



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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



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IN REPLY REFER TO:
Case No. 13770

SEP 14 2006

September 11, 2006

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

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Dear Mr. Fesmire:

Reference is made to Case No. 13770, whereby Benson-Montin-Greer Drilling Corporation (BMG) is seeking approval for a pilot infill Fruitland Coal project in the NE 1/4 of section 34, T.25N., R.2W., Rio Arriba County New Mexico. The purpose of the pilot is to determine the commercial feasibility and optimal well spacing for Fruitland Coal Formation gas wells in Township 25 North, Range 2 West. In assessing the economic feasibility of Fruitland Coal development, BMG will drill and develop five (5) wells in section 34, T.25N., R.2W., where current well spacing allows up to four (4) wells per section.

We recently reviewed the technical merits of this case with representatives of BMG and find that this pilot should help our respective agencies assess Fruitland Coal development opportunities in the Southeast part of the San Juan Basin and to determine optimal well spacing and maximum economic recovery of this resource. Pursuant to the Memorandum of Understanding between the BLM and the OCD, we support BMG's pilot project contingent upon the following:

- 1) That the pilot duration should be allowed no more than two (2) years to determine commercial feasibility and optimal well spacing. If conditions warrant, an extension can be granted with the approval of the BLM and OCD.
- 2) BMG should present a report on the results of the pilot to both the BLM and OCD within 60 days of completion of the pilot investigation.

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

Jim Lovato

Senior Technical Advisor,
Petroleum Engineer

CC: BMG