



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 13, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Burnett Oil Co., Inc.

Burnett Plaza – Suite 1500

801 Cherry Street – Unit #9

Fort Worth, Texas 76102-6881

Attention: Sterling P. Randolph, P. E.
Petroleum Engineer
randolph@burnettoil.com

Administrative Order NSL-5001

Dear Mr. Randolph:

Reference is made to the following: (i) yours and Mr. James H. Arline's original application (***administrative application reference No. pMES0-402337411***) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on January 22, 2004; (ii) the Division's initial response by letter dated January 26, 2004 from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe **denying** this application; (iii) yours and Mr. Arline's telephone conversations with Mr. Stogner on February 2 and 3, 2004; (iv) your re-submittal of this application by e-mail to Mr. Stogner on February 2, 2004; and (v) the Division's records in Santa Fe: all concerning Burnett Oil Co., Inc.'s ("Burnett") request to drill its proposed Gissler "A" Well No. 21 as an initial well within a standard 40-acre oil spacing and proration unit in the Undesignated Loco Hills-Paddock Pool (**96718**) comprising the SW/4 NE/4 (Unit G) of Section 14, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, at an unorthodox oil well location 2310 feet from the North line and 1400 feet from the East line of Section 14.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

The Division understands that the Gissler "A" federal lease (U. S. Government lease No. LC-029338) comprises the SE/4 SE/4 of Section 11, the S/2 SW/4 of Section 12, the E/2 and E/2 SW/4 of Section 14, and the N/2 NE/4 of Section 23, all in Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, and that all mineral interest is common throughout the lease in which Burnett is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Paddock interval.

It is further understood that Burnett's plan of development for the Paddock formation within this lease is with two wells per 40-acre unit staggered in the northwest and southeast quarters of each unit so as to minimize possible drainage or interference between wells. Furthermore, topographic conditions further restrict placement of a drilling pad in the SE/4 SW/4 NE/4 of Section 14.

Burnett Oil Co., Inc.
February 13, 2004
Page 2

Division Administrative Order NSL-5001

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox oil well location for Burnett's proposed Gissler "A" Well No. 21 within the Undesignated Loco Hills-Paddock Pool is hereby approved.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or initial.

Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
James H. Arline, Burnett Oil Co., Inc. – Fort Worth