



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

July 9, 2002

RE: Farmington Field Office, Bureau of Land Management
Position concerning the proposed increased well density
in the Fruitland Coal Formation
Standard Gas Proration Unit (320 acres)
New Mexico portion of the San Juan Basin

The following represents the current position of the Bureau of Land Management (BLM) concerning the increase in the density of Fruitland Coal formation wells from the current one (1) well per standard 320 acre Gas Proration Unit (GPU) to two (2) wells per standard GPU and supercedes all previous communications on this matter. The New Mexico Oil Conservation Division (NMOCD) and the BLM had previously approved a pilot project submitted by Burlington Resources Oil and Gas Company LP to drill, complete and test five (5) infield wells. The five (5) wells were located across the San Juan Basin in what is considered the "Low Productivity Area" of the Fruitland Coal formation. In each of these Fruitland Coal formation pilot project areas the well density was increased to two wells per 320 acre GPU. 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 Fruitland Coal formation reserves. The Fruitland Coal formation wells were drilled at unorthodox ("off pattern") locations. Preliminary information suggests that these pilot projects were successful in capturing additional reserves in each gas proration unit. In previous Fruitland Coal formation committee meetings, BP America Production Company has presented additional engineering and geological information on wells that were drilled on 160 acre spacing units in southern Colorado that also support the increased well density in New Mexico.

Industry representatives have not been in complete agreement on applying this increased well density rule change throughout the New Mexico portion of the Basin Fruitland Coal pool. The proposed rule would differentiate the New Mexico Basin Fruitland Coal into a "Low Productivity Area" and a "High Productivity Area". The two wells per GPU would apply to the "Low Productivity Area". In the "High Productivity Area", administrative procedures would need to be fulfilled and approvals obtained.

The BLM has been an advocate of consistent rules for the entire New Mexico portion of the San Juan Basin concerning infield development. The BLM has also supported uniform drilling windows that are consistent with other gas reservoirs in the basin. These consistent regulatory rules throughout the basin 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, new and emerging technology, and established gas infrastructure.

However, with the pilot projects being limited to the "Low Productivity Area" and the other available data also limited to the "Low Productivity Area", the BLM does support the exclusion of the "High Productivity Area" until additional technical data justifies inclusion. Within the "High Productivity Area" also known as "the fairway", the BLM reserves the right to request technical data from operators. These data may include, but are not

limited to, geologic cross-sections, reservoir isopachs, reservoir simulations and other pertinent information.

The BLM supports the orderly and efficient exploration, development and production of oil and gas on Federal and Indian lands. 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 Resource Management Plan that is currently being updated.

In summary, the BLM is in support of the increased well density in the Fruitland Coal formation. We will be encouraging the development of the Fruitland Coal formation by means of re-completions in existing wellbores and commingling. This type of additional development will minimize surface disturbances, decrease development cost and maximize utilization of existing wellbores.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Mankiewicz", enclosed within a large, stylized right-facing curly bracket.

Dave Mankiewicz
Assistant Field Manager (Minerals)