

NORDHAUS, HALTOM, TAYLOR, TARADASH & FRYE

B. REID HALTOM
LESTER K. TAYLOR
ALAN R. TARADASH
PAUL E. FRYE
WAYNE H. BLADH

JONATHAN L. JANTZEN
MARCIA L. GREEN
HOLLIS ANN WEISZ
LEE BERGEN
TERESA ISABEL LEGER

ATTORNEYS AT LAW
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

30 APR 21 AM 9 17

Reply to Santa Fe Office

March 19, 1990

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
State of New Mexico
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
Post Office Box 2088
Santa Fe, NM 87504

Re: Application For Two Unorthodox Coal Gas Well Locations
Carracas Unit "25-B" Well No. 3, 920' FNL - 1850' FWL,
Section 25-T32N-R4W; and

Carracas Unit "12-B" Well No. 16, 470' FSL - 1190'
FEL, Section 12-T32N-R4W, Both in the Basin-Fruitland
Coal Gas Pool, Rio Arriba County, New Mexico

Dear Mr. Stogner:

This firm represents the Jicarilla Apache Tribe in connection with the Application for Well Locations identified above.

By letter dated March 5, 1990, Thurman Velarde, the Oil & Gas Administrator of the Tribe, informed you that the Tribe opposes these applications by Nassau Resources Inc. for the reasons stated in that letter. The Administrator also requested that you inform the Tribe of any future actions or proposed actions by OCD in connection with the Nassau Application.

Your letter dated March 9, 1990, to Nassau Resources indicates that a hearing is to be held on this matter on April 4, 1990. This letter is to inform you that the Jicarilla Apache Tribe has not, and will not, submit itself to the jurisdiction of the Oil Conservation Division for purposes of determining any rights of the Tribe related to the Nassau Application for Well Locations. As a sovereign Indian tribal government, the Jicarilla Apache Tribe is not subject to the jurisdiction of any New Mexico state agency for the purpose of determining whether Nassau Resources may infringe on the Tribe's mineral resources located within the Reservation. Mr. Velarde's letter to you was intended simply to inform the State that the Tribe has not consented to Nassau Resources' applications in their present form. The Tribe did not submit itself to the jurisdiction of the Oil

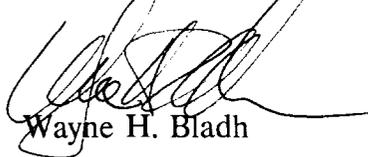
Mr. Michael E. Stogner
March 19, 1990
Page 2

Conservation Division in this matter. Furthermore, the Tribe will not participate in the hearing you have scheduled for April 4, 1990.

If you have any questions concerning the Tribe's position in this matter, feel free to contact me at the Santa Fe office of this firm.

Sincerely,

NORDHAUS, HALTOM, TAYLOR,
TARADASH & FRYE



Wayne H. Bladh

WHB/s

cc: Mr. Thurman Velarde
Ms. Sherryl Vigil, Jicarilla Agency Superintendent
Ms. Fran Perrin, Jerome P. McHugh & Associates
Oil & Gas Supervisor, BLM, Farmington
Carey Vicenti, Esq.



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

GARREY CARRUTHERS
GOVERNOR

March 9, 1990

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

Nassau Resources, Inc.
c/o Jerome P. McHugh & Associates
P.O. Box 809
Farmington, NM 87499-0809

Attention: Fran Perrin

RE: *Application for two unorthodox coal gas well locations,
Carracas Unit "25-B" Well No. 3, 920' FNL - 1850' FWL, C-
25-T32N-R4W; and*

*Carracas Unit "12-B" Well No. 16, 470' FSL - 1190'
FEL, P-12-T32N-R4W, Both in the Basin-Fruitland
Coal Gas Pool, Rio Arriba County, New Mexico.*

Dear Ms. Perrin:

Both of the subject filings were received on February 16, 1990, and on March 8, 1990 objections to both filings were received from the Oil and Gas Administration of the Jicarilla Apache Tribe. These objections were filed in a timely manner under Rules 6(d) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8170, and as such shall be placed on the next available docket for an examiner hearing scheduled for April 4, 1990.

Please provide adequate notice to all concerned pursuant to General Rule 1207(a)2 prior to the hearing.

Should you have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
US Forest Service - Blanco
Oil & Gas Administration, Jicarilla Apache Tribe - Dulce
Robert G. Stovall - Santa Fe



OIL & GAS ADMINISTRATION
RECEIVED
JICARILLA APACHE TRIBE
P.O. Box 507
Dulce, New Mexico 87528
(505) 759-3485 / 759-3242

'90 MAR 8 AM 8:13

March 5, 1990

New Mexico Oil Conservation Division
Attention: Mike Stogner
P. O. Box 2088
Santa Fe, NM 87504

**Re: Application for Unorthodox Location
Nassau Resources, Inc., Carracas Unit 25 B #3
920' FNL-1850' FWL
Section 25, Township 32 N, Range 4 West, NMPM
Rio Arriba County, New Mexico**

**Application For Unorthodox Location and
Non-Standard Proration Unit
Nassau Resources, Inc.
Carracas Unit 12 B, #16
470' FSL-1190' FEL
Section 12, Township 32 N, Range 4 West, NWPM
Rio Arriba County, New Mexico**

Dear Sirs:

The Jicarilla Apache Tribe has been notified of the two applications by Nassau Resources, Inc., for Unorthodox Well Locations, identified above. The Tribe is the beneficial owner of a portion of the mineral estate that would be affected by location of these wells as proposed.

The Tribe objects to these applications in their current form. The materials we have received do not indicate whether the applicant has conducted appropriate studies to determine the impact of its proposed activities on ground water resources in the area. We have also not seen any details for proposed disposal of water to be removed in connection with the proposed activities. Finally, the materials we have received do not propose payment of a compensating royalty to the Tribe. Until these matters have been adequately addressed, the Tribe must oppose these applications.

New Mexico Oil Conservation Division
Attention: Mike Stogner
March 5, 1990
Page 2

Please keep this office informed of all future actions or proposed actions by OCD
in connection with these applications.

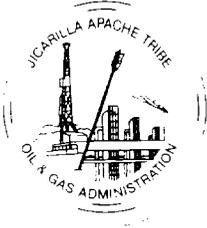
Sincerely,



Thurman Velarde
Oil and Gas Administrator

cc: Sherryl Vigil, Jicarilla Agency Superintendent
Fran Perrin, Jerome P. McHugh & Associates
Oil & Gas Supervisor, BLM, Farmington

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OIL & GAS ADMINISTRATION

JICARILLA APACHE TRIBE

P.O. Box 507

Dulce, New Mexico 87528

(505) 759-3485 / 759-3242

190 MAR 8 AM 8:45

March 5, 1990

9905

New Mexico Oil Conservation Division
Attention: Mike Stogner
P. O. Box 2088
Santa Fe, NM 87504

**Re: Application for Unorthodox Location
Nassau Resources, Inc., Carracas Unit 25 B #3
920' FNL-1850' FWL
Section 25, Township 32 N, Range 4 West, NMPM
Rio Arriba County, New Mexico**

**Application For Unorthodox Location and
Non-Standard Proration Unit
Nassau Resources, Inc.
Carracas Unit 12 B, #16
470' FSL-1190' FEL
Section 12, Township 32 N, Range 4 West, NWPM
Rio Arriba County, New Mexico**

Dear Sirs:

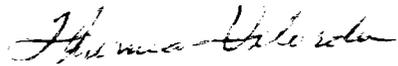
The Jicarilla Apache Tribe has been notified of the two applications by Nassau Resources, Inc., for Unorthodox Well Locations, identified above. The Tribe is the beneficial owner of a portion of the mineral estate that would be affected by location of these wells as proposed.

The Tribe objects to these applications in their current form. The materials we have received do not indicate whether the applicant has conducted appropriate studies to determine the impact of its proposed activities on ground water resources in the area. We have also not seen any details for proposed disposal of water to be removed in connection with the proposed activities. Finally, the materials we have received do not propose payment of a compensating royalty to the Tribe. Until these matters have been adequately addressed, the Tribe must oppose these applications.

New Mexico Oil Conservation Division
Attention: Mike Stogner
March 5, 1990
Page 2

Please keep this office informed of all future actions or proposed actions by OCD in connection with these applications.

Sincerely,



Thurman Velarde
Oil and Gas Administrator

cc: Sherryl Vigil, Jicarilla Agency Superintendent
Fran Perrin, Jerome P. McHugh & Associates
Oil & Gas Supervisor, BLM, Farmington

\jat\letters\conserv.o&g

February 14, 1990

New Mexico Oil Conservation Division
ATTN: Mike Stogner
P O Box 2088
Santa Fe, New Mexico 87504

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit 25 B #3
920' FNL - 1850' FWL
Sec. 25, T32N, R4W, NMPM
Rio Arriba County, N. M.

Gentlemen:

Nassau Resources, Inc. hereby requests administrative approval of an unorthodox location for the captioned well based upon topographic conditions and Carson National Forest requirements.

As indicated by the attached topographic map, the terrain in this section is extremely rough and no other drill sites are feasible which meet Forest Service approval. Rugged terrain and heavy cultural resources in this area have limited placement.

This well is in Nassau's Carracas Unit. Amoco Production Co. is a party to the unit and has been notified of this application by certified mail. Sections 19 and 30 of T32N, R3W, are unleased Jicarilla Indian minerals and the Jicarilla Agency of the Bureau of Indian Affairs has been notified of this application. Kindermac Partners is an operating affiliate with Nassau.

Also attached are the C-102 plat, lease plat, production map, and a copy of a letter from Philip Settles of the Jicarilla Ranger District of Carson National Forest.

Please contact us if anything further is required to complete this application.

Respectfully submitted,

Fran Perrin

Fran Perrin
Admin. Asst.
Attachments

FP/cm
Main Office
Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222
(303) 321-2111

FEB 16 1990
XC: Ernie Busch, NMOCD, NM
Jerome P. McHugh & Kindermac Partners
Amoco Production Co.
BIA, Jicarilla Agency

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

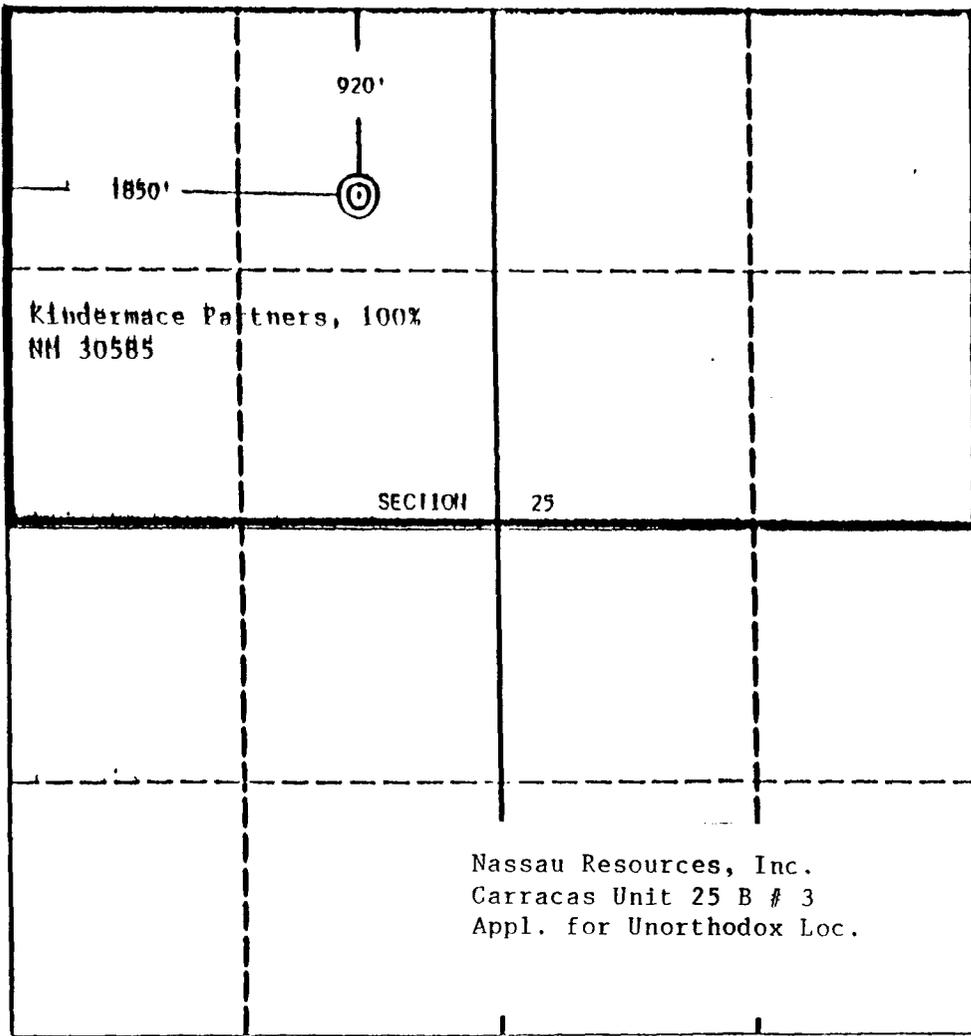
DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Nassau Resources, Inc.			Lease Carracas Unit 25 B		Well No. 3
Unit Letter C	Section 25	Township 32 North	Range 4 West	County NMPM	Rio Arriba
Actual Footage Location of Well: 920 feet from the North line and 1850 feet from the West line					
Ground level Elev. 6855	Producing Formation Fruitland Coal		Pool Basin Fruitland Coal		Dedicated Acreage: 320.0 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force pooling, etc?
 Yes No If answer is "yes" type of consolidation Unitization - Carracas Unit
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced pooling, or otherwise) or until a non standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

