

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

APPLICATION OF BURNETT OIL CO., INC., AND HUDSON OIL COMPANY OF TEXAS FOR CONSOLIDATION AND EXPANSION OF, AND ADDITION OF SPECIAL RULES AND REGULATIONS FOR THE CEDAR LAKE GLORIETTA-YESO POOL, FREN GLORIETA-YESO POOL, EAST FREN GLORIETA-YESO POOL, LOCO HILLS GLORIETA-YESO POOL, MALJAMAR PADDOCK NORTH POOL, AND WEST MALJAMAR YESO POOL, CANCELLATION OR MAKE-UP OF OVERPRODUCTION, LEA AND EDDY COUNTIES, NEW MEXICIO,

Case 14647

AND

MOTION FOR CONSOLIDATION OF THIS APPLICATION WITH THE APPLICATION OF CONCHO OPERATING, LLC (“CONCHO”) IN OCD CASE NO. 14613.

I.

INTRODUCTION AND SUMMARY

Burnett Oil Co., Inc. (“Burnett”), and Hudson Oil Company of Texas (“Hudson”), herein sometimes are jointly called “Applicants”, appear through their undersigned attorneys and hereby make application to the Division for an order: (1) consolidating and expanding the existing Glorieta-Yeso Oil Pools described below; (2) establishing special rules and regulations for the consolidated and expanded Yeso Pool; (3) cancelling, in whole or in part, or, alternatively, providing a method for makeup of prior overproduction by all operators in the consolidated pool; and (4) consolidating this application with the application of Concho Operating, LLC (“Concho”) in OCD Case No. 14613, and in support thereof show as follows:

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II.
APPLICATION

1. Burnett and Hudson are operators in or have applied for permits to drill wells in one or more of the following pools, or lands adjacent or nearby:

- a. The Cedar Lake Glorieta-Yeso Pool, which was created by Division Order

No. R-11067, dated November 1, 1998 and currently covers the following lands:

Township 17 South, Range 30 East, NMPM

Section 13: E/2, SW/4

Section 24: NE/4

Township 17 South, Range 31 East, NMPM

Section 17: S/2

Section 18: All

Section 19: N/2

Section 20: All

- b. The Fren-Glorieta Yeso Pool, which was created by Division Order No. R-

2313, dated October 1, 1962 and currently covers the following lands:

Township 17 South, Range 31 East, NMPM

Section 9: E/2

Section 14: SW/4

Section 15: S/2

Section 16: S/2, NE/4

Section 21: NE/4, W/2

Section 22: NW/4

- c. The East Fren-Glorieta-Yeso Pool, which was created by Division Order

No. R-11824, dated August September 1, 2002 and currently covers the following lands:

Township 17 South, Range 31 East, NMPM

Section 14: NE/4

- d. The Loco Hills Glorieta-Yeso Pool, which was created by Order No. R-

10822, dated July 1, 1997 and currently covers the following lands:

Township 17 South, Range 30 East, NMPM

Section 9: SE/4
Section 10: SW/4
Section 11: All
Section 12: NW/4
Section 14: S/2, NW/4
Section 15-17,20: All
Section 21: N/2, SE/4
Section 22: All
Section 23: N/2, SW/4
Section 33: SW/4

e. The West Maljamar Yeso Pool, which was created by Order No. R-27, dated July 28, 1950 and currently covers the following lands:

Township 17 South, Range 32 East, NMPM

Section 17: S/2
Section 19: All
Section 20: N/2, SW/4
Section 21: All
Section 22: W/2, NE/4

f. The Maljamar, Paddock, North Pool, which currently covers the following lands:

Township 17 South, Range 32 East, NMPM

Section 5: SW/4

2. The development and spacing of these pools are now governed by the Division's statewide rules. Division Rule 19.15.15.9 NMAC provides that a well within a defined oil pool shall be located on a spacing unit consisting of 40 acres and located no closer than 330 feet to a boundary of the unit.

