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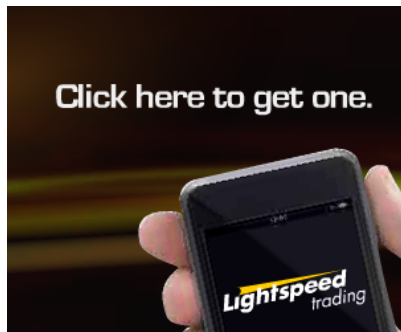
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Oil drilling plans in Tierra Amarilla worry landowners

Saturday, June 14, 2008; Posted: 11:17 AM

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Jun 14, 2008 (The Santa Fe New Mexican - McClatchy-Tribune Information Services via COMTEX) -- ALEX | Quote | Chart | News | PowerRating -- Some landowners and Rio Arriba County officials are worried about a Texas company's plans to drill exploratory oil wells in the water-rich mountains east of Tierra Amarilla. Approach Resources Inc., based in Fort Worth, Texas, has state permits to drill four wells in the Sangre de Cristo Mountains off N.M. 64 and has submitted applications for six more wells in the same area.



John Sena, an Albuquerque resident who owns a ranch near Tierra Amarilla, said one of the two wells the company plans on putting in at his property is within a couple of hundred yards of three natural springs. One planned on a neighboring ranch is within 12 yards of an irrigation ditch, and another is 35 yards from Tierra Amarilla Creek, he said.

"They have a right to drill, but they sure have totally disregarded the landowner," Sena said. "Their sites are poorly planned and very inconsiderate of the water and the water flow."

People downstream of Tierra Amarilla should be concerned with the drilling as well, Sena said. Tierra

Amarilla Creek flows into the Rio Chama, which joins the Rio Grande.

Ralph Manoushagian, executive vice president of land acquisition for Approach Resources, denied the sites are ill-planned. He said the company has a well-thought-out drilling plan with a closed-loop system in which waste from the drilling process will be stored in tanks and trucked out. There will be no open pits at the well sites, Manoushagian said. "If there is a potential hazard to a flowing creek, we will certainly speak to moving the location or taking all appropriate precaution," he said.

Rio Arriba is no stranger to mineral development. The county already has 11,000 natural gas wells in its western section, second only to San Juan County. It is third overall in the state for oil production. But there are no operating wells in the verdant agricultural Tierra Amarilla Valley or the mountain watershed east of it.

The planned wells near Tierra Amarilla prompted the Rio Arriba County Commission to pass a four-month moratorium on oil and gas development until the county can review its ordinances. A revised ordinance is due in August.

"Rio Arriba has a legitimate reason to do this moratorium," said Gabriel Boyle, director of the county's Planning and Zoning Office. "The lifeblood of Rio Arriba is agriculture, and that means water."

Approach Resources has fought back. It filed a lawsuit in U.S. District Court in Santa Fe claiming the county doesn't have the right to issue a moratorium because regulation of wells is a state responsibility.

"New Mexico has a comprehensive set of rules and laws in regards to oil and gas operations," said Curtis Henderson, an attorney for the company. "The county can't take a preemptive action like a temporary ban on drilling."

He said the company wasn't convinced the moratorium would be temporary, and that it can be extended indefinitely.

The company also is taking out full-page ads in the Rio Grande Sun, touting the benefits of oil and gas to both the county and the state. The ads say that oil and gas are not just for powering cars and heating homes, and that petroleum byproducts "provide manufacturing materials for shoes, tires, appliances, magic markers, lipstick, televisions computers and soccer balls."

Rio Arriba County, meanwhile, has appealed the four permitted wells to the state Oil Conservation Division on the grounds that they would threaten human health and water resources. A hearing is scheduled for Friday in Santa Fe at the division's offices, 1220 S. St. Francis Drive. "If we don't fight tooth and nail, they won't remove these sites," Boyle said.

"We don't have the resources of the Galisteo Basin, but we have a more critical issue. We have water," he said. Boyle said he wants Tierra Amarilla to receive the same support from Gov. Bill Richardson that the Galisteo Basin has.

Approach Resources was founded in 2002 and has mineral interests in New Mexico, Texas, Kentucky and British Columbia. The company is focused on natural gas reserves in tight shale and sand. It owns mineral leases on 273,800 acres, 90,300 of them privately owned in Rio Arriba County. The company's board president and chief executive officer, J. Ross Craft, also is a co-founder of Athanor Resources, an energy development company operating in the U.S. and Tunisia.

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The Tierra Amarilla wells are in a geologic formation known as Mancos Shale and will be drilled to a depth of about 2,000 feet. "If similar to analogous fields looked at geologically, we expect they could be very productive," Manoushagian said.

Henderson said the company is complying with a new New Mexico law that requires energy companies to work with property owners on remediation, gates, roads and other issues. "We went to great lengths to adapt a surface use agreement to all of those rules and probably went above and beyond," he said. "Each of these agreements have been tendered to the landowners."

The law requires companies to reclaim the land after they finish operations. "We will willingly do so, return the land to substantially what it was before we drilled," Henderson said.

But Sena has a different take on the offer. He said the company has made clear that it believes it can build roads where it wants and access them when needed. "The company says they have a compensation program," Sena said. "They low-balled us. We checked with Mora, San Juan and other counties. They offered us nothing compared to those communities, but they sure wanted us to sign immediately. We asked to meet with them as a community, and they said no; they would only meet with us individually."

"Towns like Artesia were built around the oil business," Sena said. "We're not."

Contact Staci Matlock at 470-9843 or smatlock@sfnwmexican.com.

IF YOU GO

What: Hearing by Oil Conservation Division special examiner to consider cancellation or suspension of permits to drill four wells east of Tierra Amarilla

When: 9 a.m. Friday

Where: Oil Conservation Division offices, 1220 S. St. Francis Drive, Santa Fe

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