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July 19, 2010

HAND DELIVERED

Mr. Mark Fesmire, P.E., Acting Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14526

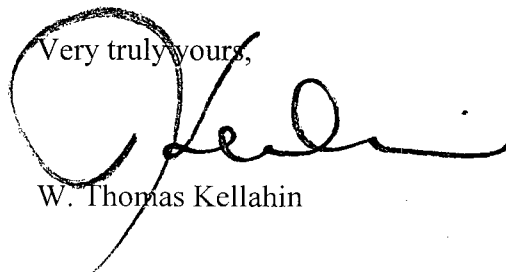
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Re: Application of Burlington Resources Oil & Gas Company LP
For Compulsory Pooling, San Juan County, New Mexico
E/2 Section 2, T29N, R8W to be dedicated to the
State Com SRC Wells 1B and 1C for Mesaverde and Dakota
Commingled Production

Dear Mr. Fesmire:

On behalf of Burlington Resources Oil & Gas Company LP, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for August 19, 2010. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company LP
Attn:

CASE 14526 Burlington Resources Oil & Gas Company LP ("Burlington") pursuant to NMSA 1978, Section 70-2-17.C, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the N/2 of Section 2, T29N, R8W, NMPM, San Juan County, New Mexico, forming a standard 326.92-acre gas spacing and proration unit for the Mesaverde and Dakota formation spaced on 320-acre spacing. In addition, Burlington, pursuant to NMSA 1978, Sec 70-2-17.E, requests that the Division invoke the Division's authority to modify the terms of an existing Joint Operating Agreement. dated May 19, 1952 to the extent necessary to comply with the well density rules for the Blanco-Mesaverde Gas Pool. Order R-10987-A(1), effective December 2, 2002, and for the Basin-Dakota Gas Pool. Order R-10981-B(1), effective January 29, 2002. This unit is to be dedicated to its (i) State Com SRC Well No. 1B (API # 30-045-35038) to be drilled and completed at a standard surface well in Unit A with a bottom hole location in Unit B and downhole commingled wellbore for production from Dakota and Mesaverde formations and (ii) its State Com SRC Well No. 1C (API # 30-045-35061) to be drilled and completed at a standard well location as a downhole commingled wellbore for production from Dakota and Mesaverde formations in Unit F of this section. Also to be considered will be the costs of drilling and completing said wells and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the wells and, pursuant to Commission Order R-11992, a charge 200% charge for the risk involved in these wells. This unit is located approximately 6 miles east of the Turley, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
BURLINGTON RESOURCES OIL & GAS COMPANY LP
FOR COMPULSORY POOLING
(State Com SRC Wells 1B & 1C)
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 14527

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APPLICATION

Burlington Resources Oil & Gas Company LP ("Burlington") by its attorneys, Kellahin & Kellahin, pursuant to NMSA 1978, Section 70-2-17.C, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the N/2 of Section 2, T29N, R8W, NMPM, San Juan County, New Mexico, forming a standard 326.92-acre gas spacing and proration unit for the Mesaverde and Dakota formation spaced on 320-acre spacing. This unit is to be dedicated to its (i) State Com SRC Well No. 1B (API # 30-045-35038) to be drilled and completed at a standard surface well in Unit A with a bottom hole location in Unit B and downhole commingled wellbore for production from Dakota and Mesaverde formations and (ii) State Com SRC Well No. 1C (API # 30-045-35061) to be drilled and completed at a standard well location as a downhole commingled wellbore for production from Dakota and Mesaverde formations in Unit F of this section.

In addition, Burlington, pursuant to NMSA 1978, Sec 70-2-17.E, requests that the Division invoke the Division's authority to modify the terms of an existing Joint Operating Agreement. Dated May 19, 1952 to the extent necessary to comply with the well density rules for the Blanco-Mesaverde Gas Pool. Order R-10987-A(1), effective December 2, 2002, and for the Basin-Dakota Gas Pool. Order R-10981-B(1), effective January 29, 2002. Also to be considered will be the costs of drilling and completing said wells and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the wells and, pursuant to Commission Order R-11992, a charge 200% charge for the risk involved in these wells.

In support of its application Burlington states:

BACKGROUND

1. There is no Joint Operating Agreement covering the Dakota and Fruitland Coal Gas formations for this 326.96-acre spacing unit.

NMOCD Application
Burlington Resources Oil Gas Company

2. There is a vintage gas operating agreement for the Mesaverde formation dated May 19, 1952, Francis L. Harvey, as operator, and all those mineral and/or working interest owners then owning interest in the N/2 of Section 2, T29N R8W signed a Joint Operating Agreement ("JOA") for drilling and producing the Mesaverde formation from an initial well, the State Com Well No.1 (API # 30-045-13249) in Unit A and plugged January 21, 1971.
3. When this 1952-JOA was signed, the Division's established well spacing program for the Mesaverde formation was one single well per 320-acres.
4. On November 14, 1974, the Commission modified the well spacing program in the Mesaverde formation to authorized "infill drilling" of a second well on an existing 320-acre spacing unit.
5. With the apparent unanimous agreement of all the parties to the 1952-JOA, three additional wells were drilled as follows:
 - a. The State Com #1Y (API # 30-045-20736) drilled by Aztec Oil & Gas Company on January 30, 1971 within Unit A, for Mesaverde production;
 - b. The State Com SRC #1A (APOI #30-045-22559) drilled by Aztec Oil & Gas Company on July 5, 1977 within Unit E for Mesaverde production; and
 - c. The State Com 100 (API # 30-045-27313 drilled by Southland Royalty Company on September 12, 1989 within Unit A for Fruitland Coal Gas production.

