





**MONTGOMERY  
& ANDREWS  
LAW FIRM**

**J. SCOTT HALL**  
Office: (505) 986-2646  
Email: shall@montand.com  
Reply To: Santa Fe Office  
www.montand.com

RECEIVED OGD  
2011 AUG 11 P 2:29

August 11, 2011

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

**Hand Delivered**

Re: Blue Dolphin Production, LLC  
Request for Administrative Approval  
Unorthodox Well Location  
Undesignated Mancos Pool (66685); Undesignated Greenhorn Pool (66675)

*See  
Case 14679*

Theis Greenhorn Test Well No. 1  
API No. 30-039-31012  
1796' FNL and 1469' FEL (G) (Surface)  
1796' FNL and 1069' FEL (H) (Bottom hole)  
Projected Section 27, T30N, R1E  
Rio Arriba County, New Mexico

Dear Ms. Bailey:

On behalf of Blue Dolphin Production, LLC ("Blue Dolphin") and pursuant to Division Rule 19.15.15.13 and the applicable statewide rules governing oil well locations (wildcat), we request administrative approval for an unorthodox well location for the Theis Greenhorn Test Well No. 1 to be drilled at the surface and bottom-hole locations reflected above.

This well will be drilled to a depth sufficient to test the Greenhorn and Mancos formations within the undesignated pools referenced above. The statewide rules for undesignated wildcat oil pools (19.15.15.9 A) currently provide that wells shall be located no closer than 330' to the boundary of a unit, with 40-acre units dedicated to the wells.

These lands are located within an un-surveyed portion of the Tierra Amarilla Land Grant and therefore the section lines in the area are projected. However, the latitudinal and longitudinal coordinates and the resulting footages from the projected subdivision boundaries for the surface and bottom hole locations of the well are accurate. These lands are known as the Theis Ranch, the surface of which is now

**REPLY TO:**

325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307  
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400  
Albuquerque, New Mexico 87110  
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210  
Albuquerque, New Mexico 87176-6210

owned in trust for the benefit of the Jicarilla Apache Nation. Blue Dolphin owns record title to all of the oil and gas leasehold working interests covering 83.3685% of the fee mineral interest in the lands. The Jicarilla Apache Nation owns the remaining 16.63125% mineral interest. It is anticipated that the Nation's mineral interest will be committed to the well pursuant to a mineral development agreement with Blue Dolphin.

The APD originally approved for the Theis Greenhorn Test Well No. 1 (Exhibit A) reflected a vertical well that was to be drilled at a location 1,643' from the north line and 1,575 from the east line in the SW/4 NE/4 equivalent (Unit G) of Section 27. As shown by the enclosed topographic map (Exhibit B) the well site is located within the Horse Lake Creek drainage and is surrounded by hilly terrain. At the request of the Jicarilla Apache Nation Oil and Gas Administration, the surface location is being moved southeast within Unit G and will now be 1,796 feet from the north line and 1,469 feet from the east line of Section 27. Also at the request of the Jicarilla Apache Nation, the wellbore will be deviated to a bottom hole location 1,796 feet from the north line and 1,069 feet from the east line and the SE/4 NE/4 of projected Section 27 (Unit H) will be dedicated to the well as a standard 40-acre spacing and proration unit instead of the 21 acre  $\pm$  non-standard unit previously approved by the Division by Order No. R-13326. The amended C-102 for the well is attached as Exhibit C. In this case, the surface location is outside of, and approximately 149 feet from the western boundary of the unit that will be dedicated to the well.

The first target in the Mancos formation will be intercepted 1,219 feet from the east line and 1,796 from the north line of the section (250 feet east of the surface location) at a depth of approximately 1,300 feet. The second target will be the well's indicated bottom-hole location, 1,796 from the north line and 1,069 feet from the east line, at a depth of 2,400 feet, approximately 251' from the outer boundary of the SE/4 NE/4 of the section (Unit H).

