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New Mexico Oil Conservation Division
1220 South St. Francis Drive
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Re: PRE-HEARING STATEMENT

Application of Burlington Resources Oil & Gas LP for Compulsory Pooling

Case No. 14188

Hearing Date: October 2, 2008

Dear Sir/Madam:

The undersigned represents the Laurence B. Kelly Living Trust (hereinafter the "LBK Trust"), in the matter entitled *Application of Burlington Resources Oil & Gas LP for Compulsory Pooling, San Juan County, New Mexico*, Case No. 14188. The matter is set for hearing on October 2, 2008. Pursuant to Section 19.15.14.1211.B of the Division Rules and Regulations, the LBK Trust hereby submits the following Pre-Hearing Statement:

The Application of Burlington Resources Oil & Gas LP seeks an order pooling all mineral interests in the Mesaverde formation underlying the E/2 of Section 15, T31N, R10W, NMPM, San Juan County, New Mexico, forming a standard 318.86 acre gas spacing and proration unit for the Mesaverde and Dakota formation spaced on 320-acre spacing. The Application states that the unit is to be dedicated to the Kelly A No. 3E well, to be drilled and completed at a standard well location as a downhole commingled wellbore for production from the Dakota and Mesaverde formations in Unit P of said Section. In addition to an order pooling all mineral interests, the Application seeks an order (1) designating Burlington as the operator of said well, (2) allocating the costs of drilling and completing said well, (3) allocating the costs of operation and supervision, and (4) imposing a 200% charge for the risk involved with said well.

The LBK Trust has reviewed Burlington's Application and does not oppose it, provided the order incorporates, among other things, the following terms:

(1) As to any working interest owner that elects not to pay its proportionate share of reasonable "well costs" in advance, the sole and exclusive source of recovery of "well costs" and the charge for risk shall be made from the share of production allocable to said non-consenting working interest owner. (Section 19.15.1.35 A.)

(2) Because the LBK Trust holds no ownership interest in the Dakota formation, the LBK Trust, and other working interest owners similarly situated, shall be charged only for those "well costs" associated with the Mesaverde formation, and shall not be charged "well costs" associated with the Dakota formation. (Section 19.15.1.35 A(1).)

(3) Any "well costs" imposed on a non-consenting working interest owner, including any risk charge imposed, shall be consistent with the definition of "well costs" set forth in subsections (1) and (2) of Section 19.15.1.35 A.

Thank you for your attention to this matter.

Sincerely,

HOLLISTER & BRACE,
A Professional Corporation

By _____

Peter L. Candy

Attorneys for the Laurence B. Kelly Living Trust

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