



KERRY PETROLEUM COMPANY, INC.

500 West Texas Ave., Suite 1450
Midland, Texas 79701
Telephone (915) 687-5958

August 8, 1997

State of New Mexico
Oil Conservation Division
Santa Fe, New Mexico

AUG 14

IN THE MATTER OF THE APPLICATION OF BURLINGTON
RESOURCES OIL & GAS COMPANY FOR COMPULSORY
POOLING ~~EDDY~~ COUNTY, NEW MEXICO

CASE NO 11837

OPPOSITION TO THE ABOVE APPLICATION

Kerry Petroleum Company, Inc. ("Kerry") and K P Acquisition Corporation ("K P"), a subsidiary of Kerry, are owners and holder of an undivided leasehold interest in USA Lease NM 16343 covering, among other land, the NW/4 of Section 23, T-26-S, R-30-E, NMPM, Eddy County, New Mexico, which quarter section is included in the subject application of Burlington Resources Oil & Gas Company ("Burlington") for compulsory or forced pooling covering the N/2 said Section 23 from the base of the Bone Springs formation to the base of the Wolfcamp. Kerry and K P oppose this application of Burlington for the following reasons.

1. Irrespective of paragraph numbered 3 in Burlington's application, Burlington did not exercise "its good faith efforts". There is attached hereto a copy a letter dated July 21, 1997 from Burlington to the working interest owners shown on the list attached to such letter. This letter is marked Exhibit 1. There is also attached hereto a copy of letter dated July 31, 1997 from Kerry and K P to Burlington responding to Burlington's letter dated July 21, 1997. This letter marked Exhibit 2. There has never been any discussions or negotiation subsequent to these letters in an attempt to negotiate any trade since Burlington is relying on the Oil Conservation Division to grant exactly what it asked in its application.
2. In addition to the several wells drilled in the area from which a great amount of geological information was obtained it is Kerry and K P's belief that Burlington has performed extensive 3-D seismic operations for additional information to classify the El Paso "23" Federal No. 2 well as a development well and not a wildcat.

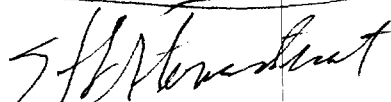
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3. Burlington has vast resources to market its gas but there is no assurance that Burlington will in good faith as operator market 100% of the gas which may be produced from the said No. 2 well. K P owned an interest in the El Paso "23" Federal No. 1 well (the proration unit being S/2 of said Section 23) which was being operated by Meridian Oil, Inc. (now Burlington) and during that period Burlington notified the non-operators that it would cease to market all the produced gas and that the non-operators must find their own market. Since the interest of K P was so small it was impossible to find a market.

THEREFORE, Kerry and K P request that the Application of Burlington be denied in its entirety, but if the Division elects to approve the application that the order contain a thirty (30) day delay requiring Burlington to bargain in good faith with Kerry and K P and if no arrangements is made between these parties then the risk factor penalty be not greater than 100%.

Respectfully submitted,

KERRY PETROLEUM COMPANY, INC.



Hardeman L. Stonestreet
Senior Vice President

HLS-sf

Attachments

cc: Kellahin and Kellahin
Attn: W. Thomas Kellahin

Burlington Resources Oil & Gas Company
Attn: Rick Gallegos

**BURLINGTON
RESOURCES**

MID-CONTINENT DIVISION

July 21, 1997

El Paso "23" Federal No. 2
1120' FNL & 2630' FEL
Section 23, T26S-R30E
Eddy County, New Mexico

To: Working Interest Owners (List Attached)

By letter dated June 2, 1997, Burlington Resources (BR) proposed drilling the captioned well at a location of 1320' FNL & 2639' FEL. Subsequent to said proposal BR learned that a portion of the proposed wellsite covered an archeological site. Inasmuch as it would be very costly to mitigate the archeological site, BR hereby notifies you that the location of the captioned well will be moved 200 feet north and 9 feet east to a new location of 1120' FNL & 2630' FEL Section 23, T26S, R30E, Eddy County, New Mexico. The estimated costs of \$1,987,300 to drill, complete and equip the well shall remain the same at the new location.