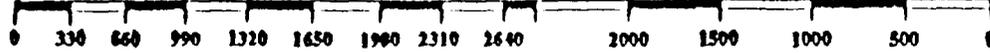
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *[Handwritten Signature]*
 Printed Name: James S. Hazen
 Position: Field Supt.
 Company: Nassau Resources, Inc.
 Date: 7/18/89

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

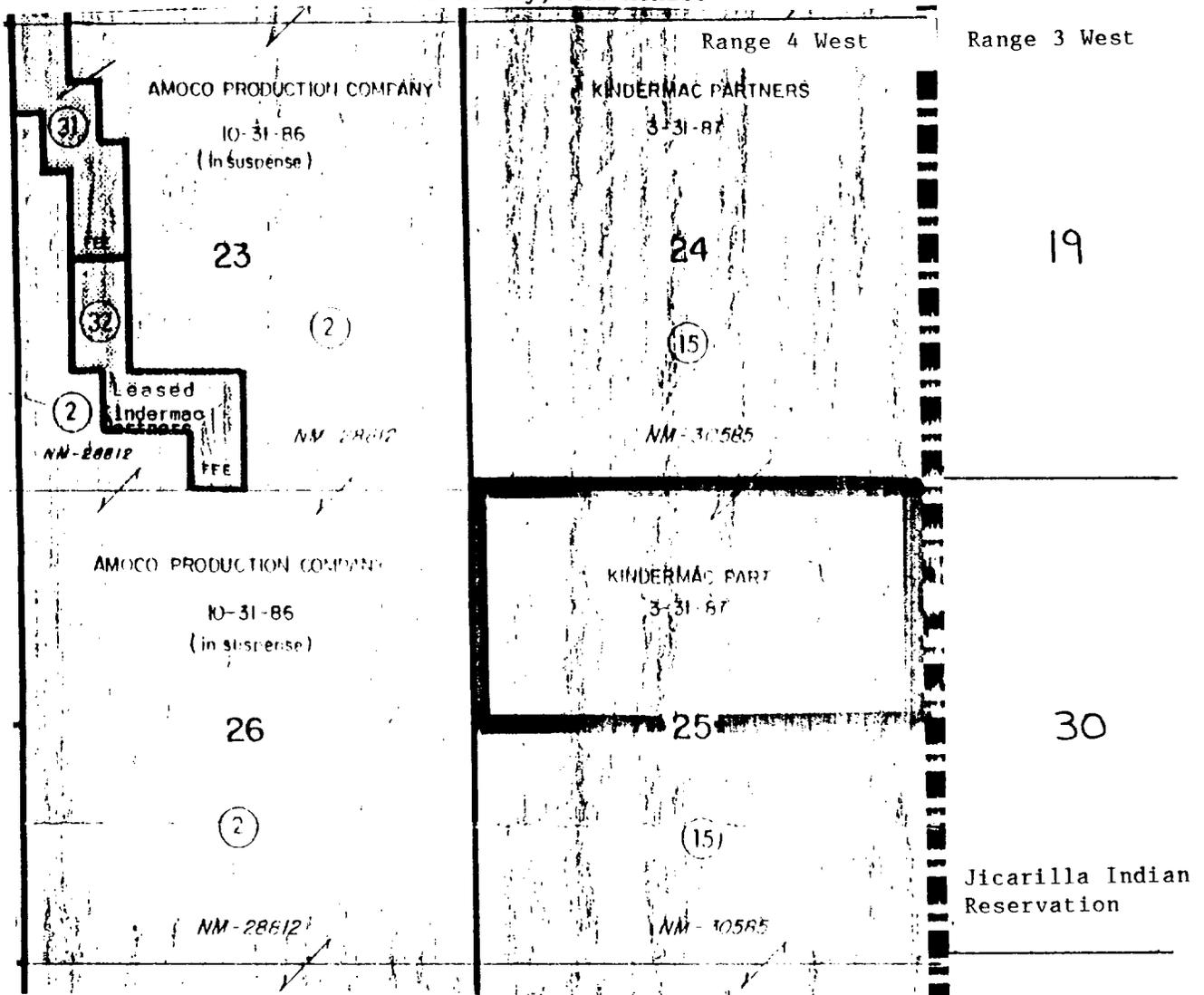
Date Surveyed: April 10, 1989
 Signature & Seal of Professional Surveyor: *[Handwritten Signature]*
 Seal: EDGAR RISENICK, NEW MEXICO, 5979
 Certificate No.: 5979
 Name: Edgar Risenick



LEASE PLAT

Township 32 North

Rio Arriba County, New Mexico

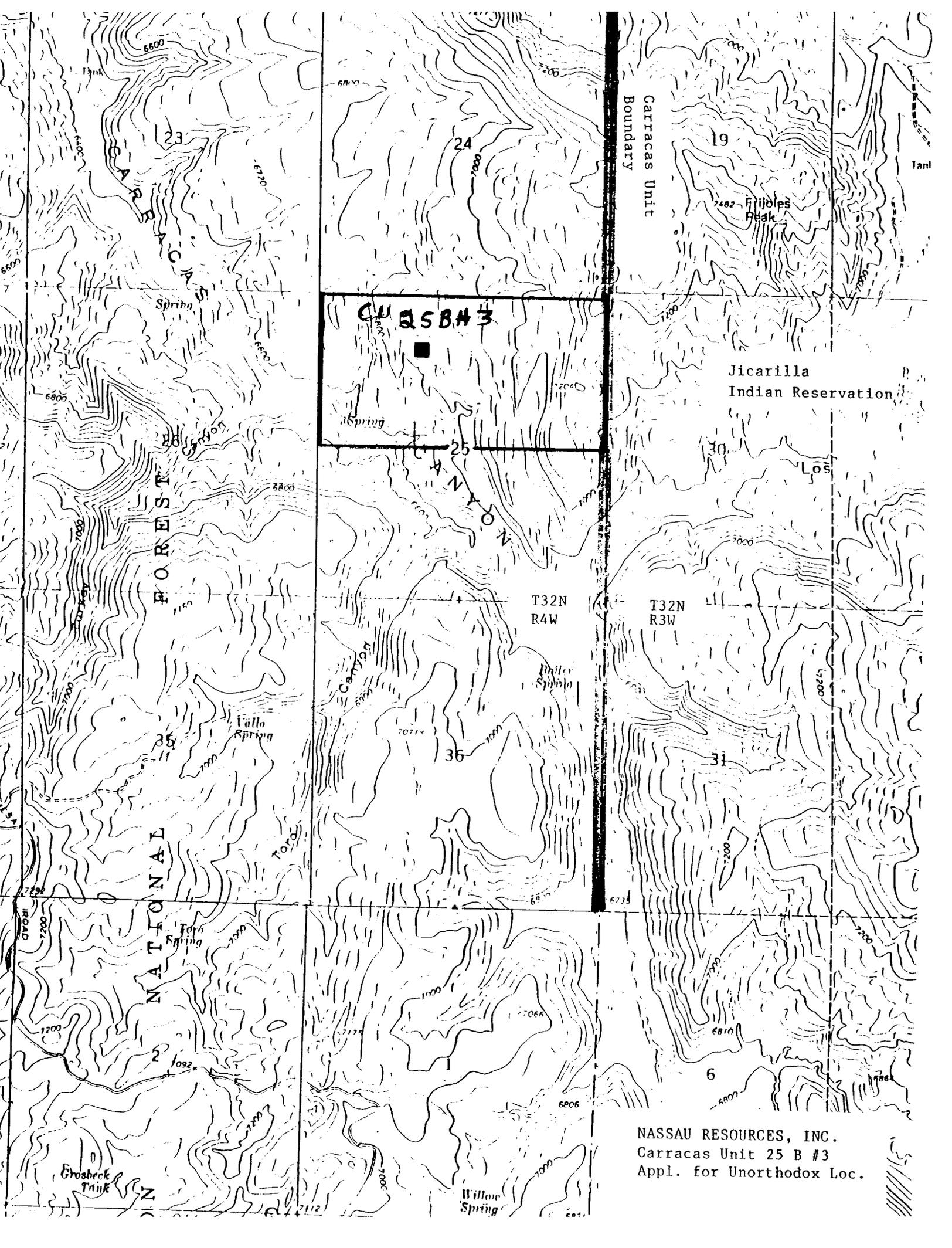


Party to the Unit: Amoco Production Co.

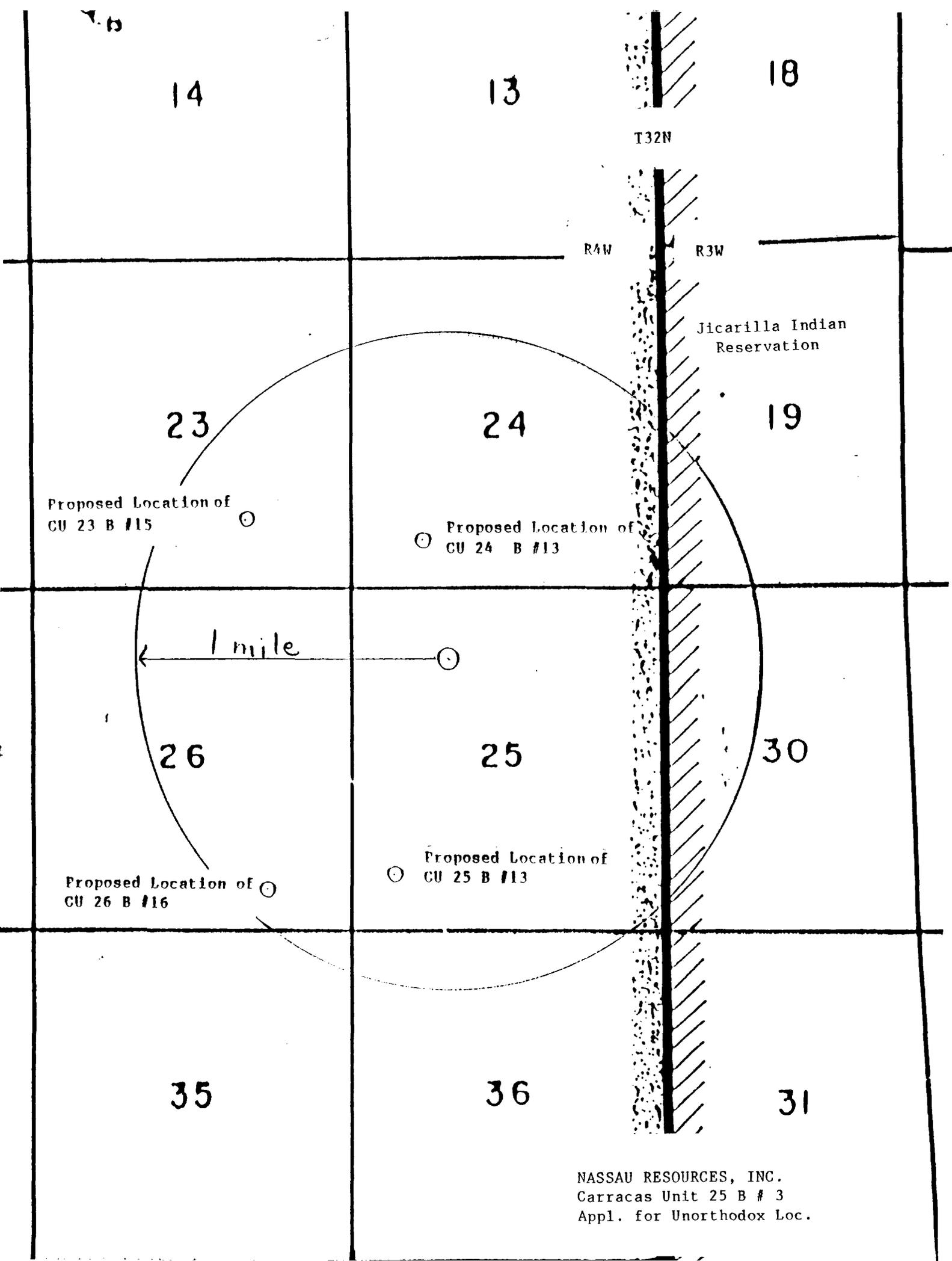
Operating Affiliate: Kindermac Partners

Unleased Jicarilla Indian Minerals:
Sec. 19 & 30, T32N, R3W

NASSAU RESOURCES, INC.
Carracas Unit 25 B #3
Appl. for Unorthodox Loc.



