STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 14324
ORDER NO. R-13145

APPLICATION OF BURLINGTON RESOURCES OIL AND GAS COMPANY, LP FOR COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 2, 2009, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 20th day of July, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Burlington Resources Oil and Gas Company, LP ("Applicant"), seeks an order pooling all uncommitted interests in the Dakota formation underlying Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 19 and Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of Section 30, Township 30 North, Range 9 West, NMPM, in San Juan County, New Mexico, being an existing, non-standard 310.56-acre, more or less, gas spacing and proration unit (the Unit) in the Basin-Dakota Prorated Gas Pool (71599), established by Order No. R-2046, issued in Case No. 2327 on August 14, 1961.

(3) The Unit is to be dedicated to Applicant's proposed Mansfield Well No. 2B (API No. not yet assigned) (the "proposed well"), to be drilled from a surface location 1279 feet from the North line and 2567 feet from the East line (Unit B) of irregular Section 19 to a standard bottomhole location in the Dakota formation, 2463 feet from the North line and 978 feet from the West line (Unit F) of said Section.

(4) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(6) There are interest owners in the Unit that have not agreed to pool their interests. However, all owners were located, and there is no evidence of a title dispute.

(7) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(8) Applicant should be designated the operator of the proposed well and of the Unit.

(9) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(10) Reasonable charges for supervision (combined fixed rates) should be fixed at $6,500 per month while drilling and $650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*"

(11) Applicant proposes to complete the proposed well in both the Dakota and the Mesaverde formations. All owners of interests in the Mesaverde formation within the horizontal boundaries of the Unit have agreed to join in the proposed well, however, so that pooling in that formation is unnecessary. A Blanco-Mesaverde Prorated Gas Pool spacing unit was created with Commission Order No. R-35 issued in Case No. 236 on December 1, 1950.

(12) Applicant proposes to allocate costs of the proposed well, if completed in both formations, 60% to the Dakota and 40% to the Mesaverde. Applicant presented testimony that it has agreed with other operators to allocate costs of Dakota/Mesaverde wells on this basis in many places in the San Juan Basin.

(13) The Division finds the proposed allocation of 60% of well costs to the Dakota formation to be fair and reasonable.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Burlington Resources Oil and Gas Company, LP, all uncommitted interests, whatever they may be, in the oil and gas in the Dakota formation underlying Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 19 and Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of Section 30, Township 30 North, Range 9 West, NMPM, in San Juan County, New Mexico, are hereby consolidated and pooled within an existing, non-standard 310.56-acre, more or less, gas spacing and proration unit (the Unit) in the Basin-Dakota Prorated Gas Pool (71599), established by Order No. R-2046, issued in Case No. 2327 on August 14, 1961.

(2) The Unit shall be dedicated to Applicant's proposed Mansfield Well No. 2B (API No. not yet assigned), (the "proposed well") to be drilled from a surface location 1279 feet from the North line and 2567 feet from the East line (Unit B) of irregular Section 19 to a standard bottomhole location in the Dakota formation, 2463 feet from the North line and 978 feet from the West line (Unit F) of said Section.

(3) The operator of the Unit shall commence drilling the proposed well on or before July 15, 2010, and shall thereafter continue drilling the well with due diligence to test the Dakota formation.

(4) In the event the operator does not commence drilling the proposed well on or before July 15, 2010, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(5) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraph (1) shall be of no further effect, and the Unit created by this Order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule Part 13, Sections 9 through 11, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(7) Burlington Resources Oil and Gas Company (OGRID 14538) is hereby designated the operator of the proposed well and of the Unit.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the

proposed well ("well costs"). Operator shall allocate 60% of well costs to the owners of interests in the Dakota formation.

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(10) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from production:

(a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(13) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(14) Reasonable charges for supervision (combined fixed rates) are hereby fixed at $6,500 per month while drilling and $650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is authorized to withhold from production the proportionate share of both the supervision charges and the

actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

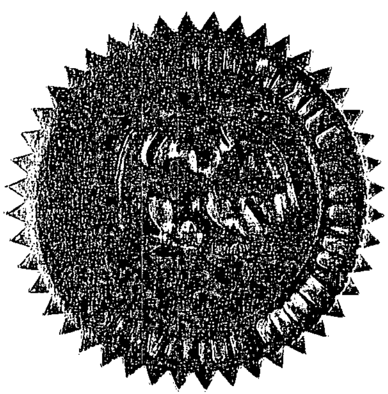
(15) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(18) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director