



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 28, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Burnett Oil Co., Inc.
Burnett Plaza – Suite 1500
801 Cherry Street – Unit #9
Fort Worth, Texas 76102-6881

Telefax No. (817) 332-7832

Attention: James H. Arline
Materials Coordinator

Administrative Order NSL-5201 (BHL) (SD)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Arline:

Reference is made to the following: (i) your initial application submitted by telefax to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 21, 2005 (***administrative application reference No. pMES0-511651795***); (ii) yours and Mr. Sterling Randolph's telephone conversations with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, on April 22, 26, and 27, 2005; (iii) the supplemental data submitted by telefax on April 27, 2005 containing the necessary information to complete your application; and (iv) the Division's records in Artesia and Santa Fe: all concerning Burnett Oil Co., Inc.'s ("Burnett") recent development within the Cedar Lake-Yeso Pool (**96831**) on its Jackson "A" Lease (***U. S. Government lease No. LC-0229339-A***), comprising the E/2 of Section 13 and the N/2 NE/4 of Section 24, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, utilizing horizontal drainhole techniques.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), and 111.C (2);
- (2) By Order No. R-11067, issued in Case No. 12058 on October 20, 1998 and made effective on November 1, 1998, the Division created and defined the Cedar Lake-Yeso Pool for the production of oil from the Yeso formation; the horizontal limits for this pool, as currently designated, comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 13:	NE/4 and S/2
Section 24:	NE/4

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 17:	S/2
Section 18:	All
Section 19:	N/2
Section 20:	All;

- (3) Currently, the Cedar Lake-Yeso Pool is subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;
- (4) It is the Division's understanding that Burnett recently drilled its Jackson "A" Well No. 31 (**API No. 30-015-34000**), from a surface location 1220 feet from the North line and 2310 feet from the East line (Unit B) of Section 24, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, vertically to an approximate measured depth of 4,433 feet; kicked-off to the north and, at a measured depth of approximately 5,110 feet a 90 degree deviation off of vertical was achieved; the well was drilled horizontally an approximate distance of 1950 feet to a bottomhole location, or end-point, within the Yeso formation at a subsurface location approximately 1240 feet from the South line and 2135 feet from the East line (Unit O) of Section 13, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico;
- (5) Burnett's resulting 80-acre "Project Area", pursuant to Division Rules 111.A (9) and C (3), is established by combining the two standard 40-acre oil spacing and proration units in the Yeso formation comprising the SW/4 SE/4 (Unit O) of Section 13 and the NW/4 NE/4 (Unit B) of Section 24, both in Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico;
- (6) The surface location, subsurface end-point, and possibly the subsurface entry point into the Cedar Lake-Yeso Pool, of the Jackson "A" Well No. 31 are unorthodox pursuant to Division Rules 104.B (1);
- (7) Prior to the completion of the Jackson "A" Well No. 31, Burnett was developing the Cedar Lake-Yeso Pool within the subject 80-acre project area with its Jackson "A" Well No. 23 (**API No. 30-015-32114**), located at a standard oil well location 500 feet from the North line and 1650 feet from the East line (Unit B) of Section 24;
- (8) Division records indicate Burnett's Jackson "A" Well No. 19 (**API No. 30-015-31669**), located at a standard oil well location 330 feet from the South line and 1650 feet from the East line (Unit O) of Section 13, is currently shut-in and its last reported production from the Cedar Lake-Yeso Pool was February, 2003; and
- (9) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole and 80-acre project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

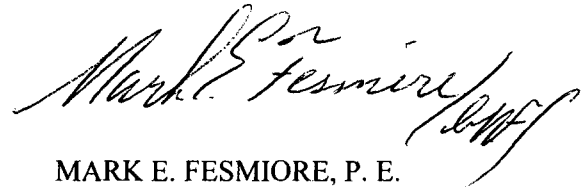
- (1) Burnett Oil Co., Inc. ("Burnett") is hereby authorized to continue operating its horizontal/high angle directional drilling project area ("Project Area") within the 80 acres comprising the SW/4 SE/4 (Unit O) of Section 13 and the NW/4 NE/4 (Unit B) of Section 24, both in Township 17 South, Range 30 East, NMPM, Cedar Lake-Yeso Pool (**96831**), Eddy County, New Mexico, in which the two above-described Jackson "A" Wells No. 23 and 31 are herein dedicated.

(2) Further, by the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard Yeso subsurface oil well location(s) of the well bore path of Burnett's recent horizontally drilled Jackson "A" Well No. 31 is hereby approved.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Mark E. Fesmire", followed by a stylized flourish or set of initials.

MARK E. FESMIORÉ, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad