



STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

GARREY CARRUTHERS
 GOVERNOR

September 25, 1990

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

Mr. Thomas Kellahin
 Kellahin, Kellahin & Aubrey
 Attorneys at Law
 Post Office Box 2208
 Santa Fe, New Mexico

Re: CASE NO. 10038
 ORDER NO. R-9290

Applicant:

Nassau Resources, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
 Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
 OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD x

Other William F. Carr, Ron Fellows, Bill Montoya, Phillip R. Settles

OIL CONSERVATION
RE

LAND DIVISION

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

'90 SEP 25 AM 8 40

September 20, 1990

Case 10038

Mr. Michael E. Stogner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

M.E.

Re: Application of Nassau Resources, Inc.
for Infill Drilling in the Carracas
Canyon Unit, Basin-Fruitland
Coal Gas Pool, San Juan County,
New Mexico

Dear Mr. Stogner:

On behalf of Nassau Resources, Inc., this letter
will confirm that at the Examiner's hearing held on
September 19, 1990 ~~without prejudice~~ without prejudice the above
referenced application.

Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Mr. Kent C. Craig, Nassau Resources, Inc., 650 South
Cherry, Suite 1225, Denver, Colorado 80222

U.S. Bureau of Land Management, Farmington Area
Manager, Farmington Resources Area Office, 1235
La Plata Highway, Farmington, New Mexico 87401

U.S. Forest Service, Carson National Forest,
Jicarilla Ranger Station, Gobernador Route,
Blanco, New Mexico 87412

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

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W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

August 16, 1990

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RECEIVED
AUG 17 1990
OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: NMOCD Case No. 10038
Application of Nassau Resources, Inc.
for Infill Drilling in the
Basin-Fruitland Coal Gas Pool,
San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Nassau Resources, Inc., I filed an application for the above referenced case which is scheduled for Examiner hearing on August 22, 1990.

Meridian desires that this case be continued to the next available docket which is September 5, 1990.

Very truly yours,


W. Thomas Kellahin

WTK/tic

cc: Mr. Kent Craig
Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222

GOVERNOR
GARREY CARRUTHERS

State of New Mexico

STATE GAME COMMISSION

DIRECTOR AND SECRETARY
TO THE COMMISSION
BILL MONTOYA



DEPARTMENT OF GAME AND FISH

VILLAGRA BUILDING
SANTA FE
87503

GERALD MAESTAS, CHAIRMAN
ESPAÑOLA

RICHARD A. ALLGOOD
SILVER CITY

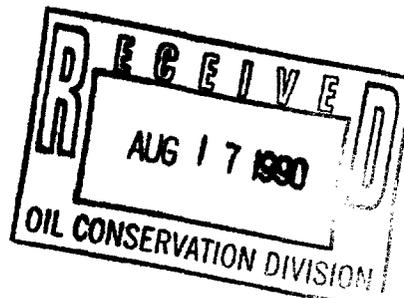
CHRISTINE DIGREGORIO
GALLUP

BOB JONES
DELL CITY, TX

J.W. JONES
ALBUQUERQUE

August 17, 1990

Mr. Larry Woodard, State Director
Bureau of Land Management
P. O. Box 1449
Santa Fe, New Mexico 87501



Dear Mr. Woodard:

The Department of Game and Fish (Department) has become aware that the Fruitland Coal Seam natural gas producers have applied for approval to infill drill the current 320-acre spacing order in the San Juan Basin. The Department recognizes the need to develop energy resources. We believe, however, that this development should not be permitted to overshadow wildlife and its habitat. Some wildlife concerns related to the potential effects of intensified drilling operations in the Farmington Resource Area (FRA) have been identified. These concerns include the magnitude of cumulative impacts resulting from the development of the few remaining critical wildlife areas. The Fruitland Coal Seam infill drilling impacts will greatly increase activity on critical wildlife winter, fawning, calving, nesting, and roosting areas. Additionally, important migration routes for deer and elk will be adversely affected.