NASSAU RESOURCES, INC.
Carracas Unit 25 B #3
Appl. for Unorthodox Loc.



14

13

18

T32N

R4W

R3W

Jicarilla Indian
Reservation

23

24

19

Proposed Location of
CU 23 B #15

Proposed Location of
CU 24 B #13

1 mile

26

25

30

Proposed Location of
CU 26 B #16

Proposed Location of
CU 25 B #13

35

36

31

NASSAU RESOURCES, INC.
Carracas Unit 25 B # 3
Appl. for Unorthodox Loc.



United States
Department of
Agriculture

Forest
Service

Jicarilla
Ranger District

Gobernador Route
Blanco, NM 87412

Reply to 2820

Date August 3, 1988

Mr. James Hazen
Nassau Resources, Inc.
P.O. Box 809
Farmington, New Mexico 87499

Dear James:

It was brought to my attention by Mike Atchison that you will be needing to apply for some unorthodox locations for some of the wells in the Carracas Unit. The current location in need of unorthodox approval is the well location just northwest of the Carracas Administrative site, Section 18, T. 32 N., R. 4 W. The need for moving the location to the new site is based upon wildlife habitat protection and in keeping within the guidelines set forth in the Carson Forest Plan. The Plan, as you know, has a major emphasis in wildlife and wildlife habitat. Also key to this request for moving the location is the current Off-Road-Vehicle restriction policy in place over the entire Carracas Unit. This restriction is in place to limit off-road-vehicle travel within a key wildlife management area so that security area will not be lost by unnecessary road construction.

Whenever possible, locations will be required to be placed along open access roads. Further unorthodox locations can be expected within the Carracas Unit to keep in line with the management direction set forth for this area.

Because of this management direction and the probability of future relocations, I would hope the approval of these unorthodox locations can become routine. If not, please don't hesitate to contact me for further help or if needed to appear in person before the approving officer. If you have any questions, please give me a call.

Sincerely,

Philip R. Settles

PHILIP R. SETTLES
District Forest Ranger

Jerome P. McHugh
Farmington, N.M.

CARING FOR THE LAND AND SERVING PEOPLE



AUG 9 1988

RECEIVED

NASSAU RESOURCES, INC.
Carracas Unit 25 B #3
Appl. for Unorthodox Loc.

February 14, 1990

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Amoco Production Co.
Attn: J W Hawkins - Land Department, Proration Group
P O Box 800
Denver, CO 80201

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit 25 B #3
920' FNL - 1850' FWL
Sec. 25, T32N, R4W, NMPM
Rio Arriba County, N. M.

Dear Mr. Hawkins:

Enclosed is a copy of the subject Application for Unorthodox Location.

Amoco Production Co. is a party to the Nassau Resources, Inc., Carracas Unit; if Amoco has no objection to this application, we request that you notify the Oil Conservation Division as soon as possible. Please send a waiver to the attention of Michael Stogner, New Mexico Oil Conservation Division, P O Box 2088, Santa Fe, N. M. 87504.

Please feel free to call if you have any questions.

Thank you,

Fran Perrin

Fran Perrin

FP/cm

Enclosure

xc: NMOCD, Santa Fe, N. M.

February 14, 1990

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Bureau of Indian Affairs
Attn: Sherryl Vigil,
Supt. of BIA, Jicarilla Agency
P O Box 167
Dulce, NM 87528

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit 25 B #3
920' FNL - 1850' FWL
Sec. 25, T32N, R4W, NMPM
Rio Arriba County, N. M.

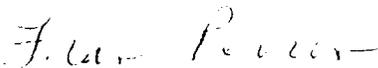
Dear Ms. Vigil:

Enclosed is a copy of the subject Application for Unorthodox Location.

Section 19 and 30 are unleased Jicarilla Indian minerals. If, as owner of offsetting minerals, you have no objection to this application, we request that you notify the Oil Conservation Division as soon as possible. Please send a waiver to the attention of Michael Stogner, New Mexico Oil Conservation Division, P O Box 2088, Santa Fe, N. M. 87504.

Please feel free to call if you have any questions.

Thank you,



Fran Perrin

FP/cm

Enclosure

xc: NMOCD, Santa Fe, N. M.



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

GARREY CARRUTHERS
GOVERNOR

March 30, 1990

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

Mr. Kent Craig
McHugh and Associates
650 So. Cherry, Suite 125
Denver, CO 80222

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

Wayne H. Bladh
Nordhaus, Haltom, Taylor, Taradash & Frye
200 W. De Vargas, Suite 9
Santa Fe, NM 87501

re: Applications for unorthodox locations
Carracas Unit 25 B#3
Carracas Unit 12 B#6

Gentlemen:

On February 16, 1990, the Oil Conservation Division received Nassau Resources' applications for administrative approval of unorthodox locations for the above wells. The requests were based upon topographic conditions and Carson National Forest requirements.

On March 8, 1990, the OCD received what we interpreted to be an objection to the applications from Thurman Velarde of the Oil & Gas Administration of the Jicarilla Apache Tribe. The Tribe is the only offset mineral owner affected by the applications. In accordance with the Division's rules and practice, the applications were docketed for hearing set for April 4, 1990.

On March 21, 1990, we received correspondence from the law firm of Nordhaus, Haltom, Taylor, Taradash & Frye as legal representatives of the Jicarilla Tribe. In that letter, the Tribe states that they are a sovereign Indian tribal government not subject to the jurisdiction of the OCD for the purpose of "determining whether Nassau Resources may infringe on the Tribe's mineral resources located within the Reservation". The letter further states that the Tribe will not submit itself to the jurisdiction of the OCD and will not appear at the hearing.

¹Nassau Resources is the operating affiliate of McHugh and Associates and references in this letter to McHugh and Nassau are used interchangeably

Kent Craig, Thurman Velarde, Wayne H. Bladh
March 30, 1990
page 2

It is the opinion of the Division that the position taken by the Jicarilla Tribe places Nassau in the position of having to prepare for a hearing on an application which could be processed administratively but for the fact that it was objected to by a party who subsequently refused on jurisdictional grounds to participate in the hearing docketed to take evidence on those objections.

I believe there is a breakdown in the communications and a misunderstanding of certain legal issues, including the jurisdictional issue. Hopefully a summary analysis of the situation will help everyone to understand the OCD opinion of what is appropriate procedure for this case.

Mr. Velarde's letter objects to the applications of Nassau because: 1) the application did not discuss whether any studies of the impact of the activities on groundwater had been conducted; 2) there were no details on the disposal of produced water; and 3) There was no proposal of payment of compensating royalty to the tribe.

None of the objections stated by Mr. Velarde are proper bases for objections to unorthodox location. The spacing requirements under the OCD rules are established for the more limited purpose of preventing waste and protecting correlative rights, and the exception to the rules sought in these applications is based upon conditions on the surface which preclude drilling at an orthodox location. It was not necessary for these applications to address the water issues, nor would those issues be relevant in the hearing because the water issues are covered by our Rules and Regulations² and the permitting process.

The groundwater and produced water questions are valid concerns raised by the drilling and production itself, not because the location is unorthodox. It is clear that Nassau has worked very closely with the Forest Service to plan development of the Carracas Unit. OCD personnel have had several discussions with Phil Settles, District Ranger in the Jicarilla District of the Carson National Forest, the Surface Management Agency at the proposed location, and with the operator's staff. Nassau has also presented case before the Division on prior applications for unorthodox locations in the Carracas unit, in which cases the Forest Service provided testimony.³ An environmental analysis has been done which includes an analysis of the various alternatives for disposing of the

²The OCD is charged with the responsibility to protect fresh water supplies and as a result there are rules in place which impose requirements on operators to protect fresh ground water supplies. The OCD also restricts the disposition of produced water either on the surface or underground without permission of the Division.

³The Carracas Unit is a Federal Exploratory unit encompassing approximately 30,000 acres under the management of a single operator. That centralization of operational control enables the operator to plan the development of the entire unit to effect maximum recovery of the resource with the minimum environmental impact.

Kent Craig, Thurman Velarde, Wayne H. Bladh
March 30, 1990
page 3

produced water. Mr. Settles informed me personally that the water issues raised by Mr. Velarde are also of concern to the Forest Service and that they have been adequately addressed. Kent Craig of McHugh and Associates told me that he has met with officials of the Jicarilla Tribe to discuss many of these concerns. I hope that if the Tribe still has concerns on the water questions that Mr. Velarde will contact McHugh and the Forest Service directly to review them.

Regarding the issue of compensating royalty, the OCD does not have jurisdiction to award or enforce any type of royalty payments, which is a contract issue between lessor and lessee. The Division does have the responsibility to protect correlative rights, which is the mineral owner's opportunity to produce his share of the oil and gas underlying the property. The OCD carries out this responsibility by establishing well spacing and location requirements, and in some cases by regulating producing rates, either by special pool rules or general rules. It is the responsibility of the owner of the working interest, be that a mineral owner or lessee, to avail itself of the opportunity to produce by drilling a well to recover its share of oil and gas underlying its acreage.

Because compensating royalty is a contractual issue, the terms of the lease can require the lessee to drill a well to protect the lands from drainage or pay a compensating royalty in lieu thereof to the lessor. I know of no situation where a mineral owner is able to demand compensatory payment of any kind from the operator of an offsetting tract. The Division has no authority to enforce a compensating royalty requirement in a lease, much less create such an obligation where it does not otherwise exist.

Mr. Bladh's letter states that the Tribe will not submit to the jurisdiction of the OCD or appear at the hearing. It is the opinion of the Division that this case does not raise any jurisdictional issues. The proposed well is not within the jurisdictional boundary of the Jicarilla Tribe. It is located outside the Reservation on a Federal lease, and the surface is managed by the Forest Service. The operation of the well is clearly within the jurisdiction of the OCD.

The OCD does not question the sovereignty of the Tribe, nor does it presume to impose its authority on the Tribe. In this case, as far as the OCD is concerned, the Tribe is the owner of the working interest in the minerals in an offsetting tract and is entitled to the same notice and right to be heard as any other mineral owner, be that the Federal government, the Commissioner of Public Lands or a private entity. The OCD forum is the only forum for hearing on this application.

Absent the objection of the Jicarilla Tribe, McHugh's application would be properly processed administratively. If the Tribe is unwilling to appear at the hearing, it is the Division's opinion that Nassau should not have to bear the expense of bringing witnesses to Santa Fe for a hearing and that this application can be returned to the administrative process.

Kent Craig, Thurman Velarde, Wayne H. Bladh
March 30, 1990
page 4

Because the matter has been placed on the Docket for April 4, 1990, examiner hearing, it will be necessary to call the case on that docket. Nassau will have two options at that time. It may appear and present evidence in support of its application, and other parties with standing may also appear. In the alternative, Nassau may enter its appearance through counsel. If no other parties appear, counsel may request that the case be dismissed and the application be processed administratively. If any other parties appear in opposition to the application, the case will then be continued to the following docket for evidentiary hearing.

If any recipients of this letter have any questions about the matters raised herein, please feel free to contact me.

Sincerely,

Robert G. Stovall
General Counsel

cc: Fran Perrin, Jerome P. McHugh - Farmington
Bureau of Indian Affairs, Jicarilla Indian Agency
Phil Settles, Carson National Forest, Jicarilla District
Oil & Gas Supervisor, Bureau of Land Management - Farmington
Oil Conservation Division, Aztec Office
Michael E. Stogner, OCD, Santa Fe
Tom Kellahin, Kellahin, Kellahin & Aubrey, Santa Fe
at the request of Jerome P. McHugh

B. REID HALTOM
LESTER K. TAYLOR
ALAN R. TARADASH
PAUL E. FRYE
WAYNE H. BLACH

JONATHAN L. JANTZEN
MARCIA L. GREEN
HOLLIS ANN WEISZ
LEE BERGEN
TERESA ISABEL LEGER

NORDHAUS, HALTOM, TAYLOR, TARADASH & FRYE

ATTORNEYS AT LAW
SUITE 1050
500 MARQUETTE AVENUE N.W.
ALBUQUERQUE, NEW MEXICO 87102
TELEPHONE (505) 243-4275
TELEFAX (505) 243-4464

APR 10 1990
90 MAR 30
APR 6 85
SANTA FE OFFICE
SUITE 9
200 W. DE VARGAS STREET
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 982-3622
TELEFAX (505) 982-1827

Reply to Santa Fe Office

March 28, 1990

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
State of New Mexico
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

**Re: Application For Two Unorthodox Coal Gas Well Locations
Carracas Unit "25-B" Well No. 3, 920' FNL - 1850' FWL,
Section 25-T32N-R4W; and**

**Carracas Unit "12-B" Well No. 16, 470' FSL - 1190'
FEL, Section 12-T32N-R4W, Both in the Basin-Fruitland
Coal Gas Pool, Rio Arriba County, New Mexico**

Dear Mr. Stogner:

The Jicarilla Apache Tribe is informed that the Oil Conservation Division still intends to conduct a hearing on the above-identified applications on April 4, 1990. As we stated in my letter to you dated March 19, 1990, the Jicarilla Apache Tribe will not participate in that hearing and does not submit itself to the jurisdiction of the Oil Conservation Division for purposes of determining any rights of the Tribe related to the Nassau Applications for Well Location.

