



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 20, 2005

Mark Fesmire

Director

Oil Conservation Division

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

Attention: James H. Arline

Re: *Administrative application for an exception to Division Rule 104.B (1) for Burnett Oil Co., Inc. ("Burnett") to drill its proposed Gissler "B" Well No. 37 at an unorthodox Paddock oil well location 1010 feet from the North line and 990 feet from the West line (Unit D) of Section 14, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, within a standard 40-acre oil spacing and proration unit for the Loco Hills-Paddock Pool (96718) comprising the NW/4 NW/4 of Section 14.*

Dear Mr. Arline:

Your application (*administrative application reference No. pSES0-5280271031*) has been reviewed and I find that I need verification to assure that the notice requirements of Division Rule 1210.A (2) have been satisfactorily met. You state in your cover letter that Burnett is "the Operator of Record for all wells on all sides of this well site" and that "all of the interest ownership for this entire lease is exactly the same." However my records indicate that the N/2 NW/4 of Section 14 is a federal lease designated NM-2748 and the offsetting S/2 NW/4 of Section 14 is also a federal lease designated NM074939. Your statements therefore do not appear valid in this instance. Are the working interests between these two federal leases as to the Loco Hills-Paddock Pool identical? If not how are they different?

Once I receive your reply I can then process your application accordingly. Thank you.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

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

CCCC

PSEMO-528 027103

October 25, 2005

New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505
Attention: Mr. Michael E. Stogner

RECEIVED

OCT 27 2005

OIL CONSERVATION
DIVISION

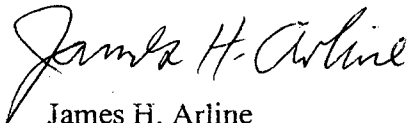
Re: Gissler B #37
Unit D, 1010' FNL, 990' FWL
SEC.14, T17S, R30E- Eddy County, New Mexico

Dear Mr. Stogner:

As I said in the original NSL application letter, we are operator of record for all wells shown on the Burnett Oil Co., Inc. plat submitted with this application. I have enclosed a copy of the original signed outside approval letter to drill this well. This listing shows all the outside companies involved for all the federal leases we operate in the area including NMLC029338A, NMLC029339A, NMLC030570A, NMLC055264, NMLC055958, NM2746, NM2747 and NM2748. **All of the interest ownership is the same.**

Please contact the undersigned if you should need any more information or have any question.

Yours truly,



James H. Arline
Materials Coordinator

CCCC

May 26, 2005

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Dr. Dave Boneau

Re: Gissler B #37
Unit D, 990' FNL, 990' FWL
SEC.14, T17S, R30E- Eddy County, New Mexico
C= D001

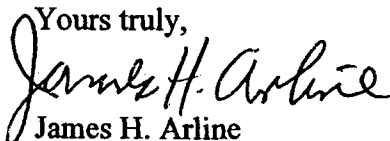
Dear Dr. Boneau:

We propose to drill the referenced new well to test the Loco Hills Paddock. The location selected is a standard forty (40) acre tract.

We request your approval on behalf of Yates Drilling, Abo Petroleum, Myco Industries and Yates Petroleum to complete this work. Please signify your approval by signing and returning a copy of this letter and the enclosed AFE and this letter as soon as possible. A copy of the unapproved APD is enclosed for you file.

Please contact our Mr. Sterling Randolph or the undersigned if you need additional information.

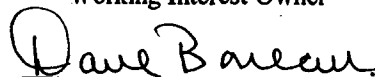
Yours truly,


James H. Arline
Materials Coordinator

Yates Petroleum Corporation
Yates Drilling Company
ABO Petroleum Corporation
MYCO Industries Inc.

☒ Approve new well

Working Interest Owner



ENGINEERING MANAGER
DATE 8-4-05

DATE