10-758

OCD Artesia

Form 3160-3
(August 2007)

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMNM~~05067~~ 2748

6. If Indian, Allotee or Tribe Name

7. If Unit or CA Agreement, Name and No.

1a. Type of work: ☑ DRILL ☐ REENTER

1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
GISSLER B 67 (2389)

2. Name of Operator BURNETT OIL CO., INC (3080)

9. API Well No.
30-015- 38383

3a. Address 801 Cherry St Ste. 1500
Fort Worth, Texas 76102

3b. Phone No. *(include area code)*
817-332-5108

10. Field and Pool, or Exploratory
Loco Hills Glorieta Yeso (96718)

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface Unit I 2310' FSL ~~990'~~ 430' FEL (I)
At proposed prod. zone same as above

11. Sec., T. R. M. or Blk. and Survey or Area
SEC. 8 T17S, R30E

14. Distance in miles and direction from nearest town or post office*
6 miles east and north of Loco Hills

12. County or Parish
EDDY

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
330'	160	40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
330"	6100	NMB #00197
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23. Estimated duration**
3679' GL	12/13/2010	15 days

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24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the BLM.

25. Signature	Name *(Printed/Typed)*	Date
Mary Carter Starkey	Mary Carter Starkey	09/13/2010

Title
Regulatory Coordinator

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Don Peterson		
Title FIELD MANAGER	**Office** CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

ROSWELL CONTROLLED WATER BASIN

Approval Subject to General Requirements & Special Stipulations Attached

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

5. Lease Serial No.
NMNM2748

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
GISSLER B 67

2. Name of Operator
BURNETT OIL
Contact: MARY STARKEY
E-Mail: mcstarkey@burnettoil.com

9. API Well No.

3a. Address
801 CHERRY ST STE 1500
FORT WORTH, TX 76102

3b. Phone No. (include area code)
Ph: 817-332-5108

10. Field and Pool, or Exploratory
LOCO HILLS (GLOR. YESO)

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 8 T17S R30E 2310FSL 990FEL

11. County or Parish, and State
EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☒ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Burnett Oil Co, Inc. respectfully requests to amend the APD for the above mentioned well.
The corrections are as follows:

Movement of the well pad from Unit I, Sec 8, T17S, R30E 2310' FSL, 990' FEL to
Unit I, Sec 8, T17S R30E, 2310' FSL, 430' FEL. ✓ APD/EA NOW reflect these footages — KwR, 12-20-10
Please find attached revised plats

Also per on-site agreement Burnett Oil Co. will limit pad edge to 140' from center and extend west edge of pad 160'

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14. I hereby certify that the foregoing is true and correct.
Electronic Submission #96998 verified by the BLM Well Information System
For BURNETT OIL, sent to the Carlsbad

Name *(Printed/Typed)* MARY STARKEY — Title REGULATORY COORDINATOR

Signature (Electronic Submission) — Date 11/08/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By /s/ Don Peterson — Title — Date DEC 21 2010

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office CARLSBAD FIELD OFFICE

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**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

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SUBMIT IN TRIPLICATE - Other instructions on reverse side.

5. Lease Serial No.
NMNM~~05067~~ NM2748

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
GISSLER B 67

2. Name of Operator
BURNETT OIL
Contact: MARY STARKEY
E-Mail: mcstarkey@burnettoil.com

9. API Well No.

3a. Address
801 CHERRY ST STE 1500
FORT WORTH, TX 76102

3b. Phone No. (include area code)
Ph: 817-332-5108

10. Field and Pool, or Exploratory
LOCO HILLS (GLOR. YESO)

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 8 T17S R30E 2310FSL 990FEL

11. County or Parish, and State
EDYY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Change to Original PD
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Burnett Oil CO., Inc. respectfully requests the following changes be made to the APD submitted for this well as follow:

Surface Use Program
Paragraph 4
See Surface Exhibit B and C2 for the location of nearest existing Tank Battery facility for this Federal lease. The existing Gissler B5 Tank Battery is south, southwest of the well and on this Federal lease.

4a.
This battery is on Federal lease NMNM05067 and is a Cedar Lake or Loco Hills Paddock production facilty.

RECEIVED
DEC 22 2010
NMOCD ARTESIA

14. I hereby certify that the foregoing is true and correct.
Electronic Submission #93068 verified by the BLM Well Information System
For BURNETT OIL, sent to the Carlsbad

Name *(Printed/Typed)* MARY STARKEY — Title REGULATORY COORDINATOR

Signature (Electronic Submission) — Date 09/20/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By /s/ Don Peterson — Title — Date DEC 21 2010

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Office CARLSBAD FIELD OFFICE

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**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

MASTER DEVELOPMENT PLAN
BURNETT OIL CO., INC.
ALL VERTICAL CEDAR LAKE YESO/ LOCO HILLS PADDOCK WELLS
FEDERAL LEASE (NM) LC029338A, LC029339A, LC030570A, LC055264, LC055958, NM2746, NM2747, NM2748, NM 05067 & NM 074939.
Section 1, 8, 11, 12, 13, 14, 23, 24 & 25, Township 17 South, Range 30 East, Eddy County, New Mexico

A: DRILLING PROGRAM

1. **Geological Name of Formation with Estimated Depth:**
   a. Alluvium.....Surface
   b. Anhydrite..... 390'
   c. Salt.....530'
   d. Base Salt.....1290'
   e. Yates.....1450'

2. **Estimated tops of Geologic Markers & Depths of Anticipated Fresh Water, Oil or Gas:**

a. Seven Rivers.....1604'		Oil
b. Queen.....	2222'	Oil
c. Grayburg.....	2670'	Oil
d. San Andres.....	2985'	Oil
e. Glorieta.....	4460'	Oil
f. Total Depth	6100'	

No other formations are expected to yield oil, gas or fresh water in measurable volumes. We will set 10-3/4" casing @ approx. +/- 400' in the Anhydrite, above the Salt and circulate cement to surface. We will isolate the oil zones by running 7" casing to total depth and circulating cement to surface.

3. **Casing Program: (ALL CASING WILL BE NEW API APPROVED MATERIAL.)**

See COA

Hole Size	Interval	OD Csg	Weight	Collar	Grade	Collapse Design Factor	Burst Design Factor	Tension Design Factor
(MW = 10 PPG IN DESIGN FACTOR CALCULATIONS.)								
14-3/4"	0'-400'	10-3/4"	32.75#	ST&C	H40	1.125	1.00	1.80
8-3/4"	0'-6100'	7"	23.00#	LT&C	J55	* 1.125	1.00	1.80

*** 500' of fresh water gradient (.433 psi/ft) fluid will be maintained inside casing to keep SF 1.125. If fluid is not at the surface, the fluid level inside 7" Casing will be determined by wireline to insure a 500' minimum of standing fluid.**

4. **Cementing Program (Note Yields and DV Tool Depth if Multiple Stage.)**
   BLM WILL BE NOTIFIED TO HAVE THE OPTION TO WITNESS ALL CEMENTING AND TAG OPERATIONS.

   a. **10-3/4" Surface** Cement to surface Lead with 150 sx Class C cement +10% A-10, + 10#/sx LCM-1 1% CaCl, 0.01 gps FP-6L, 14.6 ppg, 1.67 CF/Sk Yield. Tail with 500 sks Class C cement + 2% CaCl + 0.01 gps FP-6L.14.8 ppg, 1.35 CF/Sx yield. **TOC Surface.**

   If cement does not circulate to surface, BLM will be notified of same, plus the plans to bring the cement to surface so BLM may witness tagging and cementing. The plan to bring the cement to surface will be to run 1" and tag top of cement at four positions 90°apart to verify cement depth.
   Appropriate cement volumes will be pumped through 1" to bring cement to surface. In rare the situation where severe lost circulation may exist, BLM may be requested to approve the

dumping pea gravel then cementing on top of it to the surface through 1".

b. **7" Production Casing**

Stage 1 Cement: 550 sks (50:50) Poz (Fly Ash): Class C cement + 2% Bentonite + 0.01 gps FP-6L+ 0.3% FL-52A + 1.2% CD-32 + 5% Sodium Chloride. Yield 1.27 CF/Sx. **DV @ approx. 2600'**

Stage 2 Cement: Lead with 1800 sks (35:65) Poz (Fly Ash): Class C cement + 6% Bentonite + 5 lbs/sx LCM-1 + 0.125 lbs/sx Cello Flake + .01 gps FP-6L + 5% Sodium Chloride, **Yield 1.89 CF/Sx.** Tail with 100 sx Class C + 1% CaCl + 0.01 gps FP-6L.14.8 ppg, Yield 1.62 CF/Sx, **TOC Surface**.

