



United States Department of the Interior

Bureau of Land Management

New Mexico State Office

1474 Rodeo Road

P.O. Box 27115

Santa Fe, New Mexico 87502-0115

www.nm.blm.gov

IN REPLY REFER TO:
3100 (NM93000)

June 19, 2002

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

Dear Mr. Velarde:

We recently received a request from the New Mexico Oil Conservation Division (OCD) to extend Order # R-10987-B(2) to Indian lands. This Order involved amendment of the special rules for the Basin-Dakota Pool; it was adopted on January 22, 2002, after a hearing conducted on October 18, 2001.

The Order stated specifically that it would not apply to Indian Lands (Attachment 1). The OCD recognizes that it does not have the authority to amend spacing rules on Indian lands. The BLM and OCD have entered into a Memorandum of Understanding that developed procedures for establishing or revising spacing on Indian lands. Thus, the OCD is requesting that BLM extend the Order to Indian lands.

Order #R-10987-B(2) changed well spacing and approved increased-density drilling of wells to the Basin-Dakota Gas Pool, in San Juan, Rio Arriba, McKinley and Sandoval Counties. Density increased from 2 wells per 320-acre gas proration unit, to 4 wells per 320-acre gas proration unit. In addition, the Order amended well location requirements. At the Hearing, the BLM concurred with the proposal.

We believe that the Order has two main benefits for your Tribe. First, it eliminates the differing setback requirements between non-unitized lands and unitized lands. The Federal exploratory units in this part of the San Juan Basin have a set back requirement of only 10 feet from the exterior boundary of certain spacing units, whereas the standard set back for non-unitized lands is 660 feet. This Order will result in placement of wells in a more optimum location based upon the gas reservoir, not due to an inflexible administrative order.

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The second benefit is the potential for increased density development, which could result in recovery of additional gas reserves. Both Burlington Resources and Conoco, Inc. conducted pilot in-fill drilling projects. The companies determined that there are economically-recoverable reserves that, without the increased density development, would otherwise remain in the ground. Increased density development will result in additional wells, access roads, and need for facilities. At the same time, it will likely increase your royalty income, and extend the production life of the gas field.

We request that you review the proposal, and provide your comments to the address above, within 30 days, to Jay Spielman, Geologist in the New Mexico State Office in Santa Fe. If you would like to discuss this issue, please contact Jay, at (505) 438-7503, or Jim Lovato, Petroleum Engineer in the Farmington Field Office, at (505) 599-6367.

Sincerely,



Carsten F. Goff
Deputy State Director
Division of Resource Planning,
Use, and Protection

1 Enclosure

1 - May 2, 2002, Letter from NMOCD to BLM (3 pp)

cc:

FFO

Mr. David K. Brooks

NMOCD

1220 South St. Francis Drive

Santa Fe, NM 87505