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Stogner, Michael, EMNRD

From: Johnson, Roy, EMNRD **Sent:** Fri 12/23/2005 8:26 AM
To: 'don.lankford@elpaso.com'
Cc: Stogner, Michael, EMNRD
Subject: Project Area
Attachments:

Don, we will need a couple of things to finish processing your application.

1) Re-submit the application with a cover letter to Mike Stogner --this is needed as a formality. Also comment on your letter that 2 locations will be moved in order to avoid formation damage in near by wells.

2) Shirley must get the new drilling permits to me ASAP so that I can get the API#'s to Mike for writing this order.

3) The use of drilling mud and no pit liners for these horizontal wells. Get Vermejo to sign a waiver letter, a letter from you to me explaining the process with mud spec's, and I will get the Division Director to sign off. This is critical to have an exception for the horizontal wells prior to my retirement as more than likely our Aztec office will be taking over Colfax County. These guys are serious bureaucrats. With this in mind they (Aztec) will also be requiring electronic filing of permits so get ready.

4) As the Division Director will be notified of my official retirement in the next couple of weeks please plan on having all of your drilling permits to me as of the end of February in order that our normal process will go along with out any bull shit.

I will have my cell phone with me on Monday should you have any questions. Comments on my retirement will not be entertained.

Roy



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 27, 2006

Mr. Donald R. Lankford
El Paso Energy Raton, LLC
P.O. Box 190
Raton, NM 87740

RE: Application for Exemption to Pit Rule for Reserve Pits
Used While Drilling Horizontal CBM Wells

Dear Mr. Lankford:

The New Mexico Oil Conservation Division (NMOCD) has reviewed your request, submitted on behalf of El Paso Energy Raton, LLC (El Paso), dated January 17, 2006. This request for exemption to 19.15.2.50.C (2)(g) is hereby approved, under 19.15.2.50.G (2) with the following conditions and understandings:

1. El Paso is currently operating under an exemption to 19.15.2.50.C (2)(g), prohibiting unlined drilling pits, for coal bed methane wells (CBM) drilled using air drilling techniques.
2. The subject request is for a similar exemption for horizontal CBM wells drilled using a lightly gelled, fluid-based mud system.
3. Drilling fluid components are as described in the above request under the heading "Discussion".
4. Proposed drilling methods and disposition of drilling fluids are as described in the request.
5. Any deviation from the drilling methods or drilling fluid components, as described in the request, requires notification to the NMOCD District IV supervisor prior to implementation.

If you have any questions, contact me at (505) 476-3470 or roy.johnson@state.nm.us

NEW MEXICO OIL CONSERVATION DIVISION

Roy E. Johnson
District Supervisor

Copy: Gus Holm, Vermejo Park Ranch
Mike Stogner, NMOCD, Santa Fe



*Mt W/ Don Hankford in SF on
Nov. 18, 2005*

EL PASO ENERGY RATON, L.L.C.
P.O. BOX 190 - RATON, N.M. 87740

November 22, 2005

Notice of Intent for Project Area for Simultaneous Dedication

El Paso Energy Raton (El Paso) intends to initiate a pilot project in 2006 which involves multi-lateral horizontal wells within the "Castle Rock – Vermejo Gas" pool as defined by the New Mexico Oil Conservation Division (OCD). It is El Paso's intent to obtain an *Administrative Order* from the OCD to allow "Simultaneous Dedication" according to the provisions of Rule 111.

El Paso plans to drill 12 multi-lateral horizontal wells in New Mexico in 2006. These 12 proposed wells will have up to 3 horizontal laterals which may penetrate and drain from up to 4 -160 acre quarter sections. El Paso has selected a "Project Area", for your review, made up of 8 contiguous sections within the Castle Rock Park Area of the Vermejo Park Ranch CBM Project. Refer to attached Form C-102 for a diagram of the proposed project area

Background

The entire surface estate of El Paso's Vermejo Park Ranch CBM Project in Colfax, County, is owned by Turner Enterprises. The entire CBM mineral estate is owned by El Paso. El Paso holds 100 percent working revenue interest. The proposed Project Area is 2.2 miles from the nearest lease boundary.

Discussion

By drilling these proposed multi-lateral horizontal wells from existing well locations, El Paso will be able to accomplish the following desirable results:

1. Minimizes surface disturbance by eliminating additional drilling locations.
2. Further minimizes surface disturbance by using existing infrastructure which eliminates the need for additional pipeline corridor.
3. Accesses drainage underlying environmentally sensitive areas without surface disturbance.
4. Ensures the most effective drainage of resource possible with current technology.

The proposed Project Area is shown on the attached Form C-102. The proposed 12 multi-lateral horizontal wells are shown on the attachment labeled "Exhibit 1".

1 *JAMESD - 601 357950*

The Table below is a detail of the data relating to the proposed multi-lateral horizontal wells:

