

A. R. KENDRICK

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July 2, 1993

OIL CONSERVATION DIVISION
RECEIVED

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Mr. Alan Alexander
Meridian Oil, Inc.
Box 4289
Farmington, New Mexico 87499-4289

NSL-3267

Re: Evergreen Operating Corporation's Application for Non-Standard Location
for the Chicosa 35 #1 well, 300' FNL, 1331' FEL, Sec. 35-31N-4W

Dear Mr. Alexander:

We visited with District Ranger Phil Settles of the Carson National Forest about the subject well location, and made another field inspection of the proration unit in an attempt to find another suitable location for the subject well.

Mr. Settles suggested that a well pad might be located in the small canyon in the southern portion of the northeast quarter of Section 35. The canyon is so narrow that construction of a well pad there would cut into sandstone walls on both sides of the canyon, and all drainage down that canyon would flow across the well pad.

The topography is such that a well pad may possibly be constructed in the northeast quarter at about the same distance from the north line of the section (± 300 feet) and outside of the "No Surface Occupancy" area provision of the lease providing that no cultural resources are encountered. This well pad would be another scar on the environment without accomplishing appreciable additional distance from the lease line, and would possibly impose on the habitat that the "No Surface Occupancy" provision intended to protect. There is further limitation due to a pipeline along the roadway shown there.

Exhibits 3, 3A, and 4 extracted from the U.S. Forest Service's letter of consent for oil and gas leasing identify the reasons for the "No Surface Occupancy" provisions were established, and are enclosed for your convenience.

Based on these reasons, I believe the proposed location is the most suitable for a well in the north half of Section 35.

If there are further questions, please contact us.

Yours very truly,

A. R. Kendrick
A. R. Kendrick

Enclosures

xc: Michael Stogner, Oil Conservation Division, Santa Fe
U.S. Bureau of Land Management, Farmington
U.S. Forest Service, Gobernador
Evergreen Operating Corporation, Denver

EXHIBIT 3

Serial No. NM 11929

NO SURFACE OCCUPANCY STIPULATION

No surface occupancy or use is allowed on the lands described below (legal subdivision or other description).

As shown on the attached map which is marked as "Exhibit 2A." The entire tract to be included with this lease is shown on this exhibit. The boundaries for the "No Surface Occupancy" areas are related to topography and to the known limits of suitable Mexican Spotted Owl habitat. Additional on-the-ground investigation may indicate the need for adjustments.

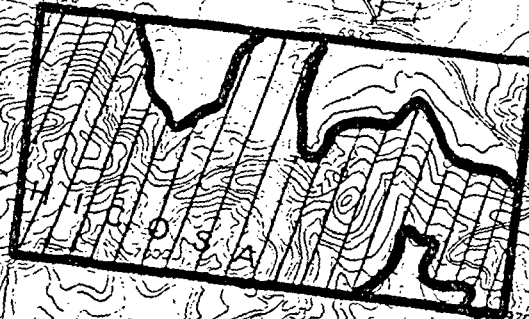
For the purpose of:

Protecting wildlife habitat - including suitable habitat for Mexican Spotted Owl, winter range for deer and elk, birthing areas - sensitive soils on steep slopes, and visual quality.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes.

Licensee/Permittee/Lessee

(Prior to acceptance of this stipulation the prospective lessee is encouraged to contact the Federal surface management agency for further information regarding the restrictive nature of this stipulation.)



