



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Rd.
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov

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SEP 16 2003

OIL CONSERVATION
DIVISION

In Reply Refer To:
3160 (93000)

September 15, 2003

Ms. Lori Wrotenbery
Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

RE: Amended Application of El Paso Energy Raton, LLC, for Approvals of Nonstandard/Irregular Spacing Units and Certain Nonstandard Setbacks for Unorthodox Well Locations for Coalbed Methane Gas Wells and Any Other Approvals Required for Such Units, Setbacks and Wells in Colfax county, New Mexico; Case No. 13097

WVJ
9/16/03

Dear Ms. Wrotenbery:

El Paso Energy Raton, LLC (El Paso), had originally docketed Case No. 13097 for a Hearing scheduled on June 19, 2003. It is a request for approval of nonstandard/irregular spacing units and nonstandard setbacks for gas production from the Vermejo and Raton coal beds, in Colfax County. The nonstandard/irregular spacing units would exclude Federal minerals within the Valle Vidal Unit of the Carson National Forest.

Before the initial Hearing date, we notified you that the Bureau of Land Management (BLM) planned to oppose El Paso's application. Approval by the Oil Conservation Division (OCD) would establish irregular spacing units that would eliminate Federal minerals from the Statewide 160-acre spacing units established to the north and east in Castle Rock Park-Vermejo Gas and Van Bremmer Canyon Vermejo Gas Fields.

El Paso's rationale for exclusion of the Federal minerals is that the lands are currently unleased. In 2002, El Paso nominated the subject lands for oil and gas leasing. Unfortunately, we may not offer these lands for competitive lease sale until the Carson National Forest has completed a document that assesses the environmental impacts of oil and gas leasing and development. A decision regarding leasing of the Valle Vidal would not occur until 2007.

We contacted El Paso to discuss the case and met with landman Paul H. Dowden on June 5, 2003. Pending resolution of the dispute, El Paso agreed to ask the OCD for a continuance to August 7, 2003, and later, to September 18, 2003.

The BLM and El Paso have reached a tentative agreement on a means of resolving our dispute, using the flexible terms of a "Drainage Agreement." If approved, El Paso would compensate the Federal government for its proportional acreage in each of the twenty-one 160 acre spacing units subject to its application.

We believe that this form of agreement would afford El Paso effective control over each 160 acre spacing unit. While the agreements (there would be individual agreements for each spacing unit) are effective, the Vermejo and Raton Formations will be excluded from any leases issued for Federal lands within each quarter section. That provision protects El Paso from having a third party come in later, demanding compensation.

If El Paso's current request is approved, our correlative rights will certainly be adversely affected. The requested 660 foot setbacks will not prevent eventual drainage of coal bed methane from the Federal lands. We note that, of the 21 quarter-sections involved in this application, 8 have greater than 50 percent Federal lands.

We believe that OCD approval of irregular spacing units would render moot our justification for requesting "Drainage Agreements:" if our lands are not included within the spacing units, we have no right to request compensation. Additionally, our only means of protecting the Federal minerals against further drainage would be to lease the lands and cause our lessee to drill in the Federal portion of each spacing unit. That would likely result in economic waste, with 2 wells being located within a single spacing unit.

To summarize, with approved agreements, we believe that no formal action by the OCD is required, and El Paso's request is unnecessary. The agreements would:

- afford El Paso effective control over each spacing unit;
- protect El Paso against third party participation;
- protect the Federal government's correlative rights;
- allow El Paso more flexibility in locating its wells;
- demonstrate the Federal government's support for El Paso's development plans; and
- prevent waste.

Should the OCD believe that an Order is required, we suggest that the Order affirm the intent of the individual "Drainage Agreements" to pool the Federal lands with El Paso's lands, and retain 160 acre spacing. We believe that El Paso has the ability to amend its application at the Hearing to request, and the OCD the authority to approve, such a pooling Order.

We support El Paso's development program, and are not averse to well locations in proximity to the Federal lands. We cannot support an attempt to establish irregular spacing units that eliminate Federal lands merely because those lands are unleased.

We request that this letter be entered into the record at the Hearing as a statement of our position. If you have any questions or need further clarification, please contact Jay Spielman at 438-7503.

Sincerely,

A handwritten signature in black ink that reads "Jay R. Spielman, for". The signature is written in a cursive, flowing style.

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

cc:

Sunny J. Nixon; Rodey, Dickason, Sloan, Akin & Robb, PA
315 Paseo de Peralta
Santa Fe NM 87501-2034

Paul H. Dowden
El Paso Production
Nine Greenway Plaza
Houston, TX 77046

USDA Forest Service
Southwestern Region
333 Broadway, S. E.
Albuquerque, NM 87102

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NM (070)

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