All three wells are still producing.

6. The Blanco-Mesaverde Gas Pool is currently governed by the "Special Rules and Regulations for the Blanco-Mesaverde Pool" set forth in Order R-100987-A effective February 1, 1999, in which the Commission again modified the well spacing program in the Mesaverde formation to authorized up to four wells within a standard 320-acre spacing unit.
7. By letter dated April 12, 2010, Burlington, as the successor to the original operator, circulated a Joint Operating Agreement, A.A.P. L. Form 610-1982 Model Form, dated April 1, 2010, to replace the 1952-JOA to now include the Mesaverde and Dakota formations which was signed by all the working interest owners except those listed in Paragraph 13 and 14 below.

8. This 2010-JOA provides for the drilling of Mesaverde and Dakota wellbores constituent with the current well spacing and density orders for these formations and also provides other contemporary provisions including those for cost allocation procedures, payment default provisions and future proposed recompletions.
9. By letter dated May 10, 2010, Burlington sent a written well proposal including AFE to all working interest owners.
10. As of July 4, 2010, Burlington had obtained the voluntary agreement of all the working interest owners to the new 2010-JOA with the exceptions of certain owners that (i) are subject to the 1952-JOA but have refused to sign the new 2010 JOA, and (ii) certain other owners in the Dakota formations that are not subject to the 1952-JOA. See Paragraph 13 and 14 below.

REQUESTED RELIEF

11. Burlington contends that the Division has the authority pursuant to the New Mexico Oil & Gas Act, specifically NMSA (1978) section 70-2-17-C and 70-2-17.E to issue a compulsory pooling for the Mesaverde and Dakota Gas Pools and to modify the original 1952-JOA so that these new wells can be drilled because:
 - a. The 1952-JOA provides in Section XXIV that "All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State laws and orders, rules and regulations of any constituted authority, and in the event this agreement or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulations, the latter shall be deemed to control, and this agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect."
 - b. There are no cost allocations or carrying provisions in the 1952-JOA
 - c. The 1952-JOA is limited from the surface to the base of the Mesaverde formation and does not allow for drilling infill Mesaverde wellbores or any Dakota wellbores.
 - d. These new wells are necessary in order to recover Mesaverde and Dakota Gas reserves which will not otherwise be recovered;
 - e. Waste will occur in the event the Division fails to modify the 1952-JOA because of the lack of Mesaverde infill drilling provisions and the lack of cost allocations provisions that currently preclude Burlington from drilling Mesaverde infill wells and from costs allocations among the Mesaverde and Dakota Gas formations that are necessary for these wellbores.

- f. The provisions of Section 70-2-17.E apply and the Division should modify the 1952-JOA to the extent necessary to prevent waste in accordance with these statutory provisions of the New Mexico Oil & Gas Act.
- 12. Burlington contends that compulsory pooling of the Mesaverde and Dakota Gas formations is necessary.

PARTIES TO BE POOLED

- 13. Some of the interest owners in the Mesaverde formation have agreed to participate in these new Mesaverde & Dakota wells, but currently there are four owners in the Mesaverde formation that have declined to sign the 2010-JOA:
 - a. Shannon Brown (1.2737% WI-Mesaverde only),
 - b. Brady Brown (1.2737% WI-Mesaverde only)
 - c. Bert Brown (1.2737% WI-Mwesaverde only)
 - d. Donald Brown (3.1843% WI-Mesaverde only)
- 14. Some of the interest owners in the Dakota formation have agreed to participate in these new Mesaverde & Dakota wells, but currently there are five owners in the Dakota formation that have declined to sign the 2010-JOA:
 - a. BP America (4.4580% WI –Dakota only)
 - b. Energen Resources Corp. (4.1380% WI-Dakota only)
 - c. WWR Enterprises (0.1094% WI-Dakota only)
 - d. Marcia Berger Estate (0.1094% WI-Dakota only)
 - e. Estate of Roger B. Neilsen (0.2188%WI-Dakota only)
- 15. The subject 326.92-acre spacing unit is located within the Blanco-Mesaverde Gas Pool, the Basin-Dakota Gas Pool
- 16. Burlington despite reasonable effort has been unable to obtain the voluntary agreement of these two interest owners in this spacing unit. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

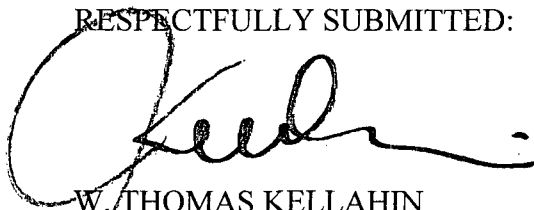
NOTICE

17. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled as listed in Paragraphs 13 and 14 above notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for August 19, 2010.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on August 19, 2010 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for these wells at a standard well location upon terms and conditions which include:

1. Burlington Resources Oil & Gas Company LP be named operator;
2. Modification of the 1952 Joint Operating Agreement;
3. Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating these wells;
4. In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%; Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
5. For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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