



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. Scott Hall
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Reply To: Santa Fe Office
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2012 AUG 21 A 9:40

August 21, 2012

Mr. David Brooks
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Via E-Mail and Hand Delivery

Case 14904

Re: Heritage Petroleum, Inc. Request for Amendment to Administrative Order
NSL-6462
and
Case No. 14548; Application of Blue Dolphin Production LLC for a Non-standard
Spacing And Proration Unit, Rio Arriba County, New Mexico; Order No. R-13326
Heritage Petroleum, Inc.
Theis Greenhorn Test Well No. 1
Projected Section 27, T30N, R1E
Rio Arriba County, New Mexico

Dear Mr. Brooks:

Thank you for your August 13, 2012 e-mail communication which forwarded copies of the Special Appearance, Objections to Application for Amendment to Administrative Order NSL-6462, and the Motion for Further Orders filed on behalf of the Jicarilla Apache Nation, all of which concern the above-referenced well. By way of explanation, Heritage Petroleum, Inc. is the successor to Blue Dolphin Production LLC which originally permitted the well.

You will find attached hereto a copy of Heritage Petroleum's Application for Compulsory Pooling which is being filed today. On review of this Application, it will be apparent that Heritage Petroleum now plans to develop the referenced well at the surface and bottom hole locations originally approved by Order NSL 6462. Further, a standard 40-acre oil spacing and proration unit consisting of the SE/4 NE/4 of Section 27 will be dedicated to the well instead of the 21-acre non-standard unit authorized by Order No. R-13326, or a 61-acre non-standard unit as I had previously indicated.

REPLY TO:

325 Paseo de Peralta
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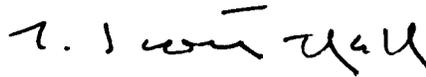
Mr. David Brooks
August 21, 2012
Page 2

The change to the well location and the dedication of the standard 40-acre unit were made in accordance with the requests of the Jicarilla Apache Nation. With these changes, the Jicarilla Apache Nation's objections to the request to amend Order NSL-6462 and the 21-acre non-standard unit are obviated and the proceeding is simplified. These changes no doubt leave unresolved the additional jurisdictional issues raised by the Jicarilla Apache Nation, but it no longer makes sense to respond to those objections in the context of the Nation's current motions.

Instead, we suggest that a better, more efficient course: After reviewing the new Application, the Nation may wish to revise and re-cast its objections in the context of the compulsory pooling proceeding and we would be pleased to respond on behalf of Heritage Petroleum accordingly. We also agree that a pre-hearing conference would be appropriate.

Attached is a copy of our letter to Director Bailey advising that the Request for Amendment to Administrative Order NSL 6462 is being withdrawn. Please let us know if there is anything else the parties may do to facilitate the Division's consideration of this Application.

Very truly yours,



J. Scott Hall

Enclosure

cc: Shennan Atcitty, Esq., Holland & Knight
Herbert A. Becker, Esq., JA Associates
Steven J. Gunn, Esq.

Heritage Petroleum, Inc.
Marbet, LLC
Travis Brown, Esq., Mahaffery & Gore

ioc: Seth McMillan, Esq.

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August 21, 2012

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: Heritage Petroleum, Inc.
Request for Amendment to Administrative Order NSL-6462
Unorthodox Well Location
Mancos Pool (97881); Undesignated Greenhorn Pool (66675)

Theis Greenhorn Test Well No. 1
API No. 30-039-31012
1796' FNL and 1469' FEL (G) (Surface and bottom hole)
Projected Section 27, T30N, R1E
Rio Arriba County, New Mexico

Dear Ms. Bailey:

On behalf of Heritage Petroleum, Inc. ("Heritage"), please be advised that our July 24, 2012 Request for Amendment to Administrative Order NSL-6462 is withdrawn. The Division's September 12, 2011 approval of Order NSL-6462 is unaffected by the withdrawal.

Thank you for the Division's cooperation in this matter.

REPLY TO:

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Ms. Jami Bailey, Director
August 21, 2012
Page 2

Very truly yours,

MONTGOMERY & ANDREWS, P. A.

A handwritten signature in black ink, appearing to read "J. Scott Hall". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke.

J. Scott Hall
Attorneys for Heritage Petroleum, Inc.

JSH:kw

cc: Dixon Sandoval, Jicarilla Apache Nation Oil and Gas Director – certified mail
George Thetrault, P.E., Bureau of Indian Affairs – certified mail
Jim Lovato, BLM – Farmington – certified mail
Mike Smith, Heritage Petroleum
Dick Dolecek, Discovery Exploration

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