



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



2008 FEB 11 PM 3 22

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IN REPLY REFER TO:
Case No. 14092

February 8, 2008

Mark Fesmire
New Mexico Oil Conservation Division
1220 S. St. Frances Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 14092, whereby Koch Exploration Company, LLC (Koch) is seeking an order providing for an exception to the well density provisions of the rules and regulations established for the Basin Fruitland Coal Pool. Koch's proposal seeks approval to drill two additional Fruitland Coal infill wells in the following 320 acre spacing and proration units:

Township 29 North, Range 9 West:

Section 21 (W/2)
Section 23 (W/2)
Section 24 (W/2)
Section 25 (E/2)
Section 29 (E/2)
Section 32 (E/2)

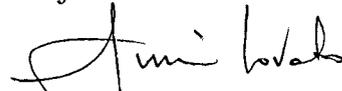
With the exception of section 32, the subject lands are administered by the Bureau of Land Management (BLM).

We understand that a hearing on this matter is scheduled for February 21, 2008 at the NMOCD in Santa Fe. At this point in time, Koch has not supplied the BLM with any legal, geologic and engineering data to support such an approval. Due to the scattered nature of these spacing units, correlative rights and drainage are also a concern to our agency. In addition, the Farmington Field Offices' current Resource Management Plan (RMP) does not address infill development in the Basin Fruitland Coal beyond two wells per spacing unit. In general, BLM is not opposed to infill development in the Basin Fruitland Coal, however we have not been afforded an opportunity to review the merits of this application.

Pursuant to the Memorandum of Understanding between the BLM and the NMOCD, we oppose Koch's application for the reasons described above. We ask that the NMOCD to either deny Koch's application as filed or defer the application until a reasonable time after Koch presents justification before the BLM.

If you have any questions regarding the above, contact me at (505) 599-6367.

Jim Lovato

A handwritten signature in black ink that reads "Jim Lovato". The signature is written in a cursive style with a large, stylized initial "J".

Senior Technical Advisor,
Petroleum Engineer

CC: NMOCD: Aztec

Miller Stratvert, Law Offices
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