The above cement volumes may be revised pending the caliper measurement from the open hole logs. **Casing design is to bring all cement to the surface.**

5. **Pressure Control Equipment:**

The blowout prevention equipment (BOPE) shown in **Drilling Exhibit E & E1** will consist of a 2000 PSI Hydril Unit (annular) with hydraulic closing equipment. The equipment will comply with Onshore Order #2 and will be tested to 50% of rated working pressure (RWP), and maintained for at least 10 minutes. The 10-3/4" drilling head will be installed on the surface casing and in use continuously until total depth is reached. An independent testing company will be used for the testing. Other accessory BOP equipment will include a Kelly cock, floor safety valve, choke lines and choke manifold having 2000 PSI WP rating.

6. **Proposed Mud Circulation System**

Depth	Mud Wt	Visc	Fluid Loss	Type System
0'-400'	8.6–9.5			Fresh Water
400' - TD' MD	10.0 max.			Brine Water

The necessary mud products for weight addition and fluid loss control will be on location at al times.

7. **Auxiliary Well Control and Monitoring Equipment:**

a. A Kelly cock will be in the drill string at all times.
b. A full opening drill pipe stabbing valve with the appropriate connections on the rig floor at all times.
c. Hydrogen Sulfide detection and breathing equipment will be installed and in operation at drilling depth of 1800' (which is more than 500' above top of Grayburg) until 7" casing is cemented. An H2S compliance package will be on all sites while drilling.

8. ***Hydrogen Sulfide Plan and Training***:

Based on our area testing H2S at 100 PPM has a radius of 139' and does not get off our well sites. There are no schools, residences, churches, parks, public buildings, recreation area or public within 2+ miles of our area.

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on each well:

a. The hazards and characteristics of Hydrogen Sulfide (H2S).
b. The proper use and maintenance of personal protective equipment and life support systems.
c. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures and the prevailing wind.
d. The proper techniques for first aid and rescue procedures.
e. **ATTACHED HYDROGEN SULFIDE (H2S) CONTINGENCY PLAN DRILLING EXHIBIT A**
f. **ATTACHED EMERGENCY CALL LIST FOR ANY ON SITE EMERGENCY DRILLING EXHIBIT B.**

In addition, supervisory personnel will be trained in the following areas:

a. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in special maintenance requirements.

b. Corrective action and shut-in procedures when drilling or reworking a well, blowout prevention and well control procedures.
c. The contents and requirements of the H2S Drilling Operations Plan and the Public Protection Plan (if applicable.)

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan and the Public Protection Plan (if applicable). This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

a. Protective equipment for essential personnel:

1. Mark II Surviveair (or equivalent) 30 minute units located in the dog house and at the primary briefing area (to be determined.)

b. H2S detection and monitoring equipment:

1. Three (3) portable H2S monitors positioned on location for best coverage and response. These units have warning lights at 10 PPM and warning lights and audible sirens when H2S levels of 15 PPM is reached. A digital display inside the doghouse shows current H2S levels at all three (3) locations.
2. An H2S Safety compliance set up is on location during all operations.

c. Visual warning systems:

1. Wind direction indicators will be positioned for maximum visibility.
2. Caution/Danger signs will be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

d. Mud program:

The mud program has been designed to minimize the volume of H2S circulated to the surface Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

e. Communication:

1. Cellular Telephone and/or 2-way radio will be provided at well site.
2. Landline telephone is located in our field office.

f. Metallurgy:

1. All drill strings, casings, tubing, wellheads, Hydril BOPS, drilling spools, kill lines, choke manifold, valves and lines will be suitable for H2S service.
2. All elastomers used for packing and seals shall be H2S trim.

9. **Logging, Coring and Testing program:**

See COA

a. Any drill stem tests will be based on geological sample shows and planned before spudding.
b. The openhole electrical logging program will be:
   1. Total depth to 1000': Dual Laterolog-Micro Laterolog with Compensated Neutron, Spectral Density log with Spectral Gamma Ray and Caliper.
   2. Total depth to Surface: Compensated Neutron with Gamma Ray.
   3. Coring program will be planned and submitted on a well by well basis.
   4. Additional testing will be done subsequent to setting the 7" production casing. The specific Intervals will be based on log evaluation, geological sample shows and drill stem tests.

10. **Potential Hazards:**

No abnormal pressures or temperatures are expected. There is known H2S in this area. The operator

will comply with the provisions of Onshore Oil and Gas Order #6. No lost circulation is expected to occur. All personnel will be familiar with the safe operation of the equipment being used to drill this well. The maximum anticipated bottomhole pressure is 1000#. The maximum anticipated bottom hole temperature is 92°F.

11. Anticipated Start Date and Duration of Operation

Road and location construction will begin after BLM has approved the APD and has approved the start of the location work. Anticipated spud date will be as soon as the location building work has been completed and the drilling rig is available to move to the location. Move in and drilling is expected to take approx 25 days. If production casing is run, an additional 60 days would be required to complete the well and install the necessary surface equipment (pumping unit, electricity, flowline and storage facility) to place the well on production.

