

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SAN JUAN RESOURCE AREA OFFICE
701 CAMINO DEL RIO
DURANGO COLORADO 81301

IN THE MATTER OF THE PROMULGATION AND ESTABLISHMENT OF FIELD RULES TO GOVERN OPERATIONS ON THE UTE MOUNTAIN UTE RESERVATION IN THE BASIN DAKOTA FORMATION SAN JUAN COUNTY, NEW MEXICO.)))))))))	BLM Order No. UMU-2
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Title 43 Code of Federal Regulations (CFR) 3162.3-1(a), authorizes the Bureau of Land Management (BLM) to establish a program which ensures oil and gas wells are drilled in conformity with an acceptable well spacing plan. The courts and the Interior Board of Land Appeals have held that the Bureau of Land Management (BLM) has jurisdiction to set oil and gas well spacing on lands which are held in trust by the United States for Tribes or individual members of a Tribe, decisions and orders of the respective States notwithstanding. See, e.g., Assiniboine & Sioux Tribes of Fort Peck Indian Reservation v. Board of Oil and Gas Conservation of the State of Montana, 792 F.2d 782, 794-96 (9th Cir. 1986) ; San Juan Citizens Alliance, et al, 129 IBLA 1 (1994). Lacking a cooperative agreement between the Ute Mountain Ute Tribe (Tribe), the BLM, and State of New Mexico, governing establishment of spacing on Ute Mountain Ute Indian lands, BLM utilized the existing oil and gas hearing process of the New Mexico Oil Conservation Division for the purposes of notification, public hearing, and receiving recommendations from the respective state body. However, in matters involving well spacing and oil and gas operations within the Ute Mountain Ute Reservation, the BLM authorized officer issues the final governing order pursuant to 43 CFR 3162.3-1(a) to ensure adequacy and consistency.

FINDINGS

The following matter came before the Bureau of Land Management (BLM) and the Ute Mountain Ute Indian Tribe on July 26, 1996, and on the application of Amoco Production Company, through the New Mexico Oil Conservation Division (NMOCD) hearing process on August 8, 1996, and September 5, 1996, in Santa Fe, New Mexico. The applicant seeks authorization for exception gas well locations and simultaneous dedication of certain spacing units to the subject wells within the Ute Dome-Dakota Formation. The BLM's findings are as follows:

1. That due public notice has been given through the NMOCD commission hearing process. No protests were received on this matter at its hearing on August 8, 1996, under Case No. 11586 and on September 5, 1996, under Case No. 11605.

2. Well spacing and setback requirements are permitted under NMOCD general rule #104 with the permitted wells in each drilling and spacing unit to be located no closer than 790 feet to the outer boundary of the unit and 130 feet from any governmental quarter-quarter section line or inner subdivision boundary.

3. Notices of staking (NOS) and applications permit to drill (APD) have been received by the Bureau of Land Management from Amoco Production Company for the following Dakota Fm. wells.

Well Name & Number	Location
#22 Ute Indian A	1880' FNL 2150' FWL Section 2-T31N-R14W San Juan County, New Mexico
#23 Ute Indian A	430' FNL 1790' FEL Section 2-T31N-R14W San Juan County, New Mexico
#24 Ute Indian A	795' FSL 395' FEL Section 34-T31N-R14W San Juan County, New Mexico
#25 Ute Indian A	930' FSL 260' FWL Section 2-T31N-R14W San Juan County, New Mexico
#26 Ute Indian A	625' FSL 2620' FWL Section 1-T31N-R14W San Juan County, New Mexico

4. That for purposes of identification, the Ute Dome-Dakota Formation is defined by Bureau of Land Management as the intervals from the top of the Dakota Sandstone to the top of the Morrison Sandstone as shown on the Sonic - Gamma Ray log dated 6-1-71 on the Mountain Ute Gas Com "A" #1, located in NE/4SW/4 of section 3 T31N R14W, at depths of 2370 feet to 2590 feet. The lateral extent for the Ute Dome-Dakota Formation have been defined by structure and by the productive limits. The legal description of the Ute Dome Dakota Gas Pool is generally defined as follows:

