 1/Unit A) of Section 3. It is Cross Timbers intent to intersect: (i) the top of the Dakota interval at a depth of 2,191 feet (MD) at a point approximately 467 feet from the North line and 789 feet from the East line of Section 3; and (ii) the top of the Morrison formation at a depth of 2,402 feet (MD) at a point approximately 500 feet from the North line and 800 feet from the East line of Section 3.

The geologic interpretation submitted indicates that a well drilled to the proposed non-standard subsurface locations within the NE/4 equivalent of Section 3 will be at a more favorable geologic position within the both the Dakota and Morrison formations underlying the subject 160.24-acre tract. Topographic conditions further restrict placement of a drilling pad in the northeastern portion of this unit.

By the authority granted me under the provisions of Division Rule 104.F (2), Cross Timbers

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Cross Timbers Oil Company

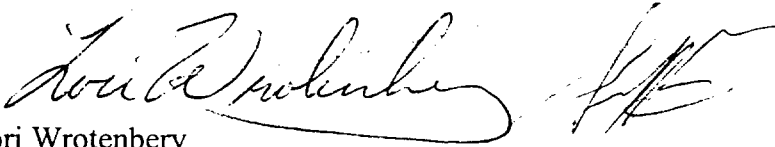
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is hereby authorized to directionally drill the proposed Ute Indian "A" Well No. 33 in the manner described above and as close as is reasonably possible to a targeted subsurface location at a depth of 3,196 feet (TVD) or 3,234 feet (MD) considered to be unorthodox 632 feet from the North line and 844 feet from the East line of Section 3.

Further, Cross Timbers shall comply with all provisions of Division Rule 111 applicable in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a stylized flourish or second signature.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Durango