



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 8, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Burlington Resources Oil & Gas Company, L.P.
c/o Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87401

Attention: David Poage
District Landman

RE: Division Administrative Order SD-06-23

Dear Mr. Poage:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-621938964*) filed on behalf of the operator Burlington Resources Oil & Gas Company, L.P. ("Burlington"), with the New Mexico Oil Conservation Division's office in Santa Fe, New Mexico on August 7, 2006; and (ii) the Division's records in Artesia and Santa Fe, including the file in Division Case No. 9750: all concerning Burlington's plans for additional development within its existing 278.20-acre gas spacing unit in the Basin-Fruitland Coal (Gas) Pool (**71629**) comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Irregular Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, which unit was the subject of Division compulsory pooling Order No. R-9014, issued in Case No. 9750 on October 10, 1989.

The Basin-Fruitland Coal (Gas) Pool is currently governed under the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, which provides for:

- (a) 320 acre spacing (**Rule 4**);
- (b) wells to be located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary [**Rule 7 (a)**];
- (c) an optional infill well (only one) to be located in the opposite quarter section of the 320-acre unit not containing the initial Fruitland coal gas well [**Rule 7 (d)**]; and
- (d) horizontal drilling and development [**Rules 9 (A) and (B)**].

This 278.20-acre coal gas spacing unit is currently dedicated to Burlington's Allison Unit Com. Well No. 135 (**API No. 30-045-27137**), located at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of Irregular Section 9.

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From your application, Burlington, as the operator of this 278.20-acre unit/Project Area, now intends to horizontally drill and complete its Allison Unit Com. Well No. 135-S, as the infill well to this unit from a standard surface location 1215 feet from the South line and 660 feet from the West line (Unit M) of Irregular Section 9, which is also within the SW/4 of Irregular Section 9 as Burlington's existing Allison Unit Com. Well No. 135, in such a manner that its subsurface path meets the set-back requirements of this pool's Rule No. 7 (a), to a targeted standard bottomhole, or subsurface end-point, location 760 feet from the North line and 1880 feet from the West line (Unit F) of Irregular Section 9.

Under the authority granted me under the Basin-Fruitland Coal (Gas) Pool special rule Nos. 9 (A) and (B) and Division Rule 111.D (2), Burlington is hereby permitted to proceed with its intended development of the Basin-Fruitland Coal (Gas) Pool within the W/2 equivalent of Irregular Section 9 with the subsequent directional drilling and completion of its above-described Allison Unit Com. Well No. 135-S; provided however, the path of the wellbore within the Basin-Fruitland Coal (Gas) Pool shall conform to the standard set back requirements of 660 feet as required under special Rule No. 7 (a).

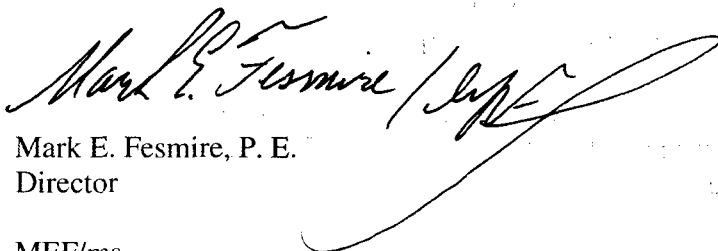
Further, pursuant to Division Rules 104.E (4) and (5), Burlington is the Division's designated operator of both the existing Allison Unit Com. Well No. 135 and proposed Allison Unit Com. Well No. 135-S and 278.20-acre gas spacing unit/Project Area.

IT IS FURTHER ORDERED HOWEVER THAT, should the Allison Unit Com. Well No. 135-S not be directionally drilled and completed with a horizontal drainhole as proposed above, this order shall be null and void, and the operator shall abandon and plug off the Fruitland coal gas interval within this well.

The operator shall comply with all applicable requirements and conditions set forth in Rules 9 (A) and (B) of the special Basin-Fruitland coal gas pool rules and Division Rule 111.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
Burlington Resources Oil & Gas Company, L.P. – Farmington