Impacts experienced thus far have resulted from extensive gas field development activities over the past 35 years. Current wildlife and habitat mitigation measures promulgated by the Bureau of Land Management's (BLM) oil and gas lease stipulations have not been assessed to determine their short- and long-term effectiveness.

A mode of cooperation between industry, BLM, and the Department was enhanced during the past two years, which culminated with the development of the FRA Environmental Assessment and the Cooperative Agreement for the Mitigation and Enhancement of Wildlife Habitat in the Farmington

Mr. Larry Woodard

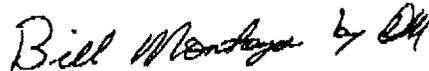
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August 17, 1990

Resource Area, 1989. In light of past cooperative accomplishments, the Department recommends the formulation of a work group involving BLM, Carson National Forest, U.S. Fish and Wildlife Service, Bureau of Reclamation, Oil Conservation Division, State Parks and Recreation Division, and the Department of Game and Fish to broaden the scope of involvement, communication, and coordination. The charge of the proposed work group would be to address issues and concerns, formulate recommendations regarding spacing orders, address state and federal stipulations, and unorthodox drilling locations to allow gas field development while maintaining and enhancing wildlife habitat. This scenario would also facilitate the implementation of the Sikes Act Program. We recommend that this group conduct its initial meeting on or about September 11, 1990 at the Farmington Resource Area office so that recommendations may be developed for the Oil Conservation Division hearing in October 1990. The Department is willing to coordinate the initial organization of the work group.

The Department appreciates the opportunity to work with the BLM and other concerned agencies to resolve impacts to wildlife and its habitat resulting from natural gas extraction. Please feel free to contact Byron Donaldson (827-9908) in our Santa Fe office for further coordination with this initiative.

Sincerely,

Bill Montoya
Director

BM/brd

xc: Bob Dale (Albuquerque District Manager, BLM)
Ron Fellows (Farmington Resource Area Manager, BLM)

GOVERNOR
GARREY CARRUTHERS

State of New Mexico

STATE GAME COMMISSION

DIRECTOR AND SECRETARY
TO THE COMMISSION
BILL MONTOYA



GERALD MAESTAS, CHAIRMAN
ESPAÑOLA

RICHARD A. ALLGOOD
SILVER CITY

CHRISTINE DIGREGORIO
GALLUP

BOB JONES
DELL CITY, TX

J.W. JONES
ALBUQUERQUE

DEPARTMENT OF GAME AND FISH

VILLAGRA BUILDING
SANTA FE
87503

August 16, 1990

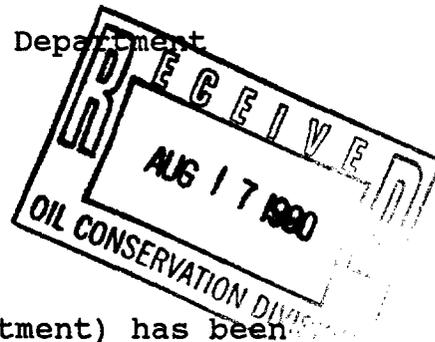
Mr. William J. LeMay, Director
Energy, Minerals and Natural Resources Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico

RE: OCD No. 10038

Dear Mr. LeMay:

The Department of Game and Fish (Department) has been apprised that an Application for Approval of an Infill Drilling Program in the Carracas Canyon Unit of the Fruitland Coal Seam has been submitted. The Department recognizes the need to develop energy resources. We are obligated, however, to consider the impacts of such activities to wildlife. In doing so, some concerns related to the potential affects of this application have been identified. The proposed infill drilling program using the established 320-acre spacing order may have a significant impact on critical wildlife areas. The Carracas Canyon Unit provides wintering, fawning, calving, and nesting areas for resident deer, elk and turkey. That area is also an important migration route for migratory deer and elk.

