



United States Department of the Interior

Bureau of Land Management
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AUG 15 2002

In Reply Refer To:
12888 (93000)

August 14, 2002

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Mr. Michael Stogner
Examiner
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 St. Francis Dr.
Santa Fe, NM 87505

RE: Case No. 12888: Fruitland Coalbed Methane Infill Application

Dear Mr. Stogner:

In light of recent events, it is appropriate to reiterate the Bureau of Land Management's (BLM) position regarding the downspacing of the Fruitland Coal in the San Juan Basin, New Mexico. The five pilot wells drilled in order to test whether the coal horizon was being adequately drained on the current 320 acre spacing were all located in the under-pressured low productivity portion of the basin. The results indicated that in addition to rate acceleration, a component (significant in some cases) of incremental resource addition was also present in all cases. Recently, certain operators have presented their plans for next fiscal year that focus on drilling Fruitland coal infill wells strictly in the high-productivity area of the basin also known as the "fairway". There has been no pilot data presented to the committee in the New Mexico portion of the fairway that indicates that these infill wells would capture additional gas resources. The Federal lands in this area have high aesthetic appeal and are prime areas for wildlife habitat. Additional surface disturbance primarily for rate acceleration of gas production is difficult to justify to the multiple users of the public lands.

Industry representatives have not been in complete agreement on applying this increased well density rule change throughout the New Mexico portion of the Basin Fruitland Coal pool. The proposed rule would differentiate the New Mexico Basin Fruitland Coal into a "Low Productivity Area" and a "High Productivity Area". The two wells per GPU would apply to the "Low


Productivity Area". In the "High Productivity Area", administrative procedures would need to be fulfilled and approvals obtained.

With the pilot projects being limited to the "Low Productivity Area" and the other available data also limited to the "Low Productivity Area", the BLM does support the exclusion of the "High Productivity Area" until additional technical data justifies inclusion. Within the "High Productivity Area" also known as "the fairway", the BLM reserves the right to request technical data from operators. These data may include, but are not limited to, geologic cross-sections, reservoir isopachs, reservoir simulations and other pertinent information.

The BLM supports the orderly and efficient exploration, development and production of oil and gas on Federal and Indian lands. The BLM is responsible for managing public lands for multiple use, and maximizing the resource values for the American people. Because the possibility exists that a basin wide infill order could be issued, it is proper that the Oil Conservation Division be aware that the BLM will honor the "line" surrounding the high-productivity portion of the basin and, at times, will request technical data from operators to justify infill drilling of the Fruitland Coal within the fairway.

In summary, the BLM is in support of the increased well density in the Fruitland Coal formation. We will be encouraging the development of the Fruitland Coal formation by means of re-completions in existing wellbores, commingling and drilling from existing well pads. This type of development will minimize surface disturbances, decrease development costs and maximize utilization of existing wellbores.

Sincerely,



Carsten Goff
Deputy State Director
Resource Planning, Use,
and Protection

cc:

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