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JASON KELLAHIN (RETIRED 1991)

November 26, 1996

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

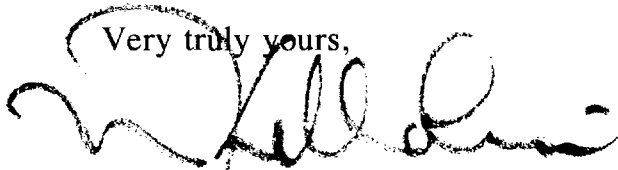
**Re: Rhodes "23" Federal Com Well No. 1
SW/4 Section 23, T26S, R37E, NMPM
Application of Burlington Resources Oil & Gas Company
for Compulsory Pooling, Lea County, New Mexico**

11678

Dear Mr. LeMay:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for December 19, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company
Attn: Leslyn Swierc

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 11678: Application of Burlington Resources Oil & Gas Company for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Rhodes-Yates Seven Rivers Gas Pool underlying the SW/4 of Section 23, T26S, R37E, NMPM, Lea County, New Mexico, forming a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre gas spacing within said vertical extent, including but not limited to the Rhodes-Yates Seven Rivers Gas Pool. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Rhodes "23" Federal Com Well No. 1 which is to be drilled at a standard gas well location. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for risk involved in drilling and completing said well and the designation of applicant as the operator of the well. Said well is located approximately 5 miles south-southwest of Jal, Lea County, New Mexico.

**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
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 11678

A P P L I C A T I O N

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Rhodes-Yates Seven Rivers Gas Pool underlying the SW/4 of Section 23, T26S, R37E, NMPM, Lea County, New Mexico, forming a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre gas spacing within said vertical extent, including but not limited to the Rhodes-Yates Seven Rivers Gas Pool. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Rhodes "23" Federal Com Well No. 1 which is to be drilled at a standard gas well location. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for risk involved in drilling and competing said well and the designation of applicant as the operator of the well.

In support of its application, Burlington Resources Oil & Gas Company ("Burlington") states:

1. Burlington controls 48% of the working interest in the SW/4 of Section 23, T26S, R37E, NMPM, Lea County, New Mexico.
2. Texaco Exploration and Production Inc. ("Texaco") controls 50% of the working interest in this proposed gas spacing unit.
3. On July 10, 1996, Burlington acquired its interest in this gas spacing unit from Doyle Hartman.

4. Since then, Burlington and Texaco have had numerous discussions concerning the drilling of wells to test this spacing unit for gas production from the Rhodes-Seven Rivers Gas Pool.

5. Texaco has previously proposed that the spacing unit be developed with a vertical well(s) and that Burlington operate the spacing unit.

6. However, Texaco's latest proposal now involves a multilateral horizontal well which is more than twice the projected cost of a vertical wellbore.

7. Because Burlington is unwilling to participate in the drilling of an expensive multilateral horizontal wellbore, Texaco has filed NMOCD Case 11656 in which Texaco seeks to obtain a compulsory pooling order for its horizontal well project.

8. In turn, Burlington has proposed to Texaco that the spacing unit can and should be developed utilizing conventional vertical wellbores.

9. By its conduct, Texaco has rejected Burlington's proposal and has refused to discuss this matter with Burlington.

10. That all reasonable efforts by Burlington to form a voluntary agreement for this well has failed and it has been unable to obtain the voluntary agreement of Texaco in this matter.

11. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and 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.

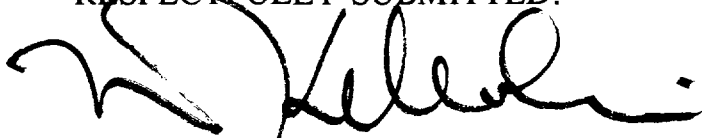
12. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties as shown on Exhibit "A" attached.

13. Burlington requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for December 19, 1996.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on December 19, 1996 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 this spacing unit for the drilling, completing and operating the subject well at a standard gas well location upon terms and conditions which include:

- (1) Burlington Resources Oil & Gas Company be named operator;
- (2) provisions for each working interest owner to participate in any production by reimbursing the applicant for the costs of drilling, completing, equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month for drilling and for operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
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EXHIBIT "A"

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