B: SURFACE USE PROGRAM

1. EXISTING ROADS:

a. The well site and elevation plat for the proposed well are reflected on the well site layout; Form C-102. This well was staked by Basin Surveys or John West Survey.
b. All roads into the location are shown on the Vicinity Map (Surface Exhibit A.)
c. Directions to location: from intersection of US Hwy. #82 and Square Lake (**CR 220**) go north on CR 220 and follow Surface Exhibit A2 to the proposed well pad.

2. New or Reconstructed Access Roads:

a. The well site layout, Form C-102 and Surface Exhibit A1 & A2 show the existing area. **Any additional required access road will be shown on Surface Exhibit A2 and Exhibit B.**
b. All construction material will be native caliche. It may be available at the proposed location. If unavailable on location or road, caliche will be hauled from nearest BLM approved caliche pit.

3. Location of existing wells:

See attached Surface Exhibit B plat showing all wells within a ½ mile radius of the proposed well site.

4. Location of existing and/or proposed production facilities: Footages

See Surface Exhibit B, C and C1 for the location of existing on lease Gissler B#3-2 Tank Battery facility on this Federal Lease NMNM2748. QTR QTR

a. This battery is an existing above ground pool commingled Grayburg/Loco Hills Glorieta Yeso on lease production facility.
b. The well site will require electricity for the prime mover. We will contact the electric cooperative. to provide the electric power poles and the electric line from their nearest connection. The routing and pole placement will be provided in their ROW application. All electrical installation will be done in accordance with all existing state and federal regulations.
c. All flowline from the new well pad site is on Federal leases. (See Surface Exhibit B, C and C1 plat.) The required flowline will be laid, above ground, along existing road and flowline routing. All flowline will be 3" or 4" poly pipe.

5. Location and Type of Water Supply:

All water to be used in drilling this well will be brine or fresh water transported by truck over existing and above proposed lease road from Loco Hills, New Mexico or produced water furnished from our existing waterflood facilities in the area. We may install a pump and lay a **temporary** 2" poly line on the lease from the battery to the rig for this drilling water.

6. Construction Materials:

All construction material for the roadway and drilling pad will be native caliche from the nearest BLM approved pit or from existing available deposits found on the location. All will be in accordance with the drilling stipulations for this well.

7. **Methods of Handling Waste Disposal:**
   a. Drill cuttings will be disposed of in a closed loop system using steel haul off tanks. All drilling fluids will be hauled off location to a contracted off lease disposal location.
   b. Trash, waste paper, garbage and junk will be placed in a portable, screened trash container on location. All trash and debris will be transported to an authorized off-lease disposal station within 30 days following the completion activities.
   c. A properly maintained Porto-john will be provided for the crews during drilling and completion operations. All will be removed after all completion operations have ended.
   d. Oil produced during testing will be put into steel storage tank for later sales.
   e. Water produced during testing operations will be put in the steel frac. tanks pit until well is turned to the lease tank battery. All produced water will be disposed of through one of our approved disposal methods.

8. **Ancillary Facilities:** There are no planned ancillary facilities for this well.

9. **Well Site Layout:**
   . Surface Exhibit D shows the relative location and dimensions of the drilling pad and related components. Only minor differences, if any, in length and/or width of the drilling pad are anticipated, depending on which drilling contractor is selected to drill the well. Only minor leveling of the drilling site is anticipated.

10. **Plans for surface Reclamation:**
   a. After drilling and successful completion operations are finished, all equipment and other materials not required for normal production operations will be removed.
   b. Burnett Oil respectfully requests two (2) years to downsize the drilling location in order to have room for equipment to fracture stimulate 3 to 4 intervals. Each one requires a large volume fracture treatment with several pumps, a large sand mover, several frac tanks, a treating van and various other vehicles and equipment. Burnett will, if all fracs are completed before the 2 years, contact BLM to downsize the location.