Township 31 North, Range 14 West. N.M.P.M., San Juan County, New Mexico

Section 1: W/2, NE/4, NW/4 SW/4
 Section 2: All
 Section 3: All

Section 10: All
 Section 11: All
 Section 12: NW/4 NW/4

Township 32 North, Range 13 West N.M.P.M., San Juan County, New Mexico

Section 30: W/2

Section 31: NW/4, NW/4 SW/4

Township 32 North, Range 14 West. N.M.P.M., San Juan County, New Mexico

Section 25: All

Section 26: E/2, SW/4, S/2 NW/4

Section 27: SE/4, SE/4 SW/4

Section 34: All

Section 35: All

Section 36, All

5. That the geologic and engineering evidence presented at the two respective NMOCD hearings, and at the Ute Mountain Indian meeting, used 3D seismic technology that showed the Ute Dome reservoir is highly faulted and fractured, creating isolated fault blocks that prevent effective drainage of the 160 acre spacing unit. That drilling additional wells is necessary to effectively and efficiently drain the isolated fault block areas which will result in greater ultimate recovery of gas reserves.

6. That in order to prevent the waste of oil and gas, as defined by law; to protect the correlative rights of all parties concerned; to prevent the drilling of unnecessary wells, to insure proper and efficient development and promote conservation of the oil and gas resources of the Ute Mountain Ute Tribe, an order should be made which allows an additional well in certain spacing units of the Ute Dome-Dakota Gas Pool.

7. The Authorized Officer (AO), after formal notice from the operator, may grant exceptions to the permitted well locations to take advantage of structural geology, and to avoid topographical, surface hazards, and/or archeological sites, among other reasons. These exceptions to standard locations may be granted provided that the owners of contiguous and cornering units toward which the proposed locations would be moved, file a waiver or consent, in writing, agreeing to said exception.

ORDER

It is therefore ordered that an additional well be allowed in certain spacing units identified below in the Ute Dome-Dakota Gas Pool in accordance with the provisions outlined in Findings no. 5 and 6. It is further ordered that exceptions locations be allowed in accordance with the provisions outlined

above, which account for structural geology, and/or to avoid topographical, surface hazards, and/or archeological sites, among other reasons. These exceptions will be allowed provided that the owners of contiguous and cornering units toward which the proposed locations would be moved, file a waiver or consent, in writing, agreeing to said exception.

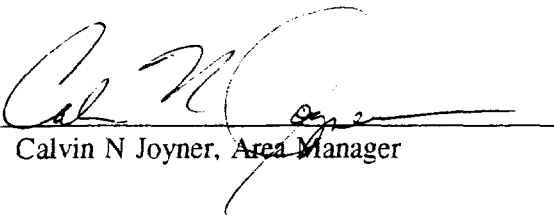
This order allows the drilling of:

1. the Ute Indian A22 well at an exception location 1880' FNL and 2150' FWL of Section 2-T31N-R14W, San Juan County, New Mexico. In addition, the Ute Indian A22 well will be allowed as the second well in the NW/4 of said section 2.
2. the Ute Indian A#26 well at an exception location 625' FSL 2620' FWL of Section 1-T31N-R14W, San Juan County, New Mexico. In addition the Ute Indian A#26 well will be allowed as the second well in the NE/4 of said section 1.
3. the Ute Indian A#24 well at an exception location 795' FSL 395' FEL of Section 34-T32N-R14W, San Juan County, New Mexico.
4. the Ute Indian A#25 at an exception location 930' FSL 260' FWL of Section 2-T31N-R14W, San Juan County, New Mexico.
5. the Ute Indian A#23 at an exception location 430' FNL 1790' FEL of Section 2-T31N-R14W, San Juan County, New Mexico.

Jurisdiction is hereby retained for the entry of such further orders as the BLM may deem necessary. The BLM reserves its right to alter, amend or repeal any and/or all of the above orders.

This order is approved on the 9th day of October, 1996.

BUREAU OF LAND MANAGEMENT
SAN JUAN RESOURCE AREA

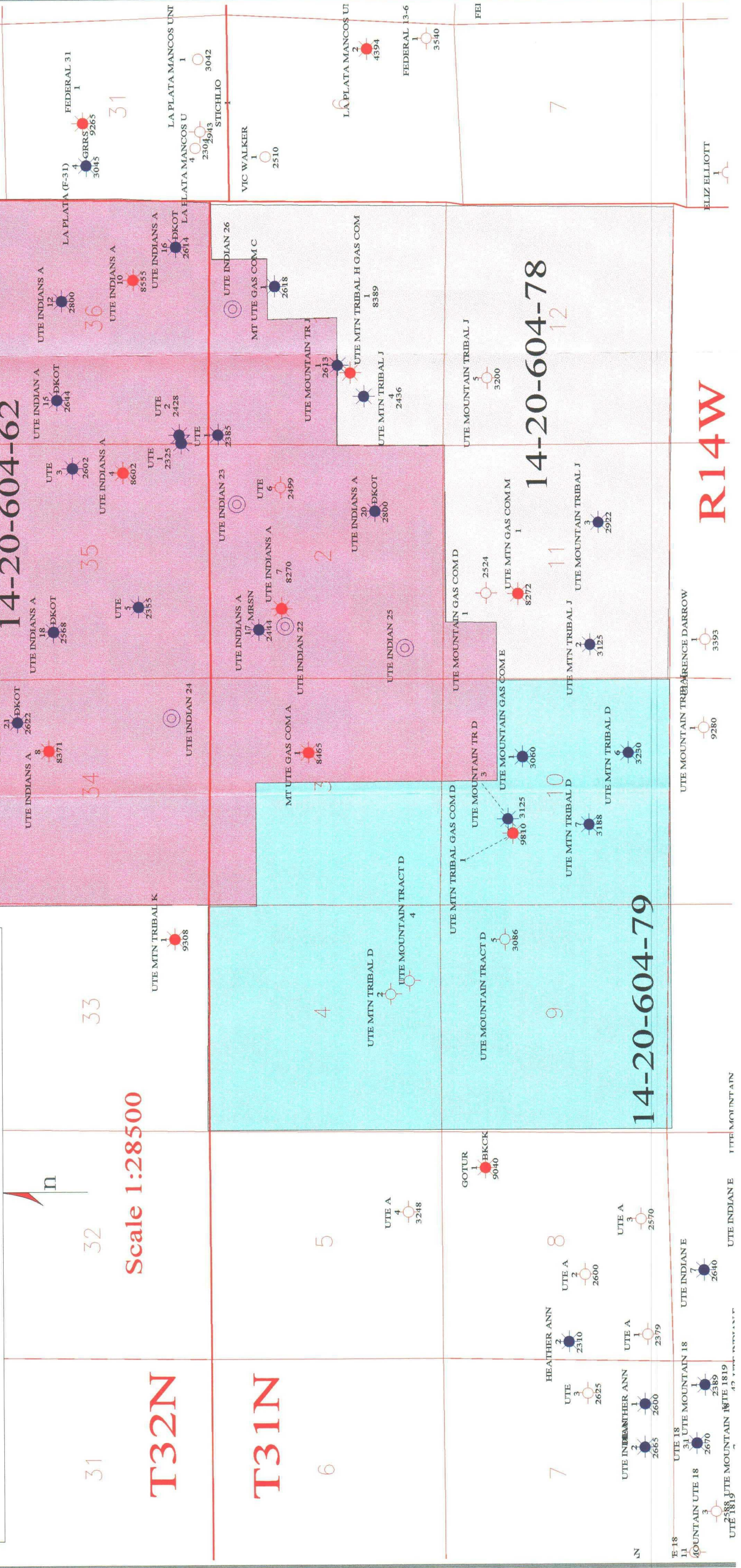
By 
Calvin N Joyner, Area Manager

Ute Mountain Ute - Ute Dome Dakota Spacing Order UMU-2

Prepared by: Bureau of Land Management, SJRA

LEGEND

- Proposed Dakota Well (approximate location)
- P & A Well
- Dakota Well
- Paradox Well



R14W