

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

IN THE MATTER OF THE APPLICATION OF
BURLINGTON RESOURCES OIL & GAS COMPANY LP
FOR COMPULSORY POOLING
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

Burlington Resources Oil & Gas Company LP. ("Burlington") by its attorneys, Kellahin & Kellahin, 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. This unit is to be dedicated to its Kelly A No. 3E well has been drilled and completed at a standard well location as a downhole commingled wellbore for production from Dakota and Mesaverde formations in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a charge 200% charge for the risk involved in this well.

In support of its application Burlington states:

- (1) Burlington, an affiliate of ConocoPhillips Company, is a working interest owner and the proposed operator for the Kelly A No. 3E well to be dedicated to the E/2 of Section 15, T31N, R10W, San Juan County, New Mexico.
- (2) Burlington has proposed to drill, complete and operate the Kelly A No. 3E well to be located in Unit letter P of this section and if productive to downhole commingle Dakota and Mesaverde production. See Division form C-102 attached as Exhibit "A"

- (3) All of the interest owners in the Dakota formation have agreed to participate in this well, but two owners in the Mesaverde formation have declined: (a) Laurence B Kelly Living Trust (6.25% WI) and (b) Kelly Living Trust (3.125% WI)
- (4) The subject 318.86-acre spacing unit is located within the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.
- (5) Burlington despite reasonable effort has been unable to obtain the voluntary agreement of these two interest owners in this spacing unit. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (6) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "B" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 2, 2008.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on October 2, 2008 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Burlington Resources Oil & Gas Company LP be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "B"

Kelly Living Trust
Rosalie H. Kelly, Trustee
P. O. Box 383
Amherst, VA 24531

Laurence B. Kelly Living Trust
839 Summit Rd Montecito
Santa Barbara, CA 93108

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

September 2, 2008

TO: NOTICE OF THE HEARING OF THE FOLLOWING NEW
MEXICO OIL CONSERVATION DIVISION CASE:

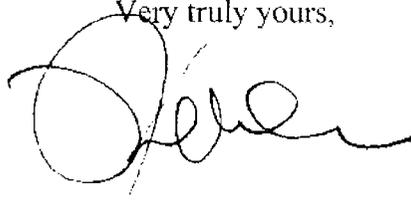
Re: Application of Burlington Resources Oil & Gas
Company LP for Compulsory Pooling,
San Juan County, New Mexico

On behalf of Burlington Resources Oil & Gas Company LP, please find enclosed our application for a compulsory pooling for the E/2 of Section 15, T31N, R10W that has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for at 8:15 a.m. on October 2, 2008. The hearing will be held at the Division hearing room located at 1220 South Saint Francis Drive, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 5:00 PM on Thursday, September 28, 2008, with a copy delivered to the undersigned.

Very truly yours,



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <u>Laurence B. Kelly</u> Date of Delivery <u>2-9-04</u></p>
<p>1. Article Addressed to:</p> <p style="text-align: center;">Laurence B. Kelly Living Trust 839 Summit Rd Montecito Santa Barbara, CA 93108</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number (Transfer from service label)</p>	<p style="text-align: center;">7005 1620 0003 8431 8873</p>

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee <small>(Endorsement Required)</small>		
Restricted Delivery Fee <small>(Endorsement Required)</small>		
Total P		

Sent To Laurence B. Kelly Living Trust

839 Summit Rd Montecito

Santa Barbara, CA 93108

PS Form 3800, June 2002

7005 1620 0003 8431 8873

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

September 29, 2008

TO: NOTICE OF THE HEARING OF THE FOLLOWING NEW
MEXICO OIL CONSERVATION DIVISION CASE:

Re: NMOCD CASE 14188
Application of Burlington Resources Oil & Gas
Company LP for Compulsory Pooling,
San Juan County, New Mexico

On behalf of Burlington Resources Oil & Gas Company LP, please find enclosed our application for a compulsory pooling for the E/2 of Section 15, T31N, R10W, to be dedicated to the Kelly A No 3E, that has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket and continued to 8:15 a.m. on October 30, 2008. The hearing will be held at the Division hearing room located at 1220 South Saint Francis Drive, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 5:00 PM on Thursday, October 23, 2008, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

Exhibit "B"

Kelly Living Trust
Rosalie H. Kelly, Trustee
141 London Lane
Amherst, VA 24521

Laurence B. Kelly Living Trust
Laurence B. Kelly, Trustee
839 Summit Rd. Montecito
Santa Barbara, CA 93108

