

NORDHAUS HALTOM TAYLOR  
TARADASH & FRYE

ATTORNEYS AT LAW

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

ALBUQUERQUE OFFICE  
SUITE 1050  
500 MARQUETTE AVENUE, N.W.  
ALBUQUERQUE, NEW MEXICO 87102

TELEPHONE (505) 243-4275  
TELEFAX (505) 243-4464

SANTA FE OFFICE  
SUITE 9  
200 W. DE VARGAS STREET  
SANTA FE, NEW MEXICO 87501

TELEPHONE (505) 982-3622  
TELEFAX (505) 982-1827

B REID HALTOM  
LESTER K TAYLOR  
ALAN R TARADASH  
PAUL E. FRYE  
WAYNE H. BLADH  
MARCIA L. GREEN, P.C.

LEE BERGEN  
TERESA ISABEL LEGER  
CYNTHIA A KIERSNOWSKI  
KATHARINE S MILLER  
DANIEL F. ORTEGA

CC Bruce  
Howard

*Reply to Santa Fe Office*

November 25, 1992

William J. LeMay  
Oil Conservation Division  
State Land Office Bldg.  
310 Old Santa Fe Trail  
Room 219  
Santa Fe, New Mexico 87501

<b>BEFORE EXAMINER STOGNER</b>
<b>OIL CONSERVATION DIVISION</b>
<u>AM. HUNTER</u> EXHIBIT NO. <u>2</u>
CASE NO. <u>10439</u>

**Re: In the Matter of the Application of American Hunter Exploration, Ltd. for an Exception to the Provisions of the Division's No Flare Rule 306 and for the Establishment of Special Allowable Rates, Rio Arriba County, New Mexico**

**Hearing Date, December 3, 1992**

Dear Mr. LeMay:

This firm represents the Jicarilla Apache Tribe. The Tribe is party to the Minerals Development Agreement (entered into pursuant to the 1982 Indian Minerals Development Act) which authorized American Hunter Exploration, Ltd. to drill the Jicarilla 3F-1 well located in the Southeast Quarter Northwest Quarter of Section 3, Township 27 North, Range 1 West, NMPM, Rio Arriba County, New Mexico, within the Jicarilla Apache Reservation.

This letter is not an entry of appearance by the Tribe in this proceeding, nor is it an indication that the Tribe submits itself to the jurisdiction of the Oil Conservation Division. The Tribe submits this letter solely for the purpose of informing the Division of the Tribe's position concerning the application identified above, as a courtesy to the Division and to carry out the government-to-government relationship existing between the State of New Mexico and the Jicarilla Apache Tribe.

American Hunter has requested the consent of the Jicarilla Apache Tribe to flare gas from the Jicarilla 3F-1 well pending construction of a gas marketing pipeline to connect that well with the Northwest Pipeline Corporation system. The Jicarilla Apache Tribal

NORDHAUS HALTOM TAYLOR  
TARADASH & FRYE

ATTORNEYS AT LAW

William J. LeMay  
November 25, 1992  
Page 2

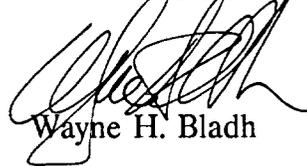
**Re: American Hunter/Flaring**

Council, on November 5, 1992, voted to support American Hunter's application for permission to flare gas from the Jicarilla 3F-1 well on the conditions that American Hunter expedite construction of the proposed gas marketing pipeline, and that flaring not continue past June 1, 1993 at the latest. The Tribal Council further authorized this law firm to inform the Oil Conservation Division and the Bureau of Land Management of this action.

If you have any questions concerning the Tribe's position on the pending application to flare gas, please do not hesitate to contact me at the Santa Fe office of this firm.

Sincerely,

NORDHAUS, HALTOM, TAYLOR,  
TARADASH & FRYE



Wayne H. Bladh

WHB:mh

cc: Mike Pool, Area Manager  
Bureau of Land Management  
Farmington Resource Area  
1235 La Plata Highway  
Farmington, NM 87401

Darrell Tafoya  
Jicarilla Agency Realty Office  
Bureau of Indian Affairs  
P.O. Box 167  
Dulce, NM 87528

William F. Carr  
P.O. Box 2208  
Santa Fe, NM 87504

NORDHAUS HALTOM TAYLOR

TARADASH & FRYE

ATTORNEYS AT LAW

William J. LeMay

November 25, 1992

Page 3

**Re: American Hunter/Flaring**

Thurman Velarde  
Oil and Gas Administrator  
Jicarilla Apache Tribe  
P.O. Box 507  
Dulce, NM 87528

James C. Lister  
Senior Geologist  
American Hunter Exploration, Ltd.  
410 Seventeenth St., Ste. 1220  
Denver, Colorado 80202



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Resource Area  
1235 La Plata Highway  
Farmington, New Mexico 87401

TAKE  
PRIDE IN  
AMERICA

IN REPLY REFER TO:

Jic 701-90-0001 (WC)  
3162.5-1 (019)  
3162.7-1 (d)  
3162.7-3  
3162.2 (c)

**CERTIFIED--RETURN RECEIPT REQUESTED**  
**P 794 523 570**

Mr. Jim Lister  
American Hunter Exploration Ltd.  
410 Seventeenth Street, Suite 1220  
Denver, CO 80202

Dear Mr Lister:

Your correspondence dated November 17, 1992, seeks approval of a "gas sales plan" for disposition of natural gas associated with oil production from the Jicarilla 3F-1 located SE $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3, T. 27 N., R. 1 W., Rio Arriba County, New Mexico.

The application states that American Hunter has committed to the construction of a sales line from the referenced well to a Northwest Pipeline tie-in point in Section 16, T. 27 N., R. 3 W. Product sales are hereby approved as appropriate disposition of the associated natural gas from the Jicarilla 3F-1.

The application further seeks permission to produce without venting restrictions while construction is proceeding to "gather data to determine if gravity drainage is an effective depletion mechanism". This office granted a six month testing period with unrestricted venting for this very reason. During the six month testing phase, substantial volumes of oil were produced and significant volumes of natural gas were vented. Additional testing with no restrictions would generate the following concerns:

- A. Our trust obligation regarding Indian minerals requires that we make every effort to maximize recovery and prevent waste of Indian minerals.
- B. Correlative rights of offset leases.
- C. What additional data would extended testing provide?
- D. Premature depletion of the driving mechanism of the reservoir.

In order for this office to consider approval of additional production without venting restrictions, the following conditions must be met:

1. Government, Tribal, and Agency approvals required for the construction of the pipeline have been obtained.
2. A contract with a pipeline construction company has been obtained and an estimated completion date for the pipeline can be furnished.
3. You submit a detailed test plan including test rates, proposed duration, and objectives/goals for the test period.
4. Testing will be discontinued when the objectives/goals have been met.

2

5. Testing does not commence until physical pipeline construction has begun.
6. Correlative rights issues with offset lessees are resolved.

The present venting restriction of 30 MCF per day or 900 MCF per month plus or minus 10 percent remains in effect until alternate rates are approved by this office.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the orders described above. Such request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P. O. Box 27115, Santa Fe, New Mexico 87502-0115. Such request shall not result in a suspension of the orders unless the reviewing official so determines. Procedures governing appeals from instructions, orders or decisions are contained in 43 CFR 3165.4 and 43 CFR 4.400 et seq.

If you have any questions, please contact Duane Spencer at (505) 599-8950. or Ray Eager at 599-8959.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Pool', with a large, sweeping flourish extending to the left and a smaller flourish to the right.

Mike Pool  
Area Manager