



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

October 16, 2001

**RE: Statement for Record at New Mexico Oil Conservation Division
Hearing on October 18, 2001**

New Mexico Oil Conservation Division (NMOCD) Case No. 12745
Burlington Resources Oil & Gas Company and Conoco Inc.
Proposed increase in well density and amend well location
requirements for the Basin-Dakota Gas Pool
Standard Gas Proration Unit (320 acres)
New Mexico portion of the San Juan Basin

The following represents the position of the Bureau of Land Management (BLM) concerning the increase in the density of Dakota formation wells from the current two (2) wells per standard 320 acre Gas Proration Unit to four (4) wells per standard Gas Proration Unit. The case also seeks an amendment to the current NMOCD Special Rules and Regulations concerning well location requirements. Three (3) Dakota formation pilot project areas were previously approved by the New Mexico Oil Conservation Division (NMOCD) and the BLM. The three(3) pilot projects are located in the San Juan 28-7 Unit, San Juan 27-5 Unit and the Culpepper Martin area. In each of these Dakota formation pilot project areas the well density was increased in the 320 acre gas proration unit. The purpose of these pilot projects was to gather additional reservoir engineering and geological data for the specific purpose of determining the proper well density for maximum recovery of Dakota formation reserves. The Dakota formation wells were drilled at locations which are presently unorthodox.

A primary BLM mandate is to promote the orderly and efficient exploration, development and production of oil and gas on Federal and Indian lands. In addition, the BLM is responsible for managing public lands for multiple use and maximizing the resource values for the American people. The multiple use concerns are presently being addressed in the Farmington Field Office Resource Management Plan revision.

Present information and data suggests that these pilot projects were successful in capturing significant additional reserves in each gas proration unit. The BLM supports the increased density to four (4) wells per 320 acre gas proration unit and consistent rules for the entire New Mexico portion of the San Juan Basin. The BLM also supports uniform drilling windows that are consistent with other gas reservoirs in the basin. These consistent regulatory rules throughout the basin for four (4) Dakota formation wells per proration unit would have various benefits:

- 1.) Regulatory workloads at the State and Federal levels would be minimized.
- 2.) Consistent rules would increase commingling opportunities and maximize wellbore usage.
- 3.) Operators would be allowed to determine their own economics of drilling wells to recover additional reserves which would benefit all parties involved.
- 4.) Surface disturbances would be minimized by the potential utilization of previously disturbed areas and the usage of established infrastructure for gas sales.

In summary the BLM is in full support of increased well density in the Dakota formation. As a result of increasing the Dakota well density and establishing consistent rules and well location set back requirements, maximum recovery of natural gas resources in the Dakota formation, as well as other formations, can be achieved.

Jay R. [unclear] for Steve Henke
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Farmington