Kelly Family Trust
Gregory Kelly, Trustee
3526 Bay Berry Lane
Malibu, CA 90265

7005 1820 0003 8431 9061

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage		

Sent To
 Kelly Living Trust
 Rosalie H. Kelly, Trustee
 141 London Lane
 Amherst, VA 24521

Street, Apt. # or PO Box N
 City, State, Z

9/29/08

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Kelly Living Trust
 Rosalie H. Kelly, Trustee
 141 London Lane
 Amherst, VA 24521

2. Article Number
 (Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *Rosalie Kelly* Agent Addressee

B. Received by (Printed Name)
 Beverly Co.

C. Date of Delivery
 10-3-08

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

7005 1820 0003 8431 9061

PS Form 3811, February 2004

Domestic Return Receipt

102585-02-M-1540

7005 1820 0003 8431 9061

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage		

Sent To
 Kelly Family Trust
 Gregory Kelly, Trustee
 3526 Bay Berry Lane
 Malibu, CA 90265

Street, Apt. # or PO Box N
 City, State, Z

9/29/08

PS Form 3800, June 2002 See Reverse for Instructions

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

October 14, 2008

HAND DELIVERED

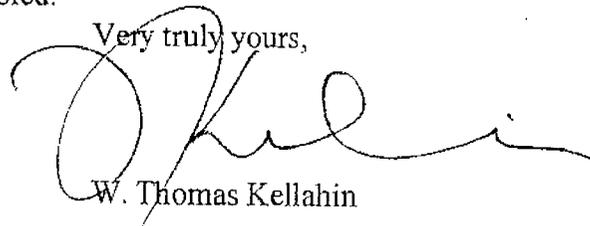
Mr. Mark Fesmire, P.E., Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case 14188: First Amended Application of Burlington
Resources Oil & Gas Company LP For Compulsory Pooling, San Juan
County, New Mexico
E/2 Section 15, T31N, R10W to be dedicated to
Kelly A Well 3E (Unit Letter P) for Mesaverde and Dakota Production

Dear Mr. Fesmire:

On behalf of Burlington Resources Oil & Gas Company LP, please
find enclosed our referenced First Amended Application that has been
continued and set for hearing on the Examiner's docket now scheduled for
October 30, 2008. The amended application reflects that Burlington has
added an additional party to be pooled.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company LP
Attn: Alan Alexander

RECEIVED
OCT 14 AM 8 35

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

2008 OCT 14 PM 8 36

RESOLVED

IN THE MATTER OF THE APPLICATION OF
BURLINGTON RESOURCES OIL & GAS COMPANY LP
FOR COMPULSORY POOLING
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 14188

FIRST AMENDED APPLICATION

Burlington Resources Oil & Gas Company LP. ("Burlington") by its attorneys, Kellahin & Kellahin, 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. This unit is to be dedicated to its Kelly A Well No. 3E well has been drilled and completed at a standard well location as a downhole commingled wellbore for production from Dakota and Mesaverde formations in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a charge 200% charge for the risk involved in this well.

In support of its application Burlington states:

- (1) Burlington, an affiliate of ConocoPhillips Company, is a working interest owner and the proposed operator for the Kelly A Well No. 3E to be dedicated to the E/2 of Section 15, T31N, R10W, San Juan County, New Mexico.

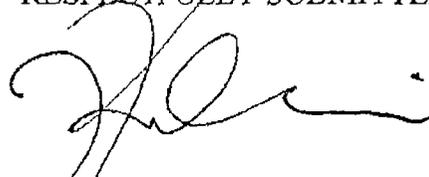
- (2) Burlington has proposed to drill, complete and operate the Kelly A Well No. 3E to be located in Unit letter P of this section and if productive to downhole commingling Dakota and Mesaverde production. See Division form C-102 attached as Exhibit "A"
- (3) All of the interest owners in the Dakota formation have agreed to participate in this well, but three owners in the Mesaverde formation have declined: (a) Laurence B Kelly Living Trust (3.13% WI), (b) Kelly Living Trust (6.25% WI) and Kelly Family Trust, Gregory Kelly, Trustee (3.125% WI)
- (4) The subject 318.86-acre spacing unit is located within the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.
- (5) Burlington despite reasonable effort has been unable to obtain the voluntary agreement of these two interest owners in this spacing unit. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (6) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "B" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 30, 2008.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on October 30, 2008 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Burlington Resources Oil & Gas Company LP be named operator.

- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "B"

Kelly Living Trust
Rosalie H. Kelly, Trustee
141 London Lane
Amherst, VA 24521

Laurence B. Kelly Living Trust
Laurence B. Kelly, Trustee
839 Summit Rd. Montecito
Santa Barbara, CA 93108

Kelly Family Trust
Gregory Kelly, Trustee
3526 Bay Berry Lane
Malibu, CA 90265

Thomas Kellahin

From: Thomas Kellahin [tkellahin@comcast.net]
Sent: Wednesday, October 15, 2008 1:33 PM
To: 'Steve Coldwell'
Cc: Alexander, Alan E; Simcoe, Terry B
Subject: RE: Terry..... W. Thomas Kellahin
Attachments: Burlington-Kelly A3E First amended application .pdf

Dear Mr. Coldwell,

Please find attached a copy of the amended application to correct para 3 of page 2 to remove any confusion about Burlington's intent to compulsorily pool the Kelly Family Trust interest.

Tom Kellahin
Kellahin & Kellahin
Attorneys at Law
706 Gonzales Road
Santa Fe, NM 87501
ph 505.982.4285
Fax 505.982.2047
Email tkellahin@comcast.net

From: Steve Coldwell [mailto:scoldwell@csc CPA.com]
Sent: Monday, October 13, 2008 1:52 PM
To: 'Simcoe, Terry B'
Cc: Tkellahin@comcast.net
Subject: Terry..... W. Thomas Kellahin

Mr. Greg Kelly received notice from the law firm of Kellahin and Kellahin regarding the notice of the hearing of the NMOCD Case 14188

This relates to the owners who have declined to participate in the drilling

My question is as follows:

You list in Exhibit B the three working interests that do not want to participate.

i.e. Kelly Living Trust, Laurence B Kelly Living Trust and Kelly Family Trust.....

I believe these are correct.....

However, in the application under Paragraph (3) you state.....

"All of the interests owners in the Dakota formation have agreed to participate in this well, But two owners in the Mesaverde formation have declined: (a) Laurence B Kelly Living Trust (6.25% WI) and (b) Kelly Living Trust (3.125% WI)..."

This paragraph does not make reference to the Kelly Family Trust....

Please advice if this needs to be changed or ???

Thanks,

Steve Coldwell

10/15/2008

16

**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 BURLINGTON RESOURCES CASE NO. 14188
OIL & GAS COMPANY LP FOR
COMPULSORY POOLING
SAN JUAN COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Burlington Resources Oil & Gas Company LP as required by the New Mexico Oil Conservation Division.

APPEARANCES OF THE PARTIES

APPLICANT

Burlington Resources Oil & Gas Company
3535 West 32nd Street
Farmington, NM 87501
Attn: Alan Alexander
Phone 505-326-9757

ATTORNEY

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
phone 505-982-4285
Fax 505-982-2047

OTHER PARTIES

Laurence B. Kelly Living Trust
("LBK Trust")

ATTORNEY

Peter L. Candy, Esq.
Hollister & Brace
P.O. Box 630
Santa Barbara A 93102
Phone 805-963-6711
Fax 805-965-0329

STATEMENT OF THE CASE

APPLICANT:

Burlington Resources Oil & Gas Company LP. ("Burlington") 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.

This unit is to be dedicated to its Kelly A No. 3E well has been drilled and completed at a standard well location as a downhole commingled wellbore for production from Dakota and Mesaverde formations in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a charge 200% charge for the risk involved in this well.

Burlington, an affiliate of ConocoPhillips Company, is a working interest owner and the proposed operator for the Kelly A No. 3E well to be dedicated to the E/2 of Section 15, T31N, R10W, San Juan County, New Mexico.

Burlington has proposed to drill, complete and operate the Kelly A No. 3E well to be located in Unit letter P of this section and if productive to downhole commingle Dakota and Mesaverde production.

All of the interest owners in the Dakota formation have agreed to participate in this well, but two owners in the Mesaverde formation have declined: (a) Laurence B Kelly Living Trust (6.25% WI) and (b) Kelly Living Trust (3.125% WI)

The subject 318.86-acre spacing unit is located within the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.

Burlington despite reasonable effort has been unable to obtain the voluntary agreement of these two interest owners in this spacing unit. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

OTHER PARTIES

Burlington's records show that Laurence B. Kelly Living Trust ("LBK Trust") owns a 6.25% mineral interest in the Mesaverde formation of the spacing unit.

In this pre-hearing statement dated September 24, 2008, LBK Trust has no objection to this case provided that the order incorporates the following items:

(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.

SUMMARY

It is Burlington's understanding that this wellbore will be downhole commingling in accordance with the Division Rule 303 and the costs allocation between the Mesaverde and Dakota formation such that the "cost common to both zones" will be apportioned and the production attributed to the appropriate formation all of which requires the approval of the Division.

Burlington concludes that there is no objection to this application because the items raised by LBK Trust have historically been parts of either a standard compulsory pooling order or a downhole commingling order.

Burlington requests that this case be presented by affidavit as allowed by Rule 19.15.14.1210.A(1)-(e)

PROPOSED EVIDENCE

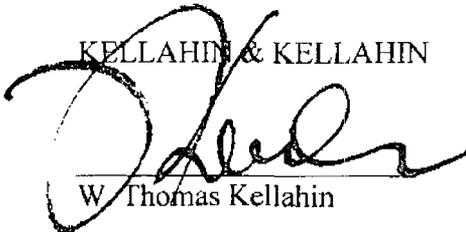
APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
Shon Robinson, petroleum engineer (by affidavit)	@ 25 -min.	@ 8-10

PROCEDURAL MATTERS

None

KELLAHIN & KELLAHIN



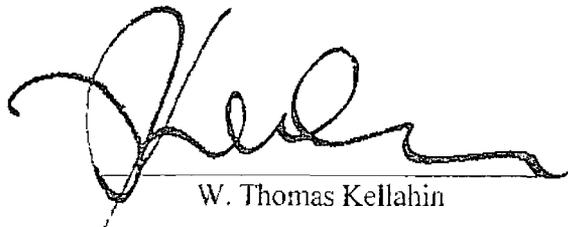
W. Thomas Kellahin

CERTIFICATION OF SERVICE

I hereby certify that a copy of this pleading was served upon the following counsel of record this 25th day of September 2008, by facsimile.

Peter L. Candy, Esq.
Attorney for Laurence B. Kelly Living Trust
Fax 805-965-0329

David K. Brooks, Esq.
Oil Conservation Division
1220 South St. Francis Drive
Fax: 505-476-3462



W. Thomas Kellahin

**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 BURLINGTON RESOURCES CASE NO. 14188
OIL & GAS COMPANY LP FOR
COMPULSORY POOLING
SAN JUAN COUNTY, NEW MEXICO**

AMENDED PRE-HEARING STATEMENT

This amended pre-hearing statement is submitted by Burlington Resources Oil & Gas Company LP as required by the New Mexico Oil Conservation Division.

APPEARANCES OF THE PARTIES

APPLICANT

Burlington Resources Oil & Gas Company
3535 West 32nd Street
Farmington, NM 87501
Attn: Alan Alexander
Phone 505-326-9757

ATTORNEY

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
phone 505-982-4285
Fax 505-982-2047

OTHER PARTIES

Laurence B. Kelly Living Trust
("LBK Trust")

ATTORNEY

Peter L. Candy, Esq.
Hollister & Brace
P.O. Box 630
Santa Barbara A 93102
Phone 805-963-6711
Fax 805-965-0329

Kelly Family Trust

Gregory Kelly, Trustee
c/o Steve Coldwell
Coldwell, Sclafani & Company. CPA
3239 North Verdugo Road
Glendale CA 91208-1633
Ph 818-249-2085
Fx 818-248-7233
Email scoldwell@cscppa.com

STATEMENT OF THE CASE

APPLICANT:

Burlington Resources Oil & Gas Company LP. ("Burlington") 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.

This unit is to be dedicated to its Kelly A No. 3E well to be drilled and completed at a standard well location as a downhole commingled wellbore for production from Dakota and Mesaverde formations in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a 200% charge for the risk involved in this well.

Burlington, an affiliate of ConocoPhillips Company, is a working interest owner and the proposed operator for the Kelly A No. 3E well to be dedicated to the E/2 of Section 15, T31N, R10W, San Juan County, New Mexico.

