



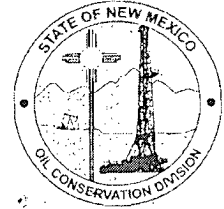
New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary

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Deputy Cabinet Secretary

Mark Fesmire
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Oil Conservation Division



September 9, 2010

Burnett Oil Company, Inc.
C/O Mary Starkey
801 Cherry St., Suite 1500
Fort Worth, TX 76102

Email: mcstarkey@burnettoil.com

Rebuttal of presumption of inactivity as to one well
Effective through November 3, 2011

Re: Burnett Oil Company, Inc. (OGRID 3080)
Well: Jackson B #41, 30-015-33133

Dear Operator:

Subsection (F)(2) of Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC provides that the listing of a well on the OCD's inactive well list as a well inactive for more than one year plus 90 days creates a "rebuttable presumption" that the well is out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule).

An operator may rebut that presumption by providing evidence that the well is in compliance with OCD Rule 19.15.25.8 NMAC.

The well identified above currently appears on the OCD's inactive well list as a well operated by Burnett Oil Company, Inc. (Burnett) that has been inactive for more than one year plus 90 days. However, Burnett has provided documentation that the well was worked over, with the most recent repair work on the well done on September 3, 2010. OCD Rule 19.15.2.7.1 (4) NMAC defines an inactive well, in relevant part, as a well that "is not being ... repaired or worked over."

Burnett has rebutted the presumption created by OCD Rule 19.15.5.9.F.2 that the well identified above is in violation of OCD Rule 19.15.25.8 NMAC because the well has been "active" as defined by OCD rules within the past year plus 90 days.



Although the above-named well appears on Burnett's inactive well list, the OCD should not consider the well as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Burnett's compliance with OCD Rule 19.15.5.9 NMAC.

Because Burnett indicates that the well was being repaired as recently as September 3, 2010, the presumption that the well is not inactive will remain until November 3, 2011: one year and ninety days from the most recent day of activity.

On November 3, 2011 if the well identified above appears on the inactive well list the presumption that the well is inactive will return.

As stated above, the OCD should not consider the Jackson B #41 as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Burnett's compliance with OCD Rule 19.15.5.9 NMAC. However, until Burnett files a C-115 report for production of the Jackson B #41, the well will remain on the inactive well list. Burnett should attach a copy of this letter to any applications for a drilling permit, requests for allowable and authorization to transport, change of operator, or injection permits that Burnett might file with the OCD.

Sincerely,



Daniel Sanchez
Compliance and Enforcement Manager

Ec: Larry Hill, District I
Randy Dade, District II
Charlie Perrin, District III
Sonny Swazo, OCD General Counsel