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FAX COVER SHEET

DELIVER TO: Florene Davidson

COMPANY: Oil Conservation Division

CITY: Santa Fe, New Mexico

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MEMO: Florene: Please file.

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF XTO ENERGY INC.
FOR A NON-STANDARD GAS WELL
LOCATION AND SIMULTANEOUS DEDICATION,
SAN JUAN COUNTY, NEW MEXICO.

Case No. 12,978

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by XTO Energy Inc. as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

XTO Energy Inc.
Suite 2000
810 Houston Street
Fort Worth, Texas 76102
Attention: George A. Cox
(817) 885-2454

APPLICANT'S ATTORNEY

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
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OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

This case involves the Dawson "A" Well No. 1G, to be located in the NW¼SW¼ S4-27N-8W. The well will be drilled at an unorthodox location to test the Mesaverde and Dakota formations. XTO filed an administrative application for an unorthodox location in December 2001, but the application was denied by the Division because it would be the third well on the unit, which was not allowed by the rules for the Basin-Dakota Gas Pool. XTO re-applied in March 2002, but the application was again denied by the Division due to insufficient information. Due to a change in the rules for the Basin-Dakota Gas Pool, and additional matters discussed below, XTO again applied for administrative approval in October 2002. However, because the Division had previously required the matter to be set for hearing, the Division informed XTO that the matter would be set for the December 19th docket.

XTO believes that it can satisfy the Division's objections, as discussed below:

1. The Division asked why the wellpad for the abandoned Conoco Graham "B" WN Fed. Well No. 7 could not be used. XTO has since drilled its Dawson "A" Well No. 1F at that location. Therefore, at this time only the SW¼ of Section 4 is available for another Mesaverde/Dakota well.
2. The Division asked why the flat area in the NE¼SW¼ of Section 4 could not be used for the wellsite. That area could be used, but an orthodox location in that quarter-quarter section would place the well only a few hundred feet from the existing Dawson "A" Well No. 1. For engineering/drainage reasons, XTO desires to maximize the distance between the proposed well and the Dawson "A" Well No. 1. Moving the well to the NW¼SW¼ of Section 4 achieves that objective.

As to the SW¼SW¼, the topography shows that there is not a flat, orthodox location in that quarter-quarter section. And again, XTO desires to move away from the existing well in the SE¼SW¼.

If a well is placed in the NW¼SW¼, there is an area of substantial relief east of the existing road, so the well must be placed west of the road. Locating the well at the proposed location places it (a) in a flat area, and (b) next to the existing road, thus minimizing additional surface disturbance.

3. As to protecting correlative rights, the Division has now determined that infill drilling is necessary in the Mesaverde and Dakota to recover all reserves, so the fourth well is necessary for XTO to recover its reserves and provide a return to the interest owners in the well unit.

For the foregoing reasons, XTO requests that the above application be approved.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

Applicant's attorney will make brief presentation based upon materials submitted to the Division in connection with administrative applications regarding the subject well.

OPPONENT

WITNESSES

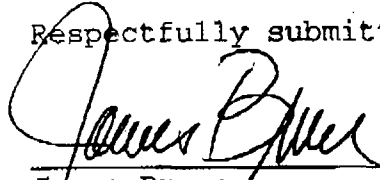
EST. TIME

EXHIBITS

PROCEDURAL MATTERS

-None-

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
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Attorney for XTO Energy Inc.