Burlington has proposed to drill, complete and operate the Kelly A No. 3E well to be located in Unit letter P of this section and if productive to downhole commingle Dakota and Mesaverde production.

All of the interest owners in the Dakota formation have agreed to participate in this well, but three owners in the Mesaverde formation have declined: (a) Laurence B Kelly Living Trust (6.25% WI); (b) Kelly Living Trust (3.125% WI); and Kelly Family Trust, Gregory Kelly trustee (3.125% WI)

The subject 318.86-acre spacing unit is located within the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.

Burlington despite reasonable effort has been unable to obtain the voluntary agreement of these two interest owners in this spacing unit. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

OTHER PARTIES

(A) Burlington's records show that Laurence B. Kelly Living Trust ("LBK Trust") owns a 6.25% mineral interest in the Mesaverde formation of the spacing unit.

In this pre-hearing statement dated September 24, 2008, LBK Trust has no objection to this case provided that the order incorporates the following items:

(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.

(B) In addition, Burlington has been contacted by Peter L. Candy, the accountant for the Kelly Family Trust requesting confirmation that this interest is also intended to be compulsory pooled. Burlington has so confirm and has amended and re-served its amended application on Kelly Family Trust

SUMMARY

It is Burlington's understanding that this wellbore will be downhole commingling in accordance with the Division Rule 303 and the costs allocation between the Mesaverde and Dakota formation such that the "cost common to both zones" will be apportioned and the production attributed to the appropriate formation all of which requires the approval of the Division.

Burlington concludes that there is no objection to this application because the items raised by LBK Trust have historically been parts of either a standard compulsory pooling order or a downhole commingling order.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
Terry B. Simcoe, CPL (landman)	@ 25 -min.	@ 8

PROCEDURAL MATTERS

None

KELLAHIN & KELLAHIN



W. Thomas Kellahin

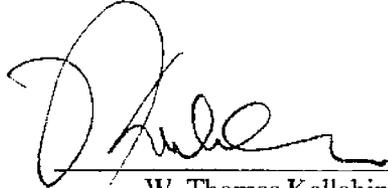
CERTIFICATION OF SERVICE

I hereby certify that a copy of this pleading was served upon the following parties and attorneys this 21st day of October 2008, by email

David K. Brooks, Esq.
Oil Conservation Division
1220 South St. Francis Drive
david.brooks@state.nm.us

Peter L. Candy, Esq.
Attorney for Laurence B. Kelly Living Trust
pcandy@hbsb.com

Steve Coldwell,
CPA for Kelly Family Trust
scoldwell@csc CPA.com



W. Thomas Kellahin

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

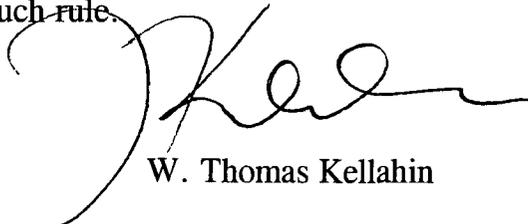
APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY LP
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 14188

CERTIFICATE OF MAILING
AND
COMPLIANCE WITH ORDER R-8054

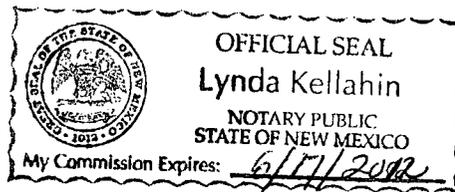
STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

W. Thomas Kellahin, being first duly sworn, hereby certifies that he is an attorney for the Applicant and is responsible for notification in this matter and that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on September 2, 2008 and again on September 29, 2008 he caused to be send first by certified mail return-receipt requested and then by Federal Express the attached notice of this hearing and a copy of the application for the above referenced case, at least twenty days prior to the hearing of this case originally scheduled for October 2, 2008, and then continued to October 30, 2008 to the parties shown in said application and amended application, and as evidenced by the attached copies of return receipt cards and/or receipts of certified mailing, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.



W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 29th day of October 2008, by W. Thomas Kellahin.



Lynda Kellahin, Notary Public
My Commission Expires:

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Kelly Family Trust
Gregory Kelly, Trustee
3526 Bay Berry Lane
Malibu, CA 90265

9/29/08

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee
Gregory Kelly

B. Received by (Printed Name) C. Date of Delivery
Gregory Kelly *10 10 08*

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (PS F) 078
102595-02-M-1540