

KELLAHIN AND KELLAHIN

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RECOGNIZED SPECIALIST IN THE AREA OF
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June 11, 1997

HAND DELIVERED

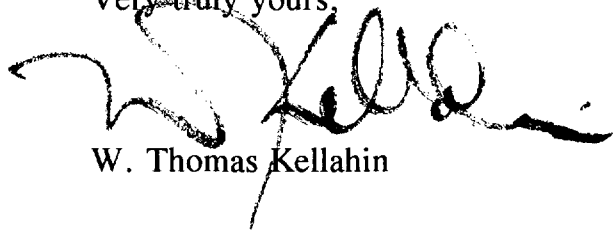
Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: Marcotte Well No. 2
all of Section 8, T31N, R10W, NMPM
Application of Burlington Resources Oil & Gas Company
for Compulsory Pooling, an unorthodox gas well location
and a non-standard gas proration and spacing unit,
San Juan County, New Mexico**

Dear Mr. LeMay:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for July 10, 1997. 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
Attn: Alan Alexander

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100-100000

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PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 11809: Application of Burlington Resources Oil & Gas Company for compulsory pooling, an unorthodox gas well location and a non-standard proration and spacing unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral owners, including working interest, royalty interests and overriding royalty interests below the base of the Dakota formation (base of the Cretaceous aged formation) to the top of the Pre-Cambrian aged formation underlying all of Irregular Section 8, T31N, R10W, NMPM, San Juan County, New Mexico, forming a non-standard 639.78-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Applicant seeks to be designated as the operator of the well. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Marcotte Well No. 2 which is to be drilled at an unorthodox gas well location 935 feet from the east line and 1540 feet from the south line, Unit I of said Section 8. Said well is located approximately 2-1/2 miles southeast of Cedar Hills, 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 FOR COMPULSORY POOLING, AN
UNORTHODOX GAS WELL LOCATION AND A
NON-STANDARD PRORATION AND SPACING UNIT,
SAN JUAN COUNTY, NEW MEXICO.**

11/21/97
Oil Conservation Division

CASE NO. 11809

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral owners including working interest, royalty interests and overriding royalty interests from the base of the Dakota formation to the base of the Pre-Cambrian aged formation underlying all of Irregular Section 8, T31N, R10W, NMPM, San Juan County, New Mexico, forming a non-standard 639.78-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Applicant seeks to be designated as the operator of the well. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Marcotte Well No. 2 which is to be drilled at an unorthodox gas well location 935 feet from the east line and 1540 feet from the south line (Unit I) of said Section 8.

In support of its application, Burlington Resources Oil & Gas Company ("Burlington") states:

1. On June 5, 1997, the New Mexico Oil Conservation Commission entered Order R-10815 which:

(a) established gas spacing units consisting of 640-acres for gas production **below** the base of the Dakota formation ("deep gas") for the San Juan Basin (OCD Case 11745); and

(b) provided within the surface outcrop of the Pictured Cliffs formation for standard well locations not closer than 1200 feet to the outer boundary, 130 to any quarter section line nor closer than 10 feet to any quarter-quarter section line.

2. Burlington, is the proposed operator for a "deep gas" well in Irregular Section 8, T31N, R10W, NMPM, San Juan County, New Mexico.

3. Burlington has attempted to consolidate on a voluntary basis all of the oil and gas working interests ("operating rights") within said Section 8 as a possible deep gas 640-acre spacing unit on which Burlington, as operator, intends to locate and drill the Marcotte Well No. 2 to the top of the pre-cambrian aged formation and to dedicate any production from the base of the Dakota formation to the base of the Pre-Cambrian aged formation to a non-standard 639.78-acre gas spacing and proration unit consisting of all of said Section 8. See Exhibit "A" attached.

4. Within said Section 8, Burlington has obtained the voluntarily agreement of 87.5995% of the working interest owners will participate on a voluntary basis with Burlington. See Exhibit "B" attached.

5. If Burlington is able to complete a well capable of production, then Burlington intends to distribute the proceeds from production based upon each interest owner's proportionate share of acreage within the 639.78-acre unit.

6. Despite its good faith efforts, Burlington has not been able to obtain the voluntary agreement of certain mineral owners as indicated on Exhibit "B".

7. In addition, based upon preliminary title examination, it appears that Amoco and its partners may be the lessee of certain leases in this section which are subject to royalty or overriding royalty interests owned by the parties listed on Exhibit "C" attached which contain pooling provisions limiting the size of spacing units to less than 640-acres.

8. Because such a provision is inconsistent with 640-acre gas spacing, Burlington has attempted to notify these royalty and overriding royalty interest owners and has requested that they voluntarily participate based upon proportionately sharing on a 639.78-acre spacing unit basis.

