

January 20, 1984

Mr. Mat Millenbach
Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87401

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OIL CON. DIV.
DIST. 3

Re: Noarko Resources, Inc.
(formerly Aztec Energy Corporation)
LuLu #5

Dear Mr. Millenbach:

Noarko Resources, Inc. (formerly Aztec Energy Corporation) is requesting an approval for a one-year venting of the produced casinghead gas from its LuLu #5 Well. The well is located in the NW/4 SE/4 Section 29, Township 23 North, Range 6 West, Sandoval County, New Mexico. The well was completed and ready for production on December 20, 1983. During a 24 hour production test performed January 13, 1984, the well produced 35 B0, 43 MCF and .7 BLW. The gas-oil ratio was 1228 cubic feet of gas/1B0.

The approval for venting is requested under conditions set forth by Part 644, Chapter 5, Item 3F of the Department of the Interior, Geological Survey, Conservation Division Manual which states "...temporary flaring of gas production not exceeding one year may be allowed while evaluating reserves, awaiting pipeline construction, negotiating sales contracts.. provided total monthly per well gas flared does not exceed 10 MMcf."

This request for venting is necessitated by Noarko Resources' present difficulty in negotiating a gas sales contract for the casinghead gas being currently produced by the LuLu #5. El Paso Natural Gas Company has recently stated that they are currently not issuing any new gas sales contracts and have no thoughts concerning when they will again be issuing such contracts.

Noarko Resources, Inc. has its own gas gathering system in the Lybrook Gallup Field. The LuLu #5 would be an extension of that system. The system already serves three nearby wells and delivers gas into the El Paso pipeline system at a delivery point in Section 25, Township 23 North, Range 7 West (see map).

As an action plan, Noarko Resources will continue to request a contract for the LuLu #5. Also, Noarko Resources, Inc. will begin a diligent search for an alternate purchaser for produced gas from this well. This will probably necessitate the dissolution of contracts concerning the three wells that are

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NOARKO RESOURCES, INC.
950 W. 17TH AVENUE, SUITE 1000
DENVER, COLORADO 80222
TEL: 353-722

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currently selling gas to El Paso Natural Gas. When another purchaser has been located, Noarko Resources will cease venting the gas. Noarko Resources, Inc. does not expect to vent the gas from this well for one year, but since a firm date for cessation of this venting is unknown at present, the full one year that is allowed under Part 644, Chapter 5, Item 3F of the Conservation Division Manual is therefore being requested.

Sincerely,

NOARKO RESOURCES, INC.

Wayne R. Townsend

WAYNE R. TOWNSEND
Senior Vice President of Production

WRT:ch
Enclosure (map)

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