Blue Dolphin is the operator of the adjoining non-standard unit (undrilled) toward which the unorthodox location encroaches. However, the ownership and quantum of the oil and gas leasehold and underlying mineral interests in both the SE/4 NE/4 of Section 27 and the adjoining unit to the west are identical. Therefore, no further notification is indicated under the Division's rules and practices and correlative rights are not an issue in any event.

Please note that this well is the subject of a pending compulsory pooling proceeding now pending on the examiner hearing docket. (Case No. 14629; *Application of Blue Dolphin Production, LLC for Compulsory Pooling, Rio Arriba County, New Mexico*). On execution of the Mineral Development Agreement between Blue Dolphin and the Jicarilla Apache Nation referenced above, and its approval by the Bureau of Indian Affairs, we anticipate that the Application in that case may be dismissed. The BIA, BLM and the Jicarilla Apache Nation are being provided with copies of this administrative application.

Ms. Jami Bailey, Director  
August 11, 2011  
Page 3

We also wish the Division to be informed that Blue Dolphin's oil and gas leases on the 83.3685% fee mineral interests on the subject lands (and others) all expire on October 5, 2011. Therefore, the Division is requested to approve this administrative application sufficiently in advance of the lease expiration date to allow for the timely commencement of drilling.

The Division's Administrative Application Checklist is enclosed.

Thank you for your consideration of this request. Should more information be required, please do not hesitate to contact me.

Very truly yours,

MONTGOMERY & ANDREWS, P. A.



J. Scott Hall  
Attorneys for Blue Dolphin Production, LLC

JSH:kw

Enclosures:  
Exhibit A C-101 and C-102  
Exhibit B Topographic Map  
Exhibit C Amended C-102  
Administrative Application Checklist

cc: Shenan Atcitty, Esq., Counsel for Jicarilla Apache Nation  
Steve Gunn, Esq., Counsel for Jicarilla Apache Nation  
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  
David Brooks, Esq., NMOCD  
Dick Dolecek, Blue Dolphin Production, LLC

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources

Form C-101  
June 16, 2008

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to appropriate District Office

AMENDED REPORT

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

<sup>1</sup> Operator Name and Address Blue Dolphin Production LLC, C/O Walsh Engineering & Production Corp 7415 E. Main St., Farmington, NM 87402		<sup>2</sup> OGRID Number 226829
		<sup>3</sup> API Number 30-039-31012
<sup>4</sup> Property Code	<sup>5</sup> Property Name Theis Greenhorn Test	<sup>6</sup> Well No. #1
<sup>9</sup> Proposed Pool 1 66685 Undesignated Mancos		<sup>10</sup> Proposed Pool 2 66675 Undesignated Greenhorn

<sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range 1E	Lot Idn	Feet from the	North/South line	Feet from the 1575	East/West line	County
G	27	30N			1643	North		East	Rio Arriba

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Additional Well Information

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code O	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type Code P	<sup>15</sup> Ground Level Elevation 7676
<sup>16</sup> Multiple N	<sup>17</sup> Proposed Depth 2,400'	<sup>18</sup> Formation Dakota	<sup>19</sup> Contractor TBD	<sup>20</sup> Spud Date 04-15-2011

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
8 3/4"	7"	20#/J-55	200'	45	0
6 1/4"	4 1/2"	10.5#/J-55	2400'	175 Lead/100 Tail	0

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

See attached drilling program

RCVD MAR 4 '11  
OIL CONS. DIV.  
DIST. 3

*Notify Aztec OCD 24 hours before Spud*

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

*S. Max Libby*

Printed name:

S. Max Libby

Title:

Agent for Blue Dolphin Production LLC

E-mail Address:

maxlibby@donellis-associates.com

Date:

03-04-2011

Phone:

505-326-1730

Conditions of Approval Attached

OIL CONSERVATION DIVISION

Approved by:

*Charles Rein 3-8-11*

Title:

SUPERVISOR DISTRICT # 3

Approval Date:

MAR 08 2011

Expiration Date:

MAR 08 2012

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

EXHIBIT A

DISTRICT I  
1825 N. French Dr., Hobbs, N.M. 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, N.M. 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, N.M. 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised July 16, 2010

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, N.M. 87505

Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-039-31012	<sup>2</sup> Pool Code 66685	<sup>3</sup> Pool Name UNDESIGNATED MANCOS
<sup>4</sup> Property Code 38455	<sup>5</sup> Property Name THEIS GREENHORN TEST	
<sup>6</sup> OCRID No. 226829	<sup>7</sup> Operator Name BLUE DOLPHIN PRODUCTION, LLC	<sup>8</sup> Well Number #1
		<sup>9</sup> Elevation 7676

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	27	30 N	1 E		1643	NORTH	1575	EAST	RIO ARRIBA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acreage: 21      <sup>13</sup> Joint or Infill:      <sup>14</sup> Consolidation Code:      <sup>15</sup> Order No.: R-13326

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION.

<p>18 S 89°38' E 2630.1' (R) 5170.44' (R)</p> <p>S 25°27' E-1061.94'</p> <p>290.4' (R)</p> <p>1643'</p> <p>335'</p> <p>1575'</p> <p>SECTION 27</p> <p>JICARILLA APACHE RESERVATION</p> <p>Tierra Amarilla Grant S 0°08' W 4385.70' (R)</p> <p>5323.64' (R)</p> <p>5170.44' (R)</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>S. M. Libby</i> 03-04-2011 Signature Date S. M. LIBBY Printed Name</p> <p>E-mail Address</p>
<p>NOTES:</p> <p>1. BEARINGS &amp; DISTANCES SHOWN ARE RECORD, BASED UPON "TRUE NORTH" AND SURFACE DISTANCES.</p> <p>2. THIS PLAT REPRESENTS SECTION LINES PROJECTED INTO THE TIERRA AMARILLA GRANT FOR MAPPING PURPOSES.</p> <p>N 0°15' W</p> <p>N 88°56' W</p> <p>2653.2' (R)</p> <p>721.07'</p> <p>WEST</p> <p>1918.02'</p>	



LEASE: THIS GREENHORN TEST  
 1796' FNL, 1469' FEL (SURFACE)  
 FOOTAGES: 1796' FNL, 1069' FEL (BOTTOM HOLE)  
 SEC. 27 TWN. 30 N RNG. 1 E N.M.P.M.  
 LAT: N 36.7857743° LONG: W 106.8105583° (NAD 83)  
 ELEVATION: 7668

BLUE DOLPHIN PRODUCTION, LLC

SURVEYED: 06/08/11	REV. DATE: 6/23/11	APP. BY J.A.V.
DRAWN BY: H.S.	DATE DRAWN: 6/13/11	FILE NAME: 8933T08



P.O. BOX 3651  
 FARMINGTON, NM 87499  
 OFFICE: (505)334-0408

EXHIBIT B

DISTRICT I  
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, N.M. 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, N.M. 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised July 16, 2010

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, N.M. 87505

Submit one copy to appropriate  
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code		<sup>3</sup> Pool Name	
<sup>4</sup> Property Code		<sup>5</sup> Property Name <b>THEIS GREENHORN TEST</b>			<sup>6</sup> Well Number
<sup>7</sup> GRID No.		<sup>8</sup> Operator Name <b>BLUE DOLPHIN PRODUCTION, LLC</b>			<sup>9</sup> Elevation <b>7668</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	27	30 N	I E		1796	NORTH	1469	EAST	RIO ARRIBA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	27	30 N	I E		1796	NORTH	1069	EAST	RIO ARRIBA

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
-------------------------------	-------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION.

