BURLINGTON RESOURCES

Memorandum

PCRS Team - Farmington

From: Scott Dobson

Date: September 23, 1999

Subject: McDaniel 1R
T29N-R11W-Sec. 17, Unit M
Vertical versus Directional Wellbore Analysis

Analysis:

The below tables summarize the cost and economic analysis of drilling the McDaniel 1R directionally versus vertically. The analysis assumes the well will be drilled from the location currently staked, with the total depth of the well being located at footages referenced above. A lateral displacement of approximately 1000' will be realized with after kicking off at 500' and drilling to a total depth of 2000'.

Risked economic indicators for the project are provided in the following table. Economics were evaluated at Burlington Resource's gross working and net revenue interests.

	Vertical Wellbore	Directional Wellbore	Difference
ROR (%):	45.0	32.8	(12.20)
P/I @ 10% ($/$):	1.04	0.67	(0.37)
NPV @ 10% (M$):	50.3	41.6	(8.7)
Disc Payout (months):	30.3	37.1	(6.8)
Gross Risked Investment (M$):	189.4	243.3	(53.9)

Economics were evaluated using the current 1999 pricing deck (CONV) and escalation scheme. Pertinent project data is provided in the following table.

Project Date:	4/1/99		Drill Cost (Vertical):	74.85	M$
Grs Risked Initial Rate:	268.8	MCFD	Drill Cost (Direct):	128.68	M$
Grs Risked Gas EUR:	865.0	MMCF	BR WI / NRI	25.0/21.88	%

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
1474 Rodeo Road
P. O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov

U.S. Department of the Interior
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IN REPLY REFER TO:
3100 (NM930 REW)

OCT 6 1999

CERTIFIED - RETURN RECEIPT REQUESTED

New Mexico Oil Conservation Division
2040 Pacheco Street
Santa Fe, NM 87505

Re: Case 12253, Application of Burlington Resources Oil and Gas Company for an Unorthodox Gas Well Location and a Non-Standard Gas Proration Unit, San Juan County, New Mexico

Gentlemen:

Please consider this a formal protest to the subject application pending before the New Mexico Oil Conservation Division (NMOCD). Barring modification of the proposed proration unit, we believe the correlative rights of Federal Lease adjacent to the proposed well will be damaged if the application is approved as submitted.

Burlington Resources Oil and Gas Company (Burlington) has requested a non-standard gas proration unit consisting of four quarter-quarters lying in four separate sections. The well location is also non-standard and lies very close to the northeast corner of the proposed proration unit. The combination of these two non-standard activities is to place the well immediately adjacent to a Federal lease (SE1/4SW1/4, sec. 17, T.29., R.11W.). The Federal lease covering those, and other lands, is our NMNM0019405 which is also held by Burlington. If Burlington's proposed well (McDaniel Well No. 1-R) is completed as a successful gas producer, it is our opinion that lease NMNM0019405 will be subject to drainage. If so, we would require Burlington to protect the lease from drainage. Burlington would have the option to drill a protective well, pay compensatory royalty or relingquish the all or a portion of the lease.

We ask that NMOCD or Burlington modify the proration unit to include the SE1/4SW1/4 of section 17, in order to protect the correlative rights of the nearby lessees and avoid this situation from occurring. In the alternative, we ask that Burlington's application be denied.

Sincerely,

Stephen A. Jordan
Acting Deputy State Director
Division of Resource,
Planning, Use and Protection