3. Division Rules 19.15.20.12 NMAC and 19.15.20.13 NMAC provide that pools have a depth bracket allowable of 80 barrels of oil a day for the Loco Hills

Glorieta-Yeso Pool, and either 80 or 107 barrels of oil a day for the other pools, with a limiting gas-oil ratio (“GOR”) of 2000:1.

4. Burnett and Hudson requests that:

(a) The Division order that the above described pools be consolidated as a single pool; and

(b) The Division expand the consolidated pool to include additional adjacent lands so that the pool as consolidated and expanded will include the lands and have the horizontal extent described on Exhibit A hereto; and

(c) The Division establish a vertical interval of the consolidated pool to be defined as from the top of the Glorieta formation, as found at a drilled depth of 4,210 feet in the Burnett Oil Co., Inc. Gissler B #67 Well (located 2,310 feet FSL and 430 feet FEL, Sec. 8, T17S, R30E, Eddy County, New Mexico), as shown on the Halliburton Induction Electric Log of such well, through the top of the Tubb member of the Yeso formation, as found at the drilled depth of 5,825 feet as shown on the same electric log, and intervals correlative thereto, in all wells in the consolidated pool; and

(d) The Division enact special rules and regulations for the consolidated pool to provide for (i) a depth bracket allowable of 240 barrels of oil a day and a limiting gas-oil ratio (“GOR”) of 2500 SCF:1 BO, or such greater or lesser allowable or GOR as the evidence may show to be necessary to prevent waste and protect correlative rights; (ii) a special additional allowable of capacity for both oil and gas for newly completed wells to be defined as from first production until a well recovers a volume of water equal to 110% of the water injected into the pool during hydraulic fracturing for completion until the end

of the third calendar month following such time; (iii) a density rule of two wells per 40 acre spacing/proration unit with all wells that have been drilled or spudded on or before the effective date of the Final Order in this application being “grandfathered” to produce lawfully within the special rules for the pool; and (iv) a balancing rule for overproduction to allow operators to balance over and under production of oil and gas from each unit in the pool, calculated on a unit basis, within each calendar year.

(e) The Division order that all past overproduction in the consolidated pool of all operators either be cancelled ratably based on their allowables; or, alternatively, be made up within the twenty-four (24) months next following the entry of the Final Order herein; order that overproduction be defined as production of gas in excess of the gas allowable for a spacing unit, and production of oil in excess of the lesser of either (i) for units producing at a GOR equal to or less than the pool’s limiting GOR, the oil allowable for the unit or (ii) for units producing at a GOR greater than the pool’s limiting GOR, the amount of oil calculated by multiplying the oil allowable by a fraction, the numerator of which is the GOR for the unit, and the denomination of which is the unit’s actual producing GOR. For example, if a unit’s oil allowable is 240 barrels per day, and the limiting GOR is 2,500:1, but the unit produces at a GOR of 6,000:1, then its oil allowable would be 100 barrels of oil per day calculated as follows: $240 \times 2,500/6,000 = 100$.

(f) All other rules for the consolidated pool to be in conformance with statewide rules.

5. The granting of this application is in the interests of conservation, the prevention of waste and the protection of correlative rights.

**III.
MOTION FOR CONSOLIDATION**

Applicants hereby move that this application be consolidated with the application of Concho in OCD Case No. 14613 insofar as the Concho application covers the six existing pools identified herein, and the additional lands within the consolidated pool, as described on Exhibit A hereto. Both applications include common issues of law and fact; consequently, judicial economy and the interests of conservation of oil and gas require a single hearing, and a uniform and consistent resolution of these common issues by a Final Order in a consolidated case.

**IV.
NOTICE**

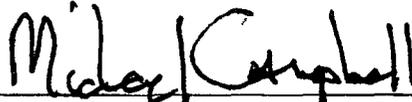
Notice of this application has been given to all Division designated operators in the affected pools, and of wells within the same formation as such pools within one mile of the pools' outer boundaries as shown as Exhibit B hereto.

