



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

August 22, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Burlington Resources Oil & Gas Company, L. P.
P. O. Box 4289
Farmington, New Mexico 87499-4289

Attention: Joni Clark, Regulatory Specialist
jclark@br-inc.com

Administrative Order NSL-5260 (BHL)

Dear Ms. Clark:

Reference is made to the following: (i) your application (**administrative application reference No. pSEM0-519547725**) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 14, 2005; (ii) Mr. John F. Zent's, General Manager of Compliance, letter dated July 13, 2005; (iii) Mr. Michael E. Stogner's, Engineer with the Division in Santa Fe, e-mail correspondences with Mr. W. Thomas Kellahin, Legal Counsel for Burlington Resources Oil & Gas Company, L. P. ("Burlington"), on Friday afternoon, July 29, 2005; (iv) your e-mail of Tuesday, August 16, 2005 with the necessary information to complete this application; and (v) the Division's records in Aztec and Santa Fe: all concerning Burlington's request for exception to Division Rules 111.A (13) and 111.C (2), and Rule 7 (a) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rule 111.C (2) and the applicable provisions of the special rules governing the Basin-Fruitland Coal (Gas) Pool (**71629**);
- (2) The special rules governing the Basin-Fruitland Coal (Gas) Pool in this area provide for 320-acre gas spacing units, infill drilling with one well per quarter section, and for wells to be located no closer than 660 feet from any outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary;
- (3) The "project area" that is the subject of this application will consist of an existing 302.49-acre lay-down gas spacing unit comprising Lots 13 through 20 (S/2 equivalent) of Irregular Section 1, Township 31 North, Range 8 West, NMPM, San Juan County, New Mexico;
- (4) The Division's records indicate that this unit is currently dedicated to Burlington's Negro Canyon Well No. 103 (**API No. 30-045-32938**), recently drilled directionally into Lot 16 (Unit L) of Irregular Section 1 from a surface location 1445 feet from the North line and 150 feet from the East line (Unit H) of offsetting Section 2, Township 31 North, Range 8 West, NMPM, San Juan County, New Mexico;

Burlington Resources Oil & Gas Company, L. P.
Division Administrative Order NSL-5260 (BHL)

August 22, 2005

Page 2

- (5) It is the Division's understanding that Burlington's proposed Negro Canyon Well No. 103-S (API No. 30-045-32937) is to be drilled from a surface location 1395 feet from the North line and 170 feet from the East line (also in Unit G) of offsetting Section 2 vertically to an approximate true vertical depth ("TVD") of 300 feet, kicked-off in an east-southeasterly heading, and directionally drilled in such a manner as to:
- (i) intercept the top of the Fruitland formation at an approximate TVD of 3,291 feet at a subsurface location 2517 feet from the South line and 2438 feet from the East line (Lot 14/Unit J) of Irregular Section 1;
 - (ii) intersect the top of the Fruitland coal at an approximate TVD of 3,491 feet at a subsurface location 2510 feet from the South line and 2425 feet from the East line (Lot 14/Unit J) of Irregular Section 1;
 - (iii) exit out of the bottom of the Fruitland formation (enter the top of the Pictured Cliffs formation) at an approximate TVD of 3,830 feet at a subsurface location 2510 feet from the South line and 2425 feet from the East line (Lot 14/Unit J) of Irregular Section 1; and
 - (iv) reach total depth of 3,914 feet TVD at a subsurface location approximately 2510 feet from the South line and 2425 feet from the East line (Lot 14/Unit J) of Irregular Section 1.
- (6) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rule 111.C (2) and Rules 7 (b), 8, and 9 (B) of the Basin-Fruitland coal gas special pool rules; therefore, the subject application should be approved; and
- (7) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-8768, as amended, should govern the subject well and 302.49-acre gas spacing unit/project area.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Rules 7 (b), 8, and 9 (B) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended, the application (*administrative application reference No. pSEM0-519547725*) of Burlington Resources Oil & Gas Company, L. P. ("Burlington") for exception to Division Rules 111.A (13) and 111.C (2) and Rule 7 (a) of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool (71629), is hereby approved.

Burlington Resources Oil & Gas Company, L. P.
Division Administrative Order NSL-5260 (BHL)

August 22, 2005

Page 3

(2) Burlington is authorized to directionally drill its proposed Negro Canyon Well No. 103-S (API No. 30-045-32937) within the existing 302.49-acre lay-down Basin coal gas spacing unit comprising Lots 13 through 20 (S/2 equivalent) of Irregular Section 1, Township 31 North, Range 8 West, NMPM, San Juan County, New Mexico, as an infill well in the manner described above in Finding Paragraph No. (5) and to intercept the targeted subsurface unorthodox locations as close as is reasonably possible.

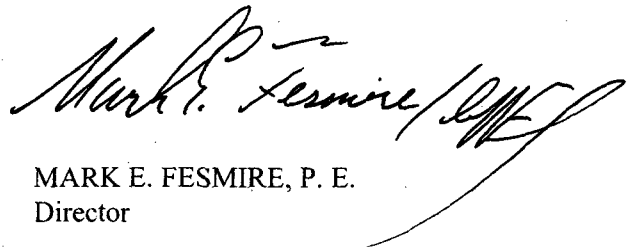
(3) Further, Burlington is authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool within this 302.49-acre unit from its existing Negro Canyon Well No. 103 with the proposed Negro Canyon Well No. 103-S.

(4) The operator of this gas spacing unit shall comply with all applicable provisions and conditions set forth in Division Rule 111 and Division Order No. R-8768, as amended.

(5) 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



MARK E. FESMIRE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
W. Thomas Kellahin, Legal Counsel for Burlington – Santa Fe
John F. Zent, General Manager/Compliance – Burlington, Farmington