The Tribe has recently discussed these Applications with representatives of Nassau Resources. The Tribe has no desire to require Nassau Resources to go through any hearing before the Oil Conservation Division if any such hearing is to be held only to address the issues raised by the Jicarilla Apache Tribe concerning these Applications.

This letter is to inform you that the March 5, 1990, letter from the Tribe's Oil and Gas Administrator, Thurman Velarde, to the Oil Conservation Division was not intended to be an "objection" within the meaning of any OCD rule. The OCD should not treat that letter as an "objection" and should not conduct any hearing because of that letter. To the extent OCD rules require treating that letter as an "objection," you should treat this letter as a formal withdrawal of that "objection."

Mr. Michael E. Stogner

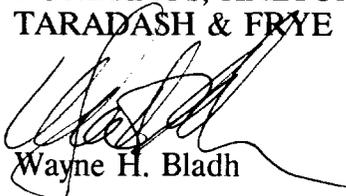
March 28, 1990

Page 2

So there is no misunderstanding on this point, the Tribe hereby re-states its position that it has not, and will not, submit itself to the jurisdiction of the Oil Conservation Division. Neither the March 5, 1990 letter from Mr. Velarde nor our March 19, 1990 letter, nor this letter, should be construed as submitting any interest or right of the Jicarilla Apache Tribe to adjudication by the Oil Conservation Division.

Sincerely,

NORDHAUS, HALTOM, TAYLOR,
TARADASH & FRYE



Wayne H. Bladh

WHB/s

cc: Mr. Thurman Velarde
Ms. Sherryl Vigil, Jicarilla Agency Superintendent
Ms. Fran Perrin, Jerome P. McHugh & Associates
Oil & Gas Supervisor, BLM, Farmington
Carey Vicenti, Esq.

RECEIVED DIVISION

NORDHAUS, HALTOM, TAYLOR, TARADASH & FRYE

B. REID HALTOM
LESTER K. TAYLOR
ALAN R. TARADASH
PAUL E. FRYE
WAYNE H. BLADH
JONATHAN L. JANTZEN
MARCIA L. GREEN
HOLLIS ANN WEISZ
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ATTORNEYS AT LAW
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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

90 APR 21 AM 9 17

Reply to Santa Fe Office

March 19, 1990

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
State of New Mexico
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
Post Office Box 2088
Santa Fe, NM 87504

Case (9905)

Re: Application For Two Unorthodox Coal Gas Well Locations
Carracas Unit "25-B" Well No. 3, 920' FNL - 1850' FWL,
Section 25-T32N-R4W; and

M.S.

Carracas Unit "12-B" Well No. 16, 470' FSL - 1190'
FEL, Section 12-T32N-R4W, Both in the Basin-Fruitland
Coal Gas Pool, Rio Arriba County, New Mexico

Dear Mr. Stogner:

This firm represents the Jicarilla Apache Tribe in connection with the Application for Well Locations identified above.

By letter dated March 5, 1990, Thurman Velarde, the Oil & Gas Administrator of the Tribe, informed you that the Tribe opposes these applications by Nassau Resources Inc. for the reasons stated in that letter. The Administrator also requested that you inform the Tribe of any future actions or proposed actions by OCD in connection with the Nassau Application.

Your letter dated March 9, 1990, to Nassau Resources indicates that a hearing is to be held on this matter on April 4, 1990. This letter is to inform you that the Jicarilla Apache Tribe has not, and will not, submit itself to the jurisdiction of the Oil Conservation Division for purposes of determining any rights of the Tribe related to the Nassau Application for Well Locations. As a sovereign Indian tribal government, the Jicarilla Apache Tribe is not subject to the jurisdiction of any New Mexico state agency for the purpose of determining whether Nassau Resources may infringe on the Tribe's mineral resources located within the Reservation. Mr. Velarde's letter to you was intended simply to inform the State that the Tribe has not consented to Nassau Resources' applications in their present form. The Tribe did not submit itself to the jurisdiction of the Oil

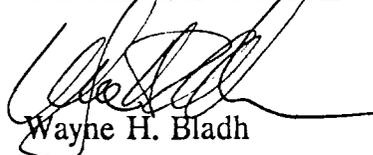
Mr. Michael E. Stogner
March 19, 1990
Page 2

Conservation Division in this matter. Furthermore, the Tribe will not participate in the hearing you have scheduled for April 4, 1990.

If you have any questions concerning the Tribe's position in this matter, feel free to contact me at the Santa Fe office of this firm.

Sincerely,

NORDHAUS, HALTOM, TAYLOR,
TARADASH & FRYE



Wayne H. Bladh

WHB/s

cc: Mr. Thurman Velarde
Ms. Sherryl Vigil, Jicarilla Agency Superintendent
Ms. Fran Perrin, Jerome P. McHugh & Associates
Oil & Gas Supervisor, BLM, Farmington
Carey Vicenti, Esq.

ms\jat\letters\stogner

MCHUGH

Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222
(303) 321-2111 FAX (303) 321-1563

30 MAR 23 11 25 AM '90

March 21, 1990

CERTIFIED - Return Receipt Requested

Amoco Production Company
P. O. Box 800
Denver, Colorado 80201
Attention: Michael Cuba

CNG Development
One Park Ridge Center
P. O. Box 15746
Pittsburgh, Pennsylvania 15244
Attention: Bill Waller

Bureau of Land Management
Farmington Resource Area
1235 La Plata Highway
Farmington, New Mexico 87401
Attention: Gail Keller

Jicarilla Apache Tribe
P. O. Box 507
Dulce, New Mexico 87528
Attention: Thurman Velarde

U. S. Forest Service
Carson National Forest
Jicarilla Ranger Station
Blanco, New Mexico 87412
Attention: Phil Settles

Re: Application for Unorthodox
Coal Gas Wells (2)
Non-Standard Proration Unit (1)
T32N-R4W
Rio Arriba County, New Mexico

Gentlemen:

Nassau Resources, operator of the Carracas Canyon Unit, proposes to drill two Fruitland Coal tests which are currently proposed at unorthodox locations as follows:

1. Carracas 25B-#3
920' FNL - 1850' FWL (NE/4NW/4)
Section 25-T32N-R4W

Unorthodox Wells, et al
March 21, 1990
Page Two

2. Carracas 12B-#16
470' FSL - 1190' FEL (SE/4SE/4)
Section 12-T32N-R4W

Also, the Carracas 12B-#16 listed above is located in Section 12-T32N-R4W which is a short section on the New Mexico-Colorado state line containing 266.55 acres. We, therefore, are required to seek approval for a non-standard proration unit.

