



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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May 30, 2003

Bureau of Land Management, Farmington Field Office

Statement entered in Case No. 12,888 concerning increased well density in "High Productivity Area" of the Fruitland Coal Formation

I want to thank the Commission for allowing me the opportunity to enter this statement into the record. The Bureau of Land Management (BLM) Farmington Field Office (FFO) is in the final stages of developing a comprehensive resource management plan for the public lands and minerals in northwestern New Mexico. With respect to projected future oil and gas development on the federal and Indian mineral estate, BLM, FFO's intent is to maximize development of the hydrocarbon resources while minimizing impacts to surface resources and values.

The FFO supported the October 15, 2002 Fruitland infill order of the New Mexico Oil Conservation Division (Case No. 12888, Order No. R-8768-C) allowing 160 acre spacing for all areas except the 'High Productivity' portion of the basin, also referred to as the "Fairway". Although that order exacerbated the conflict between the development of BHP's federal underground coal mine and the federal oil and gas lessee's Fruitland Coalbed methane plans, the FFO of the BLM encourages the Commission to continue its support for resolution of this conflict outside of the spacing determination process.

The October 15, 2002 Division Order stated "A preponderance of the evidence [submitted] establishes that current 320-acre spacing is adequate in the High Productivity Area...". The Order further declares that, "Based on the relative lack of direct evidence of the potential effects from infill drilling within the High Productivity Area, it would not be prudent for the Division to amend the pool rules to provide for increased density within the High Productivity Area at this time. The more prudent course of action would be to refer the matter of infill drilling within the High Productivity Area

back to the Committee for further study." The BLM, FFO supports the Commission's October 15, 2002 findings with regard to the High Productivity Area; however the BLM realizes that evidence will be presented at this hearing supporting 160 acre spacing in the 'fairway'. The BLM welcomes the opportunity to review the additional technical data presented in support of infill drilling in the Fruitland Fairway.

The federal lands in this area have significant surface resource values, including aesthetic appeal, dense archaeological resources, threatened and endangered species habitat, public forage dependent ranches, and prime big game wintering areas. The FFO of the BLM remains concerned about the potential impacts of additional surface disturbance associated with infill drilling in the Fairway. To honor the intent of the Resource Management Plan and meet its multiple use mandate, the BLM, FFO cannot support infill drilling merely to accelerate gas production.

In the event the Commission determines that the additional data presented over the next few days adequately supports 160 increased density in the "High Productivity Area", the BLM, FFO reserves the right to request site specific technical data from operators. In the event the BLM suspects that primarily rate acceleration without incremental gas recovery is involved in the new drilling proposals where additional surface disturbance is required, a more detailed analysis will be performed as part of the Environmental Assessment/Application For and Permit to Drill process. As part of this process, additional data may be requested that include, but are not limited to, geologic cross-sections, reservoir isopachs, reservoir simulations and other pertinent information.

In summary, the BLM, FFO wants to insure the orderly development of the tremendous Fruitland Coal gas reservoir. If the technical data support a decision to increase the well density in the High Productivity Area of the Fruitland Coal formation, BLM FFO wants to minimize the impacts to surface resources. We will encourage the development of the Fruitland Coal formation by means of re-completions in existing wellbores, commingling and drilling from existing well pads. This type of development will minimize surface disturbances, decrease development costs and maximize utilization of existing wellbores. Again, I appreciate the opportunity to present this statement for the record.

Steve Henke
Field Office Manager