



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

January 5, 2007

Patsy Clugston
Burlington Resources
P.O. Box 4289
Farmington, NM 87499-4289

RE: McGrath Well No. 3S (API No 30-045-33580)
165 feet from the North Line, 1505 feet from the East line, Unit B (Lot 2)
Section 3, Range 29 North, Township 12 West, NMPM, San Juan County
E/2 of Section 3, 320 Acre Dedication

Administrative Order NSL-5544

Dear Ms. Clugston:

Reference is made to the following:

- (a) your application (administrative application reference No. pTDS0634733835 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 12, 2006, on behalf of Burlington Resources, OGRD 14538 ("Burlington"); and
- (b) the Division's records pertinent to Burlington's request.

Burlington proposes to drill the above referenced well at the above referenced unorthodox Fruitland Coal gas well location within Section 3 and requests to produce Fruitland Coal gas from the well within a 319.86-acre, more or less, spacing unit within the Basin-Fruitland Coal Gas Pool consisting of the E/2 of Section 3.

This E/2 of Section 3 spacing unit currently is dedicated to the McGrath Well No. 3, operated by Burlington, and located in Unit J within the SE/4 of Section 3. The proposed well would be located in the NE/4 and would be the second well in this spacing unit.

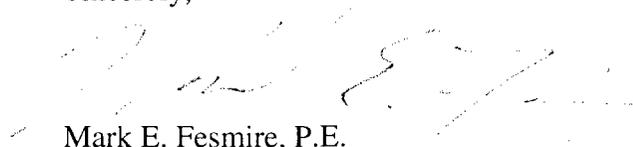
The Basin-Fruitland Coal Gas Pool (71629) is governed by the Special Pool Rules for the Basin-Fruitland Coal Gas Pool Commission Order No. R-8768-F. Rule 7(a)(1) of these special rules requires each well to be located no closer than 660 feet to the outer boundary of the 320-acre spacing unit.

This well location is un-orthodox because it is located closer than 660 feet from the northern boundary of the E/2 of Section 3 spacing unit. Your application states this well location is preferable because the surface owner is sub-dividing this property and the chosen location will be less obtrusive and noisy to the residents. The affected spacing unit to the north is operated by Burlington and no other parties are affected or were noticed.

Division Rule 104F allows the Division director to grant location exceptions in order to prevent waste and protect correlative rights. Your application on behalf of Burlington has been duly filed and notice has been provided as required under the provisions of Division Rules 104.F and 1210.A. In order to prevent waste and protect correlative rights, the above-described non-standard Fruitland Coal gas well location within the Basin-Fruitland Coal Gas Pool is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington