

**BURLINGTON
RESOURCES**

SAN JUAN DIVISION

August 5, 1998

Mr. Frank Chavez, District Supervisor
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

RECEIVED
AUG 6 1998
OIL CON. DIV.
DIST. 3

Dear Mr. Chavez:

Per our telephone conversation Tuesday, August 4, 1998, I would like to provide you the following information.

Burlington Resources has transferred approximately 500 barrels of drilling mud and 100 barrels of free liquids (water) associated with cementing from the Jicarilla 101 #1R, located in Section 1, T-26-N, R-4-W to the San Juan 27-4 Unit #44E, located in Section 18, T-27-N, R-4-W. We anticipate transferring another 180 barrels of free liquids (water) associated with cementing to the San Juan 27-4 Unit #44E location upon suspension of drilling activities.

Attached are copies of letters provided by Burlington Resources to the Jicarilla Apache Tribe Environmental Protection Office, and the Bureau of Land Management office in Albuquerque.

Please let me know if you need any further information on this matter.

Sincerely,

P. B. A.

Pat Bent
Drilling Superintendent

PWB:pab

encs.

BURLINGTON RESOURCES

SAN JUAN DIVISION

July 2, 1998

Certified - P 103 693 118

Kurt Sandoval
Jicarilla Apache Tribe
Environmental Protection Office
P.O. Box 507
Dulce, New Mexico 87528

Re: Jicarilla 101 #1R
Drilling Waste Management

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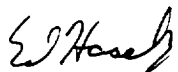
Dear Mr. Sandoval:

As per your recent discussion with Mr. Chuck Smith, this letter is to document your approval for Burlington Resources Oil and Gas Company (BR) to manage our drilling waste from the subject well as described in the attached March 6, 1995 letter. Basically, BR will utilize a "closed loop" drilling system and follow the two drilling waste management practices mentioned below:

- * The onsite disposal of solid drill cuttings and solid cement in a synthetically lined earthen pit.
- * The onsite evaporation of completion and/or wellbore fluids in a bentonite lined flare pit.

BR remains committed to continue to operate in an environmentally responsible, proactive manner in all our activities. We feel the above actions do not compromise the environment of the Jicarilla Apache Reservation. If you have any questions or need additional information, please contact me at (505) 326-9841.

Sincerely,



Ed Hasely
Sr. Staff Environmental Representative

Attachments: March 6, 1995 Letter to Mr. Thurman Velarde

Mr. Kurt Sandoval

July 2, 1998

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cc: Annette Torivio
Realty Specialist
Bureau of Indian Affairs
Jicarilla Agency
Dulce, New Mexico 87528

Patricia Hester
Bureau of Land Management
Rio Puerco Resource Area
435 Montano N.E.
Albuquerque, New Mexico 87107

Chuck Smith - BR
John Hosford - BR
Bruce Gantner - BR

March 6, 1995

Jicarilla Apache Tribe
c/o The Oil & Gas Administration
Attn: Mr. Thurman Velarde
P.O. Box 507
Dulce, NM 87528

**RE: DRILLING, COMPLETION, AND
WORKOVER WASTE MANAGEMENT
FOR 1995 WELLS**

Dear Mr. Velarde:

Meridian Oil has recently finished a post economic analysis of our 1994 drilling, completion and workover program on Jicarilla tribal lands. As you are aware Meridian Oil utilized a "closed loop" drilling waste management system on our new drill wells and a similar philosophy on all our 1994 completion and workover activities. The results from the analysis showed that Meridian was spending \$20,000 to \$45,000 more per well than on similar wells located off tribal land.

Meridian remains committed to continue to operate in an environmentally responsible, proactive manner in all our activities, and especially on tribal lands. Our 1994 drilling, completion and workover waste management system has helped us realize areas for possible cost reduction. Several places we have identified as areas for reducing our costs are as follows:


- Utilize onsite disposal of all drill cuttings versus trucking to a commercial land farm. Estimated savings: \$7,500/project. The option of onsite burial of drill cuttings is perhaps the most environmentally sound waste management method for dealing with these materials. This option is supported by independent study results that state and federal regulatory programs are based upon. These programs recognize the non-hazardous nature of drill cuttings and the environmental advantages of onsite management. Figure 1 is a plan view of the proposed setup where the drill solids will discharge from the solids control equipment into a earth pit. No fluids will be discharged into the earth pit, only drill cuttings. Any free fluids that may exit the system will be pumped out of the earth pit back into the active drilling system. We will continue to recycle our drilling mud and carry it with the rig from well to well. Cement circulated to surface during cement jobs will be pumped into a steel pit where it will harden. Any free liquids circulated with the cement will be

pumped off the cement and recycled, the solid cement will be placed in the earth pit for burial.

- For completion and workover operations utilize an onsite evaporation operation of well bore fluids in a flare pit versus trucking of all produced fluids to MOI disposal well. Estimated savings: \$10,000/project. A significant portion of our 1994 project costs involved trucking our produced water to a disposal well. From our experience, where we can utilize an onsite atomizer to evaporate this fluid, trucked volumes and associated road traffic can be reduced dramatically, thereby reducing project costs. Proppant sand from the completion and workover operation and drill cuttings from the air or gas drilled section of the hole will be the only solids buried in the flare pit. Figure 2 shows a plan view of the proposed setup.

If you would like to discuss our ideas for further reducing development costs on tribal lands, we would be available at your convenience.

Sincerely,


Donald C. Walker
Drilling Manager

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dtvjic.doc

Mr. Thurman Velarde
March 6, 1995
Page 3

xc: Curtis Newstrom
Van Goebel
Matt McEneny
Drilling Department

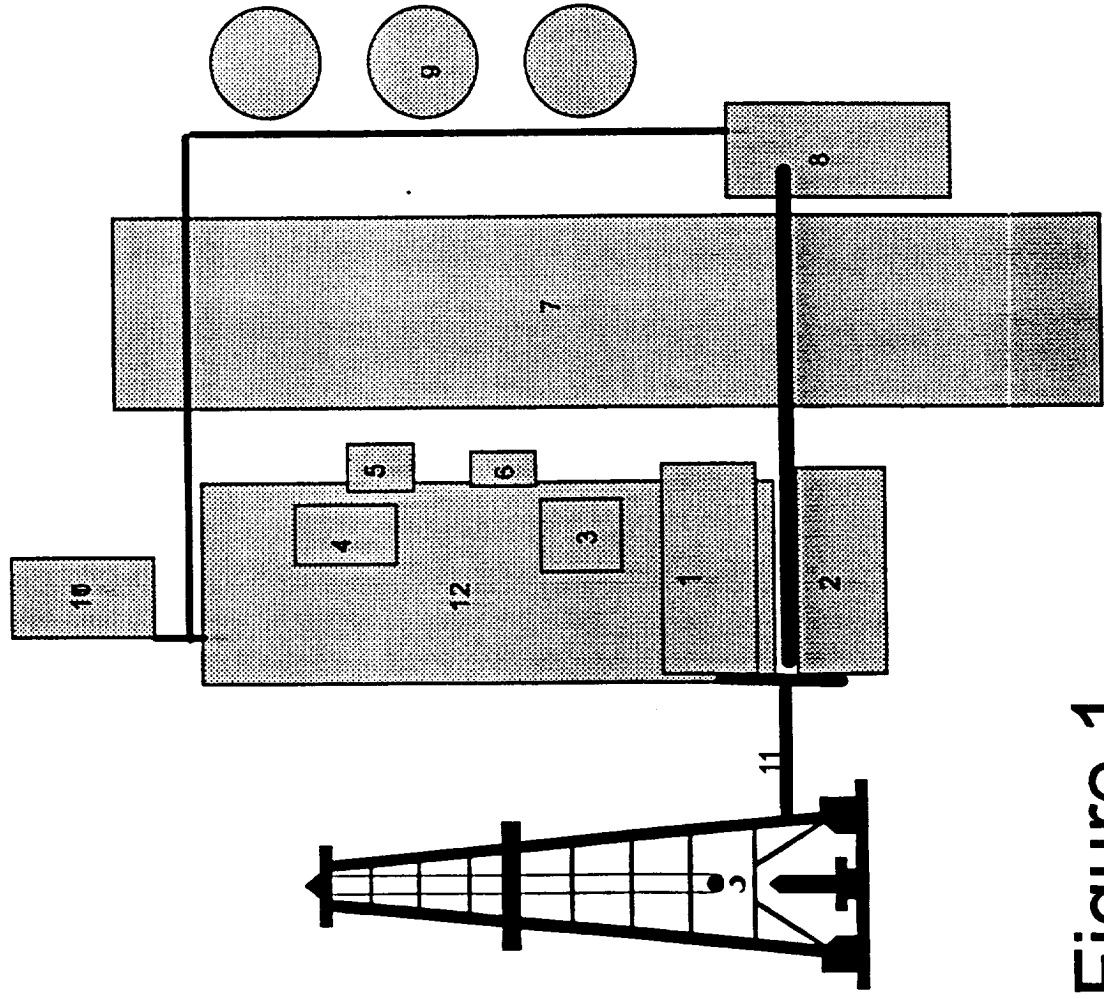
Mr. Raleigh Tafoya
Chairman, Mineral & Water Resource Committee
c/o Jicarilla Apache Police Department
P.O. Box 253
Dulce, NM 87528

The Jicarilla Apache Tribe
c/o Environmental Office
Attn: Mr. Kurt Sandoval
P.O. Box 507
Dulce, NM 87528

Bureau of Indian Affairs, Jicarilla Agency
Attn: Mr. Darrell Tafoya
P.O. Box 167
Dulce, NM 87528

Nordhaus, Halton, Taylor, Taradash & Frye
Attn: Mr. Wayne H. Bladh
200 West Devargas Street, Suite 9
Santa Fe, NM 87501

Plan view of "Closed Loop" drilling system



1. rig shaker
2. rig shaker
3. mud cleaner
4. de-watering unit
5. large centrifuge
6. small centrifuge
7. earth pit for drill solids
8. 105 bbl open top tank
9. frac tanks (mud storage)
10. rig pump
11. flow line
12. rig pit

Figure 1

Plan View of Completion, Recompletion and Workover Operations

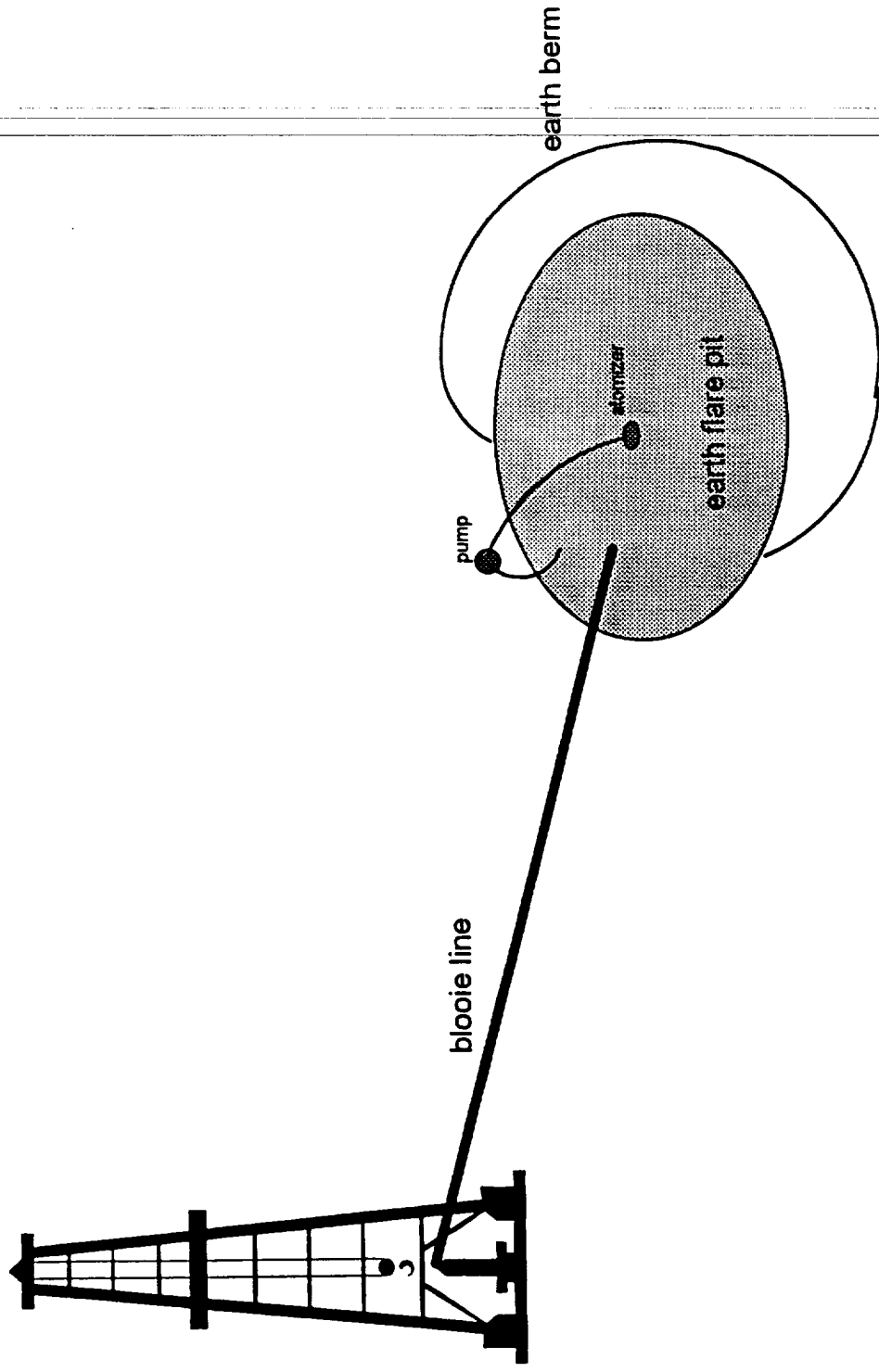


Figure 2