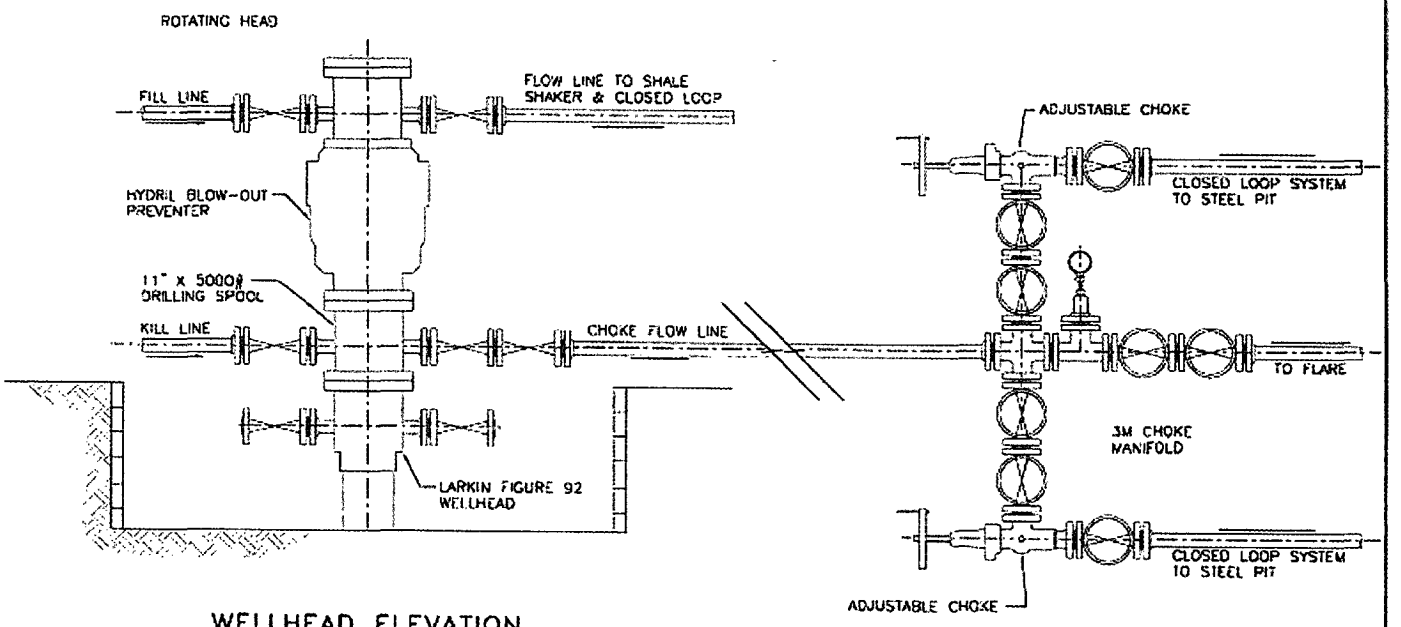
   See attached plat outlining the resulting location after downsizing, and showing the sides of location where the caliche would be left for use of kill trucks, hot oil trucks, foam units or whatever is needed to service the well during its life. It is very unsafe rig up equipment inside the safety guide wires of the service unit which is what has to happen if the location is reclaimed on all 4 sides to the safety anchors.
   c. The pad size will be reduced to the amount required for normal operation of the producing well. This reduced portion will be restored to the BLM stipulations in section a.
   d. If a well is abandoned, the surface location and unneeded road will be restored according to BLM stipulations within 90 days of final abandon and sit re-seeded with BLM (B) seed mix.

11. **Surface ownership:**
   All lands are owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary use of the region for the production of oil and gas and the grazing of livestock.

12. **Other information:**
   a. The area surrounding the well site is grassland. The area is relatively flat with small hills and sand dunes. The topsoil is fine, deep sand underlain by caliche. Vegetation cover is generally sparse and consists of mesquite, yucca, shinnery oak and sparse native grasses. Wildlife in the area includes deer, coyotes, rabbits, rodents, reptiles, dove and quail.
   b. No permanent or live water is found in the general proximity of this area.
   c. No dwellings are found within two (2) miles of this location.
   d. There is intermittent cattle grazing and hunting in the area; however, the principal land use is for oil and gas production.
   e. An archaeological clearance report from Boone Archaeological Services will be sent to the

BLM office in Carlsbad, N.M.

13. **Bond Coverage:**
Current Bond is BLM Bond # NMB000197. The Surety Bond is #B000863. Both are effective May 21, 2004 and remain in place



WELLHEAD ELEVATION

CHOKE MANIFOLD PLAN

BUNETT OIL COMPANY, INC.
BLOWOUT PREVENTER & CHOKE MANIFOLD DIAGRAM 2000 PSI WORKING PRESSURE

Gissler B

EXHIBIT E1

DRAWING SAVED AS C:\DRAWINGS\2010dwg\10-028\10-028-01.dwg

EPS PROJECT NUMBER = 10-028
DATE: JANUARY 29, 2010

Please place this letter in the Vissler B #67 A1 D file being sent to OCD

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary

Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
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.I (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