For those working interest owners that have yet to elect to participate in the drilling of the well or go non-consent in accordance with Operating Agreement dated July 1, 1997, Burlington Resources hereby offers to either purchase or farmin your interest subject to the following terms and conditions:

- 1) PURCHASE - BR shall agree to purchase your interest in the N/2 of section 23, T26S, R30E, for \$250.00 per net acre, subject to existing burdens of record as of June 2, 1997.
- 2) FARMIN - BR shall agree to farmin your interest in the N/2 of section 23, T26S, R30E, subject to the delivery to BR of a seventy eight percent (78%) net revenue interest.

BR's offers to purchase or farmin hereinabove shall expire on October 1, 1997.

Should you have any questions regarding this matter or require additional information, please contact the undersigned at (915) 688-9044.

Sincerely,



Rick Gallegos
Senior Landman

Kerry Petroleum Co., Inc.
JUL 22 1997



KERRY PETROLEUM COMPANY, INC.

500 West Texas Ave., Suite 1450

Midland, Texas 79701

Telephone (915) 687-5958

EXHIBIT 2

July 31, 1997

CERTIFIED

RETURN RECEIPT REQUESTED

RE: El Paso "23" Federal No. 2
1120 FNL & 2630 FEL
Section 23, T26S-R30S
Eddy County, New Mexico

Mr. Rick Gallegos
Burlington Resources
3300 N. "A" Street, Bldg. 6
Midland, Texas 79710-1810

Dear Mr. Gallegos:

This will acknowledge receipt of your letter dated July 21, 1997 offering to purchase the interests of K P Acquisition Corporation (K P) and Kerry Petroleum Company, Inc. (Kerry) or take a farmin from these companies as to the NW/4 of Section 23, T-26-S, R-30-S, Eddy County, New Mexico, covered by USA NM 16343, the proration unit for captioned well to be the N/2 of Section 23.

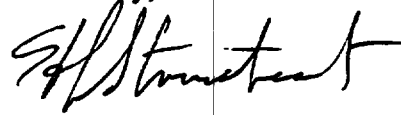
As you may recall you earlier made the same offer orally over the telephone to a representative of these companies. The combined unitized leasehold interest of these companies is approximately 4.32555% and the net revenue interest of each company is 78.25%, therefore, the total cash consideration you offered is approximately \$3,444 and in the alternative on a farmout basis to Burlington the combined ORR reserved would be 0.0001076.

Because of the several deep wells in this area there is sufficient geological information to classify the proposed well as a development well so we countered your offer of our farming out to Burlington on the basis of reserving 3.25% ORR (granting you 75%

Burlington Resources
El Paso "23" Federal No. 2
Eddy County, New Mexico
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NRI) until payout then exchanging the ORR for a 50% backin at payout. You immediately turned down our offer stating under forced pooling Burlington could receive 300% of Kerry's and K P's cost for the proposed well out of their NRI before they would receive any proceeds. Based on this we understand you have no incentive for negotiating any arrangement with us and that you will rely on the hearing before the New Mexico Oil Conservation Division.

Sincerely,



H. L. Stonestreet
Sr. Vice President

HLS-sf

Is your RETURN ADDRESS completed on the reverse side?	SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.	I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.		
	3. Article Addressed to: MR. RICK GALLEGOS BURLINGTON RESOURCES 3300 N. "A" ST BLDG 6 MIDLAND, TX 79710-1810	4a. Article Number Z 107 957 668	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
	5. Signature (Addressee)	7. Date of Delivery 8-1-97		
	6. Signature (Agent) 	8. Addressee's Address (Only if requested and fee is paid)		
	PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT			