



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401



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IN REPLY REFER TO:  
FC Pilot Infill Project

April 6, 2009

Mark Fesmire  
New Mexico Oil Conservation Division  
1220 S. St. Frances Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 14295, whereby Koch Exploration LLC., ConocoPhillips Company, Burlington Resources Oil and Gas Company LP and Energen Resources Corporation (Koch et.al.) are seeking approval for an infill pilot project to authorize increased Fruitland Coal well density within six standard spacing units. These spacing units are located in the following areas:

**Township 29 North and Range 9 West, San Juan County, New Mexico:**

**E 1/2 section 20; W1/2 section 21; W1/2 section 28; E 1/2 section 29; E 1/2 section 32; and the W1/2 section 33.**

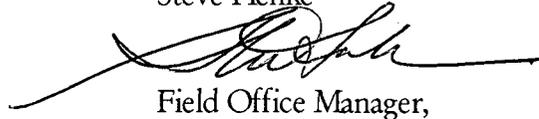
The purpose of the pilot is to determine optimal well density, maximum ultimate recovery and the commercial feasibility for Fruitland Coal well development in this area. The Fruitland Coal is currently being developed on a 320 acre spacing unit basis with an option infill well provision.

We recently reviewed the technical merits of this case with representatives of Koch and the other proponents of the pilot. Their preliminary findings suggest that current well bore recovery factors from the Fruitland Coal in this area is approximately 41 percent. To determine optimal well density, Koch et al., are proposing to drill eight (8) infill wells. Detailed reservoir parameters such as layered pressure data, coal properties from log analysis and reservoir simulation analysis will be gathered as part of this study. Other factors such as reservoir heterogeneity and expected ultimate recoveries will also be investigated.

Pursuant to the Memorandum of Understanding between the BLM and the NMOCD, we support the application for an increased well density pilot project. This pilot study will help Koch et al., and our respective agencies determine optimal well density for the Fruitland Coal in this area. Koch et al., will be expected to annually present to the BLM and the NMOCD their geologic and engineering data for the wells drilled under the pilot. Within six (6) months of completion of the pilot project, Koch et al., will be expected to provide their overall findings and well density recommendations.

If you have any questions regarding the above, contact me at (505) 599-6340.

Steve Henke

A handwritten signature in black ink, appearing to read 'Steve Henke', with a long horizontal flourish extending to the right.

Field Office Manager,  
BLM, Farmington

CC: Koch Exploration Company, LLC  
ConocoPhillips Company  
Burlington Resources Oil and Gas Company, LP  
Energen Resources Corporation