

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. Thomas Kellahin**  
New Mexico Board of Legal  
Specialization Recognized Specialist  
in the area of natural resources-  
oil and gas law

P.O. Box 2265  
Santa Fe, New Mexico 87504  
117 North Guadalupe  
Santa Fe, New Mexico 87501

Telephone 505-982-4285  
Facsimile 505-982-2047  
kellahin@earthlink.net

November 24, 2003

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

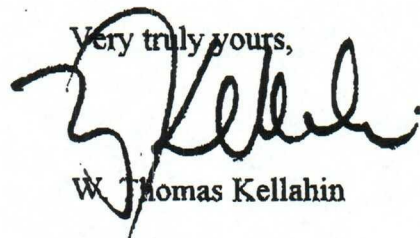
*Case 13192*

Re: Lee Well No. 1 and Lee No. 1E  
Units F and H, NE1/4 of Irregular Section 30, T30N, R11W  
Application of San Juan Basin Properties LLC  
For compulsory pooling and a non-standard spacing and proration unit  
San Juan County, New Mexico

Dear Ms. Wrotenbery:

On behalf of San Juan Basin Properties LLC, find enclosed our  
referenced application which we request be set for hearing on the  
Examiner's docket now scheduled for December 18, 2003. Also enclosed is  
our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: San Juan Basin Properties, Inc.  
Attn: Jerry McHugh, Jr.

**CASE 13192** Application of San Juan Basin Properties LLC for compulsory pooling and approval of a non-standard spacing and proration unit, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mesa Verde formation underlying the N/2 of Irregular Section 30, T30N, R11W, NMPM, San Juan County, New Mexico, forming a non-standard 328.50-acre gas spacing and proration unit for any production from the base to the Pictured Cliff formation to the base of the Dakota formation, including but not limited to the Blanco-Mesaverde Gas Pool, and the Basin-Dakota Gas Pool. This unit is to be dedicated to its Lee Well No. 1 a producing Dakota wellbore that is to be re-entered and tested in the Mesaverde formation at a standard well location in Unit H of this section and/or its Lee Well No. 1E to be drilled and a downhole commingled wellbore Mesaverde and Dakota formation well at a standard well location in Unit F. Also to be considered will be the costs of the re-entry, drilling and completion these wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of San Juan Resources of Colorado, Inc. as the operator of the wells and a 200% charge for risk involved in these wells. This unit is located approximately 3 miles Southwest of Aztec, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**



**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF SAN JUAN BASIN PROPERTIES LLC  
FOR COMPULSORY POOLING AND APPROVAL  
OF A NON-STANDARD SPACING AND PRORATION  
UNIT, SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO. 13192**

**APPLICATION**

San Juan Basin Properties LLC ("San Juan") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seek approval of a non-standard spacing and proration unit and order pooling all mineral interests from the surface to the base of the Pictured Cliffs formation to the base of the Dakota formation underlying the N/2 of Irregular Section 30, T30N, R11W, NMPM, San Juan County, New Mexico, forming a non-standard 328.50-acre gas spacing and proration unit for any production from the base of the Pictured Cliffs formation to the base of the Dakota formation, including but not limited to the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool. This unit is to be dedicated to its Lee Well No. 1 a producing Dakota wellbore that is to be re-entered and tested in the Mesaverde formation at a standard well location in Unit H of this section and/or its Lee Well No.1E to be drilled and completed as a downhole commingled wellbore Mesaverde and Dakota formation well at a standard well location in Unit F. Also to be considered will be the costs of the re-entry, drilling and completion these wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of San Juan Resources of Colorado, Inc. as the operator of the wells and a 200% charge for risk involved in these wells.

In support of its application, San Juan Basin Properties LLC states:

1. San Juan has a 41.81 percent working interest ownership in the oil and gas minerals from the base of the Pictured Cliffs formation surface to the base of the Dakota formation underlying the N/2 of Irregular Section 30, T30N, R11N, NMPM, San Juan County, New Mexico.

2. This gas spacing unit is located within the boundaries of the Blanco-Mesaverde Gas Pool.

3. San Juan has proposed to the other working interest and/or mineral owners that:

(a) the Lee No. 1 be re-entered, and completed in the Mesaverde formation for potential gas production from the Blanco Mesaverde Gas Pool in addition to the existing Dakota production, and/or

(b) the Lee Well No. 1E to drilled and completed for downhole commingled production for the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Well,

both to be dedicated to a standard 328.50 acre gas spacing and proration unit consisting of the N2 of Section 19.

4. Despite its reasonable efforts, application has been unable to obtain a written voluntary agreement from certain uncommitted working interest and/or mineral interest owners as shown on Exhibit "A"

5. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, San Juan needs an order of the Division pooling the interest identified above in order to protect correlative rights and prevent waste.

6. Applicant, in the absence of timely objection, will present its evidence by affidavit as provided by Division Rule 1207.A(1) and request the 200% risk charge in accordance with Commission Order R-11992, effective August 15, 2003.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for December 18, 2003.



WHEREFORE, San Juan Resources Properties LLC, as applicant, requests that this application be set for hearing on December 18, 2003 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) San Juan Resources of Colorado, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, re-entry, completing, equipping and operating the following wells:
  - (a) the Lee No. 1 be re-entered, and completed in the Mesaverde formation for potential gas production from the Blanco Mesaverde Gas Pool, and/or
  - (b) the Lee Well No. E-1 to drilled and completed for downhole commingled production for the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Well,
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, re-entry, completing, equipping and operating these wells, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-4285  
Fax: (505) 982-2047

Lee #1 well Mesaverde recompletion ONLY N/2 30, 30N, 11W

Lee #1E well DK/MV new drill 30, 30N, 11W

XTO Energy 31.695586%

Roderick Allen Markham

1500 Broadway #1212

Lubbock, TX 79401

10088737%

Manon McMullen

2200 Berkley

Wichita Falls, TX 76308

10088737%

Herd Partners

P. O. Box 130

Midland, TX 79702

20251694%

Christmann Minerals

P. O. Box 66

Pinedale, WY 82941

10077473%

Diamond Head Properties

P. O. Box 2127

Midland, TX 79702-2127

10077473%