**V.
PRAYER**

WHEREFORE, Burnett Oil Co., Inc. and Hudson Oil Company of Texas request that this application be consolidated with Concho's application in OCD Case No. 14613, now set for hearing at 9 am on May 16, 2011 and be heard at the same time in a consolidated case; that notice be given as required by law and the rules of the Division; and, that this application be approved.

Respectfully submitted,

CAMPBELL TRIAL LAW, LLC



Michael Campbell
110 North Guadalupe Street, Suite 6
Santa Fe, NM 87501
Telephone: (505) 820-9959
Facsimile: (505) 820-1926

KELLY HART & HALLMAN, LLP



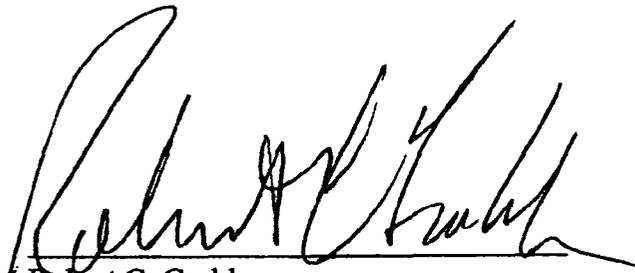
Robert C. Grable
State Bar No. 08241000
KELLY HART & HALLMAN LLP
201 Main Street, Suite 2500
Fort Worth, Texas 76102
Telephone: (817) 332-2500
Facsimile: (817) 878-9280

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing document was served upon counsel for other parties who have appeared in this matter by hand delivery, e-mail or facsimile, and U.S. Mail, postage prepaid, this 18th day of April, 2011:

Ocean Munds-Dry
Holland & Hart, LLP
P. O. Box 2208
Santa Fe, NM 87504-2208
E-Mail: omundsdry@hollandhart.com

Edward E. DeBrine, Jr.
Modrall, Sperling, Roehl, Harris & Sisk P.A.
P. O. Box 2168
Albuquerque, NM 87103-2168
E-Mail: edebrine@modrall.com

A handwritten signature in black ink, appearing to read "Robert C. Grable", written over a horizontal line.

Robert C. Grable

EXHIBIT A

TO

**BURNETT OIL CO., INC. AND HUDSON OIL COMPANY OF TEXAS
APPLICATION TO CONSOLIDATE AND ADOPT
SPECIAL POOL RULES FOR CERTAIN YESO POOLS**

The proposed Consolidated Pool is to include the following lands:

Township 17 South, Range 30 East

Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28 & 29

Township 17 South, Range 31 East

Sections 1-30, Inclusive

Township 17 South, Range 32 East

3, 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29 & 30

EXHIBIT B
BURNETT OIL CO., INC.
APPLICATION FOR POOL CONSOLIDATION
AND ADOPTION OF SPECIAL POOL RULES
FOR CERTAIN YESO POOLS

ALAMO PERMIAN RESOURCES, LLC
415 W. Wall Street, Suite 500
Midland, TX 79701

CLAYTON WILLIAMS ENERGY INC.
6 Desta Dr., Ste. 3000
Midland, TX 79705

APACHE CORP
303 Veterans Airpark Lane Suite 3000
Midland, TX 79705

CONOCOPHILLIPS COMPANY
3401 E. 30th Street
Farmington, NM 87402

ASHER ENTERPRISES LTD. CO.
12808 Lorien Way
Oklahoma City, OK 73170

**DEVON ENERGY PRODUCTION
COMPANY, LP**
20 N. Broadway
Oklahoma City, OK 73102

BC OPERATING, INC.
P O Box 50820
Midland, TX 79710

ENDURANCE RESOURCES LLC
15455 Dallas Parkway, Suite 600
Addison, TX 75234

BURNETT OIL CO INC
801 Cherry St. Ste. 1500
Fort Worth, TX 76102

FINNEY OIL COMPANY
P O Box 1569
Artesia, NM 88211-1569

**C F M OIL CO DBA LOUIS AND JUDY
FULTON**
P O Box 1176
Artesia, NM 88210

FOREST OIL CORPORATION
707 17th St., Suite 3600
Denver, CO 80202

CAMERON OIL & GAS INC
P O Box 1456
Roswell, NM 88202-1456

FREEDOM ENERGY LLC
R649 N. 13th St.
Lake Arthur, NM 88253

CBS OPERATING CORP
P O Box 2236
Midland, TX 79702

GERONIMO SWD LLC
P O Box 568
Artesia, NM 88210

CHEVRON USA INC
15 Smith Road
Midland, TX 79705

HUDSON OIL COMPANY OF TEXAS
616 Texas St.
Fort Worth, TX 76102

**CIMAREX ENERGY CO. OF
COLORADO**
600 N. Marienfeld St., Suite 600
Midland, TX 79701

J CLEO THOMPSON
325 N. St. Paul Ste. 4300
Dallas, TX 75201

KERSEY & COMPANY
P O Box 1248
Fredericksburg, TX 78624

LIME ROCK RESOURCES A, L.P.
1111 Bagby Street, Suite 4600
Houston, TX 77002

LINN OPERATING, INC.
600 Travis Street, Suite 5100
Houston, TX 77002

MACK ENERGY CORP
P O Box 960, 11352 Lovington Hwy.
Artesia, NM 88211

**MARKS AND GARNER PRODUCTION
LTD CO**
P O Box 1089
Hobbs, NM 88241

MEWBOURNE OIL CO
P O Box 5270
Hobbs, NM 88241

NADEL AND GUSSMAN HEYCO, LLC
P O Box 193
Roswell, NM 88202

**NADEL AND GUSSMAN PERMIAN,
LLC**
601 N. Marienfeld, Suite 508
Midland, TX 79701

PREMIER OIL & GAS INC
P O Box 1246
Artesia, NM 88210

**QUANTUM RESOURCES
MANAGEMENT, LLC**
1401 McKinney St., Suite 2400
Houston, TX 77010

**SANDRIDGE EXPLORATION AND
PRODUCTION, LLC**
123 Robert S. Kerr Ave.
Oklahoma City, OK 73102

SOUTHERN BAY OPERATING, L.L.C.
110 Cypress Station Dr., #220
Houston, TX 77090

SOUTHWEST ROYALTIES INC.
6 Desta Drive, Suite 2100
Midland, TX 79705

SPY LLC
P O Box 1020
Artesia, NM 88211

SYNERGY RESOURCES
2106 W. Centre Ave.
Artesia, NM 88210

TANDEM ENERGY CORPORATION
11490 Westheimer Rd., Ste. 1000
Houston, TX 77077

**THREE RIVERS OPERATING
COMPANY LLC**
1122 S. Capital of Texas Hwy. Suite 325
Austin, TX 78746

TOM R. CONE
1304 W. Broadway PL
Hobbs, NM 88240

WESTBROOK OIL CORP
P O Box 2264
Hobbs, NM 88241

YESO ENERGY, INC.
P O Box 8280
3103 Yeso
Roswell, NM 88202

YATES PETROLEUM CORPORATION
105 S. 4th St.
Artesia, NM 88210

Campbell Trial Law, LLC

April 19, 2011

HAND-DELIVERED

Ms. Florene Davidson
OCD Staff Specialist
Oil Conservation Division
Energy, Minerals and Natural
Resources Departments
State of New Mexico
1220 South St, Francis
Santa Fe, New Mexico

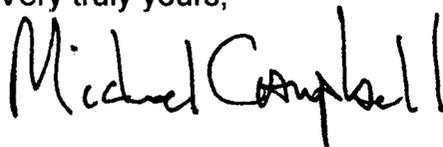
Re: Application of Burnett Oil Co., Inc. and Hudson Oil Company of Texas

Dear Ms. Davidson:

Enclosed are copies of Exhibit A to the referenced Application. They were omitted by my clerical mistake. I've confirmed that the Application served on counsel of record and served via certified mail on interested persons was full and complete, inclusive of Exhibit A.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink that reads "Michael Campbell". The signature is written in a cursive style with a large, prominent "M" and "C".

Michael Campbell

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