Propose Multi- Lateral Well Name	Existing Offset Well	Existing Offset API No.	Existing Offset Surface Location			Quarter Sections Drained by Proposed Multi-Lateral Horiz. Well	
			NENE	35	31		17
VPR D 300	VPR D 60	30-007-20274	NENE	35	31	17	SW of Sec 26-R31N-T17E SE of Sec 26-R31N-T17E SW of Sec 25-R31N-T17E NE of Sec 35-T31N-R17E
VPR D 301	VPR D 45	30-007-20266	NENW	36	31	17	SE of Sec 26-R31N-T17E SW of Sec 25-R31N-T17E NW of Sec 36-R31N-T17E
VPR D 302	VPR D 29	30-007-20265	SWNE	36	31	17	NW of Sec 36-R31N-T17E NE of Sec 36-R31N-T17E SW of Sec 25-R31N-T17E SE of Sec 25-R31N-T17E
VPR D 303	VPR D 96ST	30-007-20384	SESW	35	31	17	NE of Sec 35-R31N-T17E SW of Sec 35-R31N-T17E SE of Sec 35-R31N-T17E
VPR D 304	VPR D 55	30-007-20270	SESW	36	31	17	NW of Sec 36-R31N-T17E SW of Sec 36-R31N-T17E NE of Sec 35-R31N-T17E SE of Sec 35-R31N-T17E
VPR D 305	VPR D 28	30-007-20264	NWSE	36	31	17	NW of Sec 36-R31N-T17E NE of Sec 36-R31N-T17E SE of Sec 36-R31N-T17E
VPR D 306	VPR D 18	30-007-20095	SWSW	31	31	18	NW of Sec 31-R31N-T18E NE of Sec 36-R31N-T17E SE of Sec 36-R31N-T17E NW of Sec 31-R31N-T18E SW of Sec 31-R31N-T18E
VPR D 307	VPR D 51	30-007-20269	NWNW	1	30	17	SE of Sec 35-T31N-R17E SW of Sec 36-R31N-T17E NW of Sec 1-R30N-T17E
VPR D 308	VPR D 13	30-007-20179	NENE	1	30	17	NW of Sec 1-R30N-T17E NE of Sec 1-R30N-T17E SW of Sec 36-R31N-T17E SE of Sec 36-R31N-T17E
VPR D 309	VPR D 100	30-007-20398	SWSE	3	30	17	NE of Sec 3-R30N-T17E SE of Sec 3-R30N-T17E NW of Sec 2-R30N-T17E SW of Sec 2-R30N-T17E
VPR D 310	VPR D 47	30-007-20267	SENE	2	30	17	NW of Sec 2-R30N-T17E NE of Sec 2-R30N-T17E SE of Sec 35-T31N-R17E
VPR D 311	VPR D 27	30-007-20263	SWSW	1	30	17	NE of Sec 2-R30N-T17E NW of Sec 1-R30N-T17E NE of Sec 1-R30N-T17E SW of Sec 1-R30N-T17E

Proposal

Given the circumstances on the Vermejo Park Ranch CBM Project of the Operator and the surface estate owner, El Paso believes that the 8 section Project Area, defined by the attached Form C-102, fits the criteria for the applicability of Rule 111. El Paso also believes that conservation of resource justifies the approval of this pilot project.

Therefore, El Paso requests the approval by *Administrative Order* by the NMOCD of the Pilot Project Area as described herein.

Respectfully Submitted,

DR Lankford 11/22/05

Don Lankford
El Paso Operations Manager

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 97046	³ Pool Name CASTLE ROCK PARK - VERMEJO GAS
⁴ Property Code 25179	⁵ Property Name CASTLE ROCK PILOT PROJECT AREA 2006	
⁷ OGRID No. 180514	⁸ Operator Name EL PASO ENERGY RATON, L.L.C.	⁹ Elevation

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹¹ 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 lin	County
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¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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>16</p> <p>27</p> <p>26</p> <p>25</p> <p>30</p> <p>D-67 30 007 20277</p> <p>D-57 30 007 20271</p> <p>D-50 30 007 20268</p> <p>D-59 30 007 20273</p> <p>D-60 30 007 20274</p> <p>D-45 30 007 20266</p> <p>D-29 30 007 20265</p> <p>D-96 30 007 20384</p> <p>D-99 30 007 20387</p> <p>D-98 30 007 20386</p> <p>D-97 30 007 20385</p> <p>D-100 30 007 20398</p> <p>D-101 30 007 20388</p> <p>T 31 N, R 17 E</p> <p>T 30 N, R 17 E</p>	<p>D-152 30 007 20514</p> <p>D-153 30 007 20498</p> <p>D-154 30 007 20499</p> <p>D-69 30 007 20279</p> <p>D-70 30 007 20275</p> <p>D-45 30 007 20266</p> <p>D-29 30 007 20265</p> <p>D-55 30 007 20270</p> <p>D-28 30 007 20264</p> <p>D-18 30 007 20095</p> <p>D-157 30 007 20536</p> <p>D-51 30 007 20269</p> <p>D-13 30 007 20179</p> <p>D-47 30 007 20267</p> <p>D-68 30 007 20278</p> <p>D-27 30 007 20263</p> <p>D-08 30 007 20178</p> <p>T 30 N, R 17 E</p> <p>T 30 N, R 18 E</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature <i>DR Lankford 11/22/05</i></p> <p>Printed Name DONALD R. LANKFORD</p> <p>Title PRODUCTION ENGINEER</p> <p>Date</p>	
		<p>34</p> <p>35</p> <p>36</p> <p>31</p> <p>D-59 30 007 20273</p> <p>D-60 30 007 20274</p> <p>D-45 30 007 20266</p> <p>D-29 30 007 20265</p> <p>D-22 30 007 20150</p> <p>D-23 30 007 20151</p> <p>D-19 30 007 20149</p>	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>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 belief.</i></p> <p>November 21, 2005</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor: <i>Justin Shields</i></p> <p>Certificate Number NM LS NO. 5103</p>
		<p>3</p> <p>2</p> <p>1</p> <p>6</p> <p>D-97 30 007 20385</p> <p>D-100 30 007 20398</p> <p>D-47 30 007 20267</p> <p>D-68 30 007 20278</p> <p>D-27 30 007 20263</p> <p>D-08 30 007 20178</p>	
		<p>10</p> <p>11</p> <p>12</p> <p>7</p>	