9. Burlington has been unable to obtain the voluntarily agreement of all said mineral owners, including certain working interest, royalty and overriding royalty interest owners and therefore requests that the Division enter a compulsory pooling order pooling all said mineral interests so that proceeds can be paid based upon the percentage of each lease's acreage contained in that 640-acre spacing unit.

10. The non-standard 639.78 acre gas proration and spacing unit is necessary because Section 8 contains less than the standard 640 acres as a result of governmental survey.

11. The unorthodox well location is necessary because of geologic reasons and topographic limitations.

12. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and 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.

13. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties to be pooled as shown on Exhibit "B" and Exhibit "C".

14. Burlington requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for July 10, 1997.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on July 10, 1997 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 interests described in this spacing unit for the drilling, completing and operating the subject well at a non-standard gas well location and a non-standard proration and spacing unit upon terms and conditions which include:

- (1) Burlington Resources Oil & Gas Company be named operator;
- (2) provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) in the event a 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 %
- (4) 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) provisions allowing each royalty interest owner to participate in any production from the Marcotte Well No. 2 by voluntarily committing that interest to this 639.78-acre gas spacing unit.

- (6) in the event a royalty or overriding royalty interest owner fails to elect to participate, then provisions declaring said interest pooled so that proceeds can be paid based upon the percentage of each lease's acreage contained in the 639.78-acre spacing unit.
- (7) for approval of an unorthodox gas well location and a non-standard gas proration and spacing unit.
- (8) for such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504

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Attached to and made a part of that certain Operating Agreement dated April 1, 1997, by and between BURLINGTON RESOURCES OIL & GAS COMPANY, as Operator, and as Non-Operators.

I. LANDS SUBJECT TO OPERATING AGREEMENT:

Township 31 North, Range 10 West
Section 8: Lots 1, 2, 3, 4, 5, N/2, NE/4 SW/4, W/2 SW/4 (ALL)
San Juan County, New Mexico
containing 639.78 acres, more or less

II. RESTRICTIONS, IF ANY, AS TO DEPTHS OR FORMATIONS:

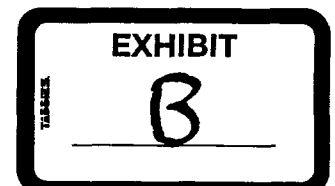
Limited to all depths below the Dakota formation.

III. ADDRESSES AND WORKING PERCENTAGE INTERESTS OF PARTIES TO THIS AGREEMENT:

Burlington Resources Oil & Gas Company c/o Land Department P.O. Box 4289 Farmington, New Mexico 87499 Main # 505-326-9700 Fax # 505-326-9781	OPERATOR 9.310450%
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NON-OPERATORS

<u>Working Interest Owners</u>	<u>OWI</u>	<u>PARTICIPATE/ FARMOUT</u>
Conoco Inc. 10 Desta Drive, Suite 100W Midland, TX 79705-4500	9.310450%	YES
Amoco Production Company P.O. Box 800 Denver, CO 80201	68.073400%	YES
Total Minatome Corp. 2 Houston Center, Suite 2000 909 Fannin P.O. Box 4326 Houston, TX 77210-4326	4.652200%	NO
Cross Timbers Oil Co., LP 810 Houston Street, Suite 2000 Fort Worth, TX 76102	3.374700%	YES
Lee Wayne Moore and JoAnn Montgomery Moore, Trustees 403 N. Marienfield Midland, TX 79701	2.251700%	NO



George William Umbach 2620 S. Maryland Pkwy. #496 Las Vegas, NV 89109	1.416600%	YES
Robert Warren Umbach P.O. Box 5310 Farmington, NM 87499	1.416600%	YES
Lowell White Family Trust c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-0500	.048460%	YES
Walter A. Steele c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-6900	.048460%	YES
Estate of G. W. Hannett c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-6900	.040380%	YES
T. G. Cornish c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-6900	.032300%	YES
Patricia Hueter c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-6900	.008100%	YES
Mary Emily Voller c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-6900	.008100%	YES
A. T. Hannett c/o Sunwest Bank of Albuquerque, N.A. Attn: Catherine Rugen P.O. Box 26900 Albuquerque, NM 87125-6900	<u>.008100%</u>	YES
TOTAL	100.000000%	

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Dallas, TX 75234

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250 East Alameda, Apt. 539
Santa Fe, NM 87501

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Aztec, NM 87410

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San Diego, CA 92115

Kenyon Family Trust
c/o William Kenyon
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Del Mar, CA 92014

A. Janelle Osborne
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La Mesa, CA 91942

Bankers Trust Company, as Trustees on
behalf of American Housing Trustees
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Idaho Falls, ID 83401

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Aztec, NM 87410

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Bayfield, CO 81122

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Hobbs, NM 88240

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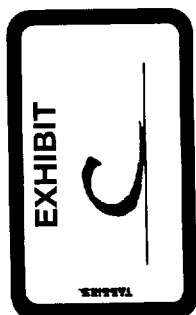
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