Please be advised that these items are scheduled to appear on the April 4, 1990 docket of the New Mexico Oil Conservation Division.

Very truly yours,



Kent C. Craig

KCC/rc

cc: New Mexico Oil Conservation Division ✓
Attn: Robert Stovall



OIL & GAS ADMINISTRATION
RECEIVED
JICARILLA APACHE TRIBE
P.O. Box 507
Dulce, New Mexico 87528
(505) 759-3485 / 759-3242

'90 MAR 8 AM 8 10

March 5, 1990

9905

New Mexico Oil Conservation Division
Attention: Mike Stogner
P. O. Box 2088
Santa Fe, NM 87504

**Re: Application for Unorthodox Location
Nassau Resources, Inc., Carracas Unit 25 B #3
920' FNL-1850' FWL
Section 25, Township 32 N, Range 4 West, NMPM
Rio Arriba County, New Mexico**

**Application For Unorthodox Location and
Non-Standard Proration Unit
Nassau Resources, Inc.
Carracas Unit 12 B, #16
470' FSL-1190' FEL
Section 12, Township 32 N, Range 4 West, NWPM
Rio Arriba County, New Mexico**

Dear Sirs:

The Jicarilla Apache Tribe has been notified of the two applications by Nassau Resources, Inc., for Unorthodox Well Locations, identified above. The Tribe is the beneficial owner of a portion of the mineral estate that would be affected by location of these wells as proposed.

The Tribe objects to these applications in their current form. The materials we have received do not indicate whether the applicant has conducted appropriate studies to determine the impact of its proposed activities on ground water resources in the area. We have also not seen any details for proposed disposal of water to be removed in connection with the proposed activities. Finally, the materials we have received do not propose payment of a compensating royalty to the Tribe. Until these matters have been adequately addressed, the Tribe must oppose these applications.

New Mexico Oil Conservation Division
Attention: Mike Stogner
March 5, 1990
Page 2

Please keep this office informed of all future actions or proposed actions by OCD
in connection with these applications.

Sincerely,



Thurman Velarde
Oil and Gas Administrator

cc: Sherryl Vigil, Jicarilla Agency Superintendent
Fran Perrin, Jerome P. McHugh & Associates
Oil & Gas Supervisor, BLM, Farmington

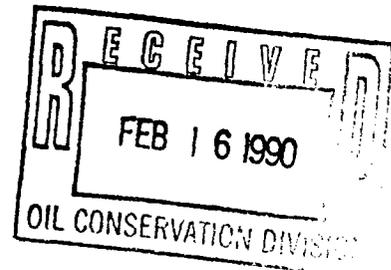
\\jat\letters\conserv.o&g

February 14, 1990

Received 2/16/90

New Mexico Oil Conservation Division
ATTN: Mike Stogner
P O Box 2088
Santa Fe, New Mexico 87504

RE: Application for Unorthodox Location
Nassau Resources, Inc.
Carracas Unit 25 B #3
920' FNL - 1850' FWL
Sec. 25, T32N, R4W, NMPM
Rio Arriba County, N. M.



Gentlemen:

Nassau Resources, Inc. hereby requests administrative approval of an unorthodox location for the captioned well based upon topographic conditions and Carson National Forest requirements.

As indicated by the attached topographic map, the terrain in this section is extremely rough and no other drill sites are feasible which meet Forest Service approval. Rugged terrain and heavy cultural resources in this area have limited placement.

This well is in Nassau's Carracas Unit. Amoco Production Co. is a party to the unit and has been notified of this application by certified mail. Sections 19 and 30 of T32N, R3W, are unleased Jicarilla Indian minerals and the Jicarilla Agency of the Bureau of Indian Affairs has been notified of this application. Kindermac Partners is an operating affiliate with Nassau.

Also attached are the C-102 plat, lease plat, production map, and a copy of a letter from Philip Settles of the Jicarilla Ranger District of Carson National Forest.

Please contact us if anything further is required to complete this application.

Respectfully submitted,

Fran Perrin

Fran Perrin
Admin. Asst.
Attachments

XC: Ernie Busch, NMOCD, NM
Jerome P. McHugh & Kindermac Partners
Amoco Production Co.
BIA, Jicarilla Agency

FP/cm
Main Office
Jerome P. McHugh & Associates
Operating Affiliate: Nassau Resources, Inc.
650 South Cherry, Suite 1225
Denver, Colorado 80222
(303) 321-2111

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

GARREY CARRUTHERS
GOVERNOR

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

April 5, 1990

Nassau Resources, Inc.
c/o Jerome P. McHugh & Associates
P.O. Box 809
Farmington, NM 87499-0809

Attention: Fran Perrin

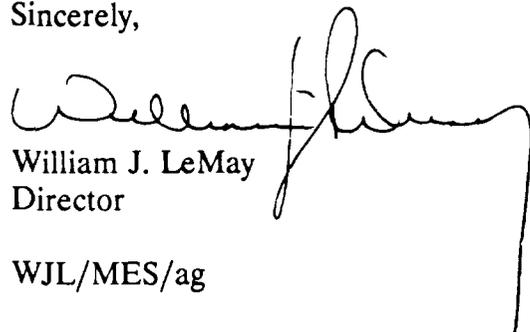
Administrative Order NSL-2779

Dear Ms. Perrin:

Reference is made to your application dated February 14, 1990 for a non-standard coal gas well location for your Carracas Unit "25-B" Well No. 3 to be located 920 feet from the North line and 1850 feet from the West line (Unit C) of Section 25, Township 32 North, Range 4 West, NMPM, Basin Fruitland Coal (Gas) Pool, Rio Arriba County, New Mexico. The N/2 of said Section 25 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of Rule 8 of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool as promulgated by Division Order No. R-8768, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,



William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
US Forest Service - Blanco
Case File No. 9905