T. 31N.

T. 30N.

R. 4W.

EXHIBIT 3A

PARCEL MAP
PROPOSED LEASE NM 11929
JICARILLA R.D., CARSON N.F.
RIO ARriba COUNTY, NEW MEXICO

Scale 1:24000 Countour Interval = 20'
No Surface Occupancy

RBS 5/92

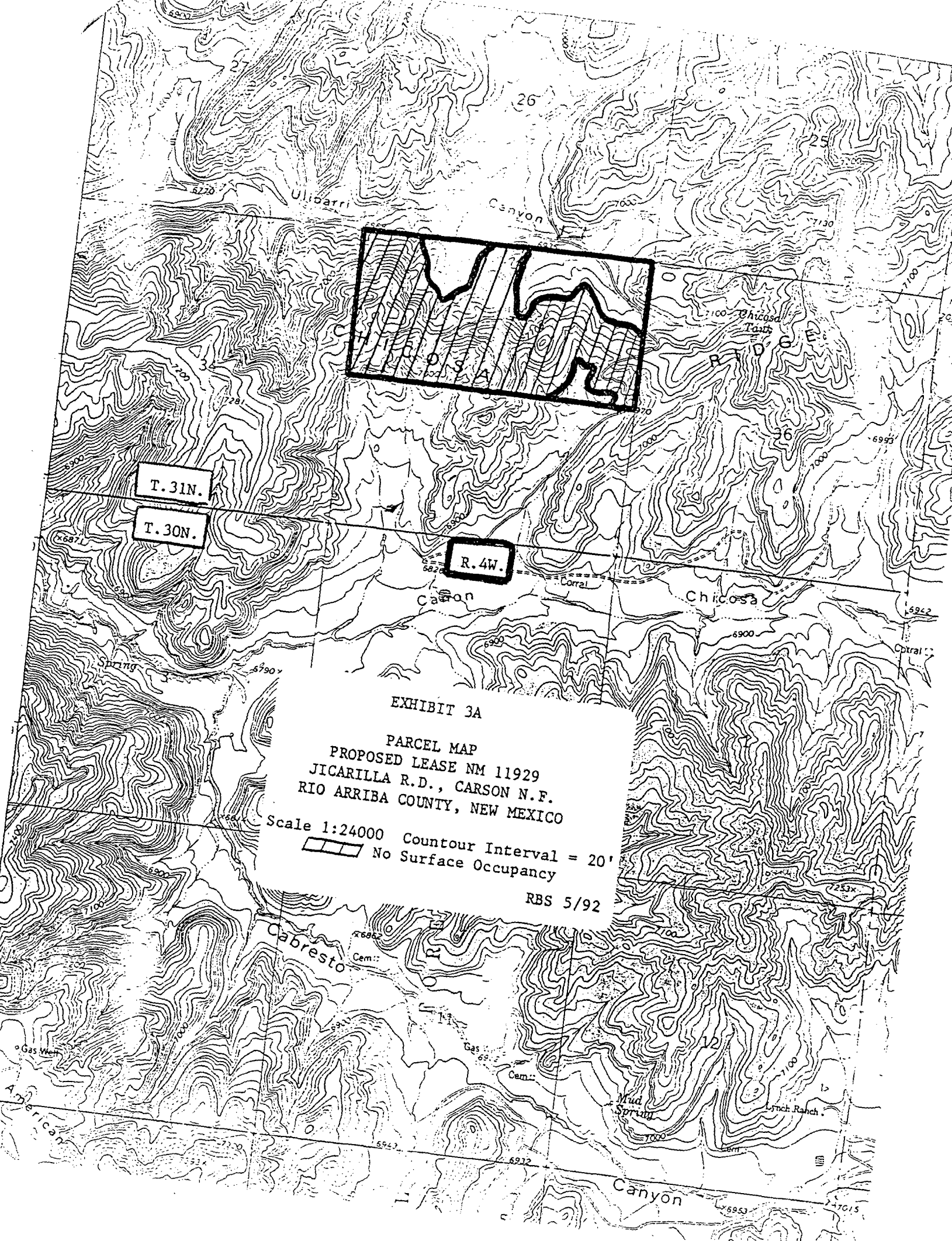


EXHIBIT 4

NOTICE TO LESSEE
Serial No. 11929

CULTURAL RESOURCE SITES IDENTIFIED WITHIN LEASE AREA

The lessee is advised that the lease area contains a high site density of cultural resources. Additional surveys at leaseholder expense, coordination with Forest Archaeologists, and a high probability for adjustment of proposed new road and APD locations should be anticipated in this lease area for protection of cultural resources. This investment would be necessary to assure timely processing of an APD.

PROTECTION OF ENDANGERED OR THREATENED OR SENSITIVE SPECIES

Suitable habitat for Mexican Spotted Owls exists within the parcel. The lease area may contain essential habitat for the continued existence of these species.

The Federal surface management agency is responsible for assuring that the leased lands are examined prior to undertaking any surface disturbing activities on lands covered by this lease, to determine effects upon any plant or animal species listed or proposed for listing as endangered or threatened or their habitats.

In accordance with Section 6 of the lease terms and in order to comply with the Endangered Species Act of 1972, the lessee may need to conduct an examination on the lands (including access routes to the leased area) to be affected by the proposed action to determine if threatened or endangered species are present and if such species may be affected by the proposed action. The lessee may need to invest in this examination to expedite processing. This examination must be conducted by or under the supervision of a qualified resource specialist approved by the surface management agency. A report identifying the anticipated effects of the proposed action on endangered or threatened species and their habitat is to be submitted for approval to the surface management agency. If the examination determines that the action may detrimentally affect a species listed or proposed for listing as an endangered or threatened species, restrictions to the lessee's proposal or even denial of any beneficial use of the lease may result. The lessee will take such measures as may be required by the authorized officer to protect such species.