



DIETRICH
RESOURCES CORPORATION

410 SEVENTEENTH STREET • SUITE 2450 • DENVER, COLORADO 80202 • TELEPHONE (303) 534-6080

December 5, 1983

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BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA

United States Department of the Interior
Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87499
Attention: Mr. R. Bingham
Assistant Area Manager (Acting)

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OIL CON. DIV.

DIST. 3

Gentlemen:

Re: DIETRICH RESOURCES CORPORATION

Prospect No. NM-84 Counselor
Dietrich Resources #22 Federal 26 Well
SE/4NW/4 Section 26-T23N-R6W (Unit)
Sandoval County, State of New Mexico

Bureau of Land Management Reference 3100(016)
Federal Lease No. USA-NM-38584

This is to acknowledge receipt of your letter dated November 21, 1983 advising the requirement of Dietrich Resources Corporation, successor in interest to Dietrich Exploration Company, Inc., to file within thirty (30) days of November 21, 1983 a request to vent casinghead gas from the well set forth in the caption hereof in accordance with NTL-4A. Please amend your records to reflect that Dietrich Resources Corporation is the present operator of the subject well and lease, and that the location for the well is in Sandoval County, State of New Mexico rather than Rio Arriba County, State of New Mexico.

In accordance with your directions, please permit this letter and the attachments, tables and exhibits attached hereto and by reference made a part hereof to serve as an application to vent casinghead gas as provided for and outlined in Notice to Lessees and Operators of Onshore Federal and Indian Oil and Gas Leases (NTL-4A), Heading IV Other Venting or Flaring, paragraph B, (1). This provision stipulates, among other things, an Area Oil and Gas Supervisor (Supervisor) may approve an application for the venting or flaring of oil well gas if justified by the submittal of an evaluation report supported by engineering, geologic and economic data which demonstrates to the satisfaction of the Supervisor that the expenditures necessary to market or beneficially use such gas are not economically justified and that conservation of the gas, if required, would lead to the premature abandonment of recoverable oil reserves and ultimately to a greater loss of equivalent energy than would be recovered if the venting or flaring were permitted to continue.

APPROVED

N. M. O. C.

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Danny S. Shashi
acting

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NTL-4A, Heading IV Other Venting or Flaring, paragraph C suggests the content of applications in support of an applicant's determination that conservation of the gas is not viable from an economic standpoint and, if approval is not granted to continue the venting or flaring of the gas, that it will result in the premature abandonment of oil production and/or curtailment of lease development. In accordance with such instructions and directions, enclosed herewith you will please find the following engineering, geologic and economic data in support of the request of Dietrich Resources Corporation to vent casinghead gas from the captioned well, all such data being made a part hereof and incorporated by reference:

- (1) Estimates of the volumes of oil and gas that would be produced to the economic limit, if the application to vent or flare were approved.
- (2) Estimates of the volumes of oil and gas that would be produced, if the applicant were required to market or beneficially use the gas.
- (3) Estimated projection of annual production and income, as of June 1, 1981, escalated prices and costs for the Dietrich Resources Corporation #22 Federal 26 Well, Sandoval County, State of New Mexico.
- (4) Performance curve for the Dietrich Resources Corporation #22 Federal 26 Well, Sandoval County, State of New Mexico, as of August 19, 1981.
- (5) Estimated projection of annual production and income, as of June 1, 1982, escalated prices and costs for the Dietrich Resources Corporation #22 Federal 26 Well, Sandoval County, State of New Mexico.
- (6) Performance curve for the Dietrich Resources Corporation #22 Federal 26 Well, Sandoval County, State of New Mexico, as of June 1, 1982.
- (7) Plat showing a portion of Sandoval County, State of New Mexico upon which the location of the Dietrich Resources Corporation #22 Federal 26 Well, Sandoval County, State of New Mexico is set forth and the approximate location of the nearest gas delivery point.
- (8) Copy of letter dated November 8, 1982 from Gas Company of New Mexico to Dietrich Resources Corporation advising (a) Gas Company of New Mexico will be unable to provide a connection for the subject well due to inadequate recoverable reserves and extremely low deliverability, and (b) more energy would be expended to gather, compress and transport such a small gas volume than would be realized beneficially.

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- (9) Evaluation Format, with supporting tables, for the Dietrich Resources Corporation #22 Federal 26 Well, SE/4NW/4 Section 26-T23N-R6W, Sandoval County, State of New Mexico.
- (10) Copy of Gas-Oil Ratio Test for the Dietrich Resources Corporation #22 Federal 26 Well, SE/4NW/4 Section 26-T23N-R6W, Sandoval County, State of New Mexico dated June 28, 1983 filed with the Energy and Minerals Department of the State of New Mexico reporting a daily gas volume of 7 MCF.

A fair evaluation and assessment of the engineering, geologic and economic data submitted in support of this request of Dietrich Resources Corporation to vent casinghead gas from the well set forth in the caption hereof will lead to the following conclusions and determinations:

- (a) the expenditures necessary to market or beneficially use such gas are not economically justified and the conservation of the gas, if required, would lead to the premature abandonment of recoverable oil reserves and ultimately to a greater loss of equivalent energy than would be recovered if the venting or flaring is permitted to continue. The present casinghead gas volume being vented, as reported in subparagraph 10 above, is an approximate 7 MCF per day.
- (b) the failure to grant approval by the Supervisor will lead to the premature abandonment of the subject well resulting in a loss of oil production and a curtailment to potential lease development. The present oil production rate is 1 to 2 barrels of oil per day.

A further evaluation and assessment of the engineering, geologic and economic data attached hereto and incorporated herein by reference will disclose that the present rate of oil production from the well affords this company a net operating income (revenues in excess of the cost of operation for the well). Under existing methods, it is the opinion of this company that the well operation will remain profitable for the foreseeable future.

For the above reasons, it is respectfully requested that Dietrich Resources Corporation be granted permission to continue to vent casinghead gas from the well set forth in the caption hereof under authority granted by the Area Oil and Gas Supervisor pursuant to NTL-4A.

Very truly yours,

DIETRICH RESOURCES CORPORATION

By Ray F. Dietrich
Ray F. Dietrich
President

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attachments