It is our understanding that well development on the 320-acre spacing order has not yet been completed. Immediate changes to that standard may not be in compliance with the Carson National Forest Land Management Plan and the Jicarilla Ranger District, Fruitland Coal Seam Environmental Assessment. Additionally, the effectiveness of mitigation measures under that standard has not been assessed, nor have the short and long-term cumulative effects to wildlife and wildlife habitat been determined. We feel those issues should be addressed before any changes to the 320-acre order are approved or implemented.



Mr. William J. LeMay

-2-

August 16, 1990

We appreciate the opportunity to comment. Should you need additional information, please feel free to contact Byron Donaldson (827-9908) of this office.

Sincerely,

A handwritten signature in cursive script that reads "Bill Montoya" followed by a stylized flourish.

Bill Montoya
Director

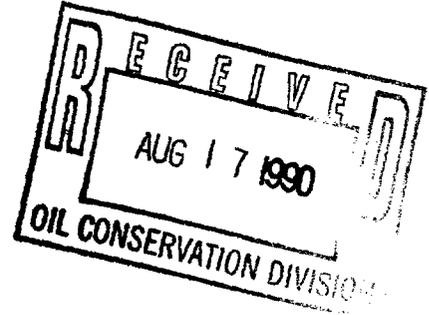
BM/brd/cs

xc: Andy Lindquist (Supervisor, Carson National Forest, USFS)
Larry Woodard (State Director, Bureau of Land Management)



United States Department of the Interior

BUREAU OF RECLAMATION
UPPER COLORADO REGIONAL OFFICE
P.O. BOX 11568
SALT LAKE CITY, UTAH 84147



IN REPLY
REFER TO:
UC-459

Memorandum

To: State Director, Bureau of Land Management, New Mexico State Office,
PO Box 1449, Santa Fe NM 87501

From: Regional Director
Bureau of Reclamation

Subject: Fruitland Coal Gas Well Spacing, Navajo Unit, Colorado River Storage
Project, New Mexico (Oil and Gas)

The Staff in Durango, Colorado, have informed this office that the well spacing for Fruitland Coal Gas development will soon be changing from one well every 320 acres to one well every 160 acres. In accordance with 43 CFR 3161.2, the authorized officer has the authority to disapprove a spacing requirement which has been issued by the State Oil and Gas Agency, in this case New Mexico Oil Conservation Division. We are requesting the following sections be designated as areas of critical concern and the spacing remain at one Fruitland Coal Gas well per 320 acres:

1. Township 30 North, Range 7 West, N.M.P.M., Section 7, NE $\frac{1}{4}$ of Section 8, and NW $\frac{1}{4}$ of 18: Developed recreation area. S $\frac{1}{4}$ of Section 18 and Section 19: Safety of Navajo Dam.

2. Township 30 North, Range 8 West, N.M.P.M., Section 13: Safety of Navajo Dam, Bureau of Reclamation (Reclamation) facilities, wetlands, and developed and undeveloped public recreation.

For us to assure the public of the continued safety of Navajo Dam and to provide the public with recreation, it is imperative that the above areas remain at one Fruitland Coal Gas well per 320 acres.

We appreciate the opportunity to comment on this important issue. If you have any questions, please contact Steve Sacks at our Durango Projects Office at FTS 323-6574.

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



United States Department of the Interior



Oil Conservation Division
'90 AUG 13 AM 8 53

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA
1235 LAPLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401

IN REPLY REFER TO:

3100(019)

Mr. William J. LeMay
Energy, Minerals & Natural
Resource Department
Oil Conservation Division
PO Box 2088
Santa Fe, NM 87504

AUG 10 1990
Case 10038

Dear Mr. LeMay:

We would like to take this opportunity to respond and to express our concerns on the request by Nassau Resources, Inc. for "in fill" drilling within the Carracas Canyon Unit. Consideration of this request must involve all concerned Federal and State agencies as well as the operator. The BLM portion of this unit contains critical surface values which must be considered along with the potential mineral development. The following prerequisites must be addressed and resolved prior to approval of any spacing modifications.

1. BLM's obligations under the National Environmental Policy Act (NEPA) must be fully met. Decisions from the Fruitland Coal Gas EA completed by BLM in 1988 based the finding of "no significant impacts" on a proposed action of 320 acre spacing which was established at that time. To reduce this spacing to 160 acres, we will require new NEPA documentation to be completed by BLM.

2. The recent Interior Board of Land Appeals (IBLA) decision 86-1575, Michael Gold et al., found the BLM lacking in an Environmental Impact Statement (EIS) assessing cumulative impacts of oil/gas development in the San Juan Basin. "In fill" drilling on 160 acre spacing will require additional environmental analysis and an EIS for NEPA compliance may be necessary.

3. The BLM Albuquerque District is currently writing a Resource Management Plan Amendment for oil and gas development in the San Juan Basin. The draft document is expected to be completed by January 1991. Mineral development and surface management issues will be addressed in this document.

We are requesting a delay in any decision(s) concerning Fruitland coal gas well spacing until the above requirements can be completed. We are in the process of forming an interagency

committee to study areas with critical surface concerns. These critical areas represent a small portion of the San Juan Basin. Development of minerals within these areas will take study and planning to maintain the surface values. Your cooperation in careful development of these areas is appreciated.

We are very concerned, as we are sure you are, that proper development of the mineral resource in an environmentally sound manner occur on the public lands. I am sure we can find common ground to protect all identified issues. Please call myself or Bruce Flinn at 327-5344 if any questions arise.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Fellows". The signature is written in a cursive style with a large initial "R" and a long horizontal stroke extending to the right.

Ron Fellows
Area Manager



United States
Department of
Agriculture

OIL CONSERVATION DIVISION

RECEIVED

Forest
Service

Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

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Reply to: 2820

Date: August 6, 1990

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Mr. William J. LeMay, Director
Energy, Minerals and Natural Resources Department
Oil Conservation Division
P.O. Box 2088

L Santa Fe, New Mexico 87504

Care No.

10038

M.S.

DR

Dear Mr. LeMay:

Thank you for the opportunity to respond to the request for infill drilling on the Carracas Canyon Unit of the Carson National Forest. Prior to approving any applications for permit to drill for the infill wells, the following conditions of approval will have to be addressed:

1. Any current or pending wells on the 320 acre spacing must be completed before any infill drilling is approved. There are several locations which have been built (320 spacing) which have not been drilled.
2. In order to comply with the current environmental analysis, the infill wells which could be approved now would be limited to infill wells which could be placed along existing roads and those which could be drilled from existing well locations (directional drill).
3. All new disturbance off of existing development will require a new or amended environmental analysis. The additional environmental analysis would have to include an assessment of cumulative effects created by the additional disturbance. Studies would have to be completed for critical wildlife habitat, threatened and endangered species and cultural resource impacts. The time frame for this additional NEPA document would be approximately 3 years.
4. Additional concerns would be the cost of providing enforcement of current standards and guidelines for the unit. This cost would have to be born by Nassau Resources, Inc. Another factor to be considered is the cost of mitigating the impacts upon cultural resources and the time involved in consulting with the President's Advisory Council.

Caring for the Land and Serving People

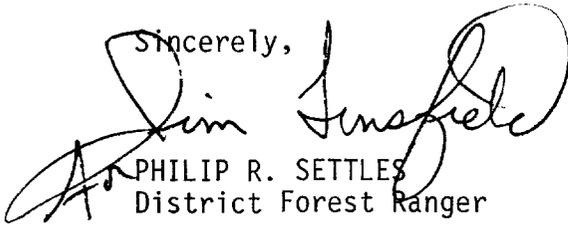


LeMay

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All of the above conditions would apply to the entire Jicarilla Ranger District of the Carson National Forest for any future requests for infill drilling of the Fruitland Coal Seam. By establishing these conditions, we are insuring the integrity of the Carson National Forest Land Management Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip R. Settles". The signature is written in a cursive style with a large, looping initial "P".

PHILIP R. SETTLES
District Forest Ranger

cc: Supervisor's Office
BLM - Farmington Resource Area