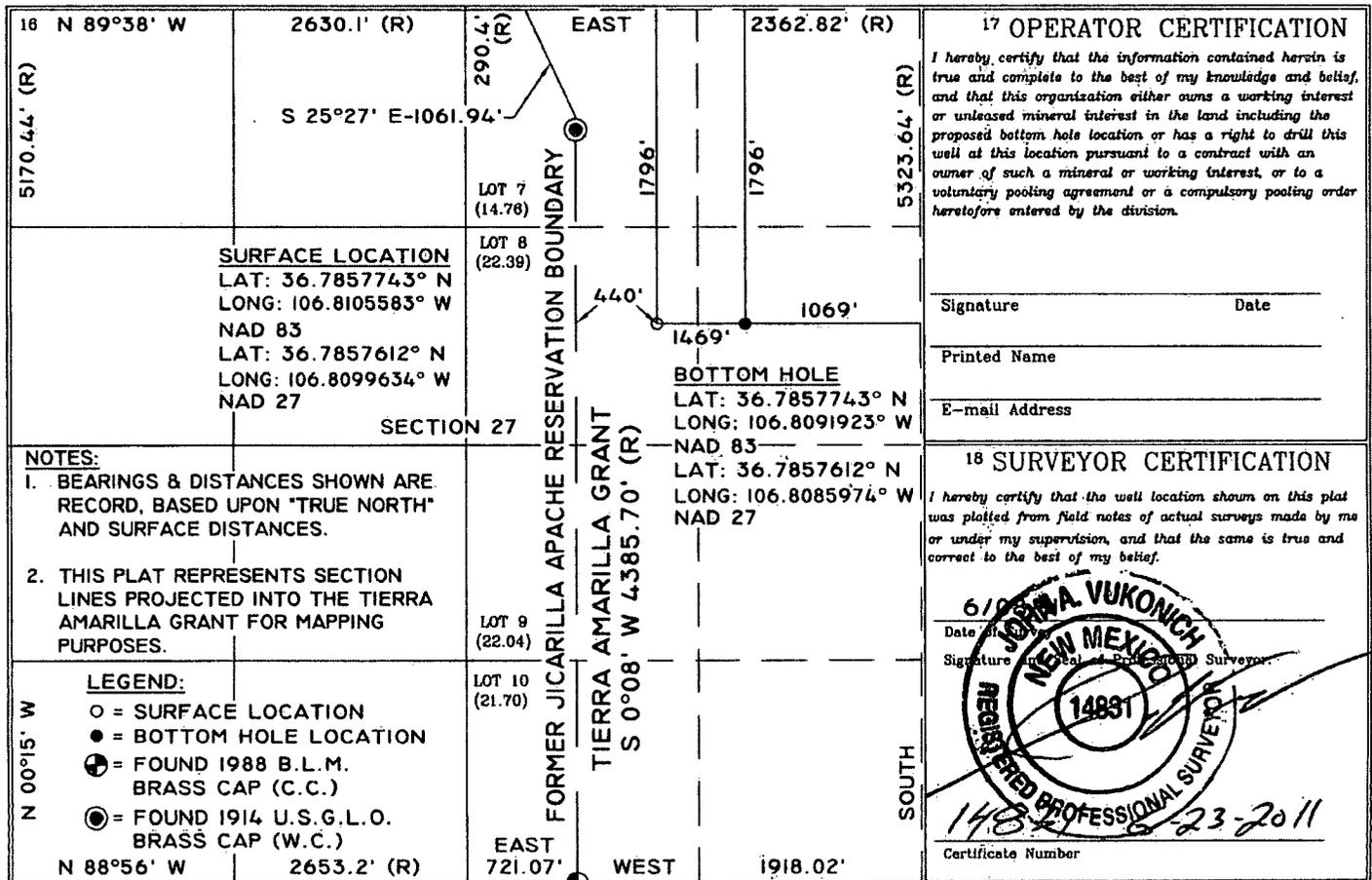


EXHIBIT C



## **EXHIBIT A**

### **Sent by Certified Mail To:**

Dixon Sandoval, Jicarilla Apache Nation Oil and Gas Director  
George Thetrault, P.E., Bureau of Indian Affairs  
Jim Lovato, BLM, Farmington

### **Sent Via E-Mail To:**

Shenan Atcitty, Esq., Counsel for Jicarilla Apache Nation  
Steve Gunn, Esq., Counsel for Jicarilla Apache Nation  
Dick Dolecek, Blue Dolphin Production, LLC

### **Hand Delivered To:**

Jami Bailey, NMOCD  
David Brooks, NMOCD

302180