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January 12, 2005

**HAND DELIVERED
AND VIA FACSIMILE**

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case 13391
Tecumseh Well No. 1-E
Unit L, S/2 of Irregular Section 18, T30N, R11W
Application of San Juan Resources of Colorado, Inc.
to amend Division Order R-11926 (compulsory pooling)
to include subsequent operations and an optional "infill" gas well,
San Juan County, New Mexico

Dear Mr. Catanach:

On behalf of San Juan Resources of Colorado, Inc., ("SJR"), I am responding to Mr. Scott Hall's letter dated January 11, 2005 and will provide my comments in the order discussed in his letter:

(1) Paragraph 9:

- a. It contains an error and should read "Article VI"
- b. References to the JOA are to the AAPI Model Form Operating Agreement dated 1982

2005 JAN 12 PM 1 51

Mr. David R. Catanach
Oil Conservation Division
January 12, 2005
-Page 2-

(2) Paragraph 9b:

- a. Mr. Bob Mosley went “non-consent” on the parent well. Mr. McHugh does not intend by Case 13391 to now allow Bob Mosley to become a consenting party in the parent well or any subsequent operations on that well. See McHugh’s draft order at Paragraph 13.
- b. The OCD work-study committee discusses this paragraph. See Committee letter dated October 22, 1999.
- c. This paragraph is taken from Article VI paragraph B page 6 lines 28-35, page 6 of JOA used by San Juan Resources.

(3) Paragraph 9f: suggest replacing the objectionable sentence with “At the hearing, the Mosley Group introduced Exhibit “___” a letter dated November 10, 2004 from San Juan Resources to Bob Mosley including a payout summary statement accounting for the parent well.” We suggest a new Paragraph (13) as follows: “In accordance with Decretal Paragraph (9), by letter dated November 10, 2004, Bob Mosley was sent the actual well costs but failed to file a timely objection with the Division.”

(4) Paragraph 11c: The issue of gas balancing and gas marketing was raised by Mr. Hall during cross-examination. My proposed paragraph is simply intended to make that clear, despite Mr. Hall raising these issues, that this order does not address these items.

(5) Paragraph 13: To the contrary, Section 70-2-17.C provides that “All orders...shall be upon such terms and conditions as are just and reasonable...” In additional, Article VI of McHugh’s JOA, submitted by Mr. Hall at the hearing, precludes a non-consenting WIO to proposing subsequent operations to the parent well until all costs and charges, including the 200% risk charge. See paragraph B page 6 lines 28-35.

Mr. David R. Catanach
Oil Conservation Division
January 12, 2005
-Page 3-

(6) Decretal Paragraph 3: This suggested paragraph is based upon the Commission's Order R-10672-A, dated March 19, 1997 (Branko vs. Mitchell Energy) that relates back to the point in time that the Division must use to determine the "parties of interest" affected by a compulsory pooling order. Also see Division Rule 1207.A. (1)(a).

(7) Decretal Paragraph 6(g) a who gets benefit of penalty?

- a. This paragraph came from the OCD working study committee draft of October 22, 1999.
- b. However, it is a departure from Paragraph B.2, lines 47-54, Page 5 of San Juan's JOA.
- c. In this case, Bob Mosley refused to sign San Juan Resources JOA and San Juan Resources advanced his share of the well costs and is entitled by a typical compulsory pooling order to be reimbursed from production, plus the risk charge.
- d. The Division pooling order contains the following; "The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs. In this case that party is San Juan Resources.

(8) Decretal Paragraph 6(g) b and c two operator problem

- a. This paragraph was taken from the LOCD work study committee draft dated October 22, 1999 and
- b. Is based upon Article VI, paragraph B (2) operation by less than all parties, lines 61-63 page 5 and lines 102 page 6 of San Juan Resources JOA.
- c. This does not result in two different operators with a producing spacing unit.

Mr. David R. Catanach
Oil Conservation Division
January 12, 2005
-Page 4-

(9) Decretal Paragraph 6(g) d:

- a. This paragraph was contained in the application, included as part of the subsequent operations provisions proposed by the applicant; there was no objection to this at the hearing.
- b. This paragraph was taken from the OCD work study committee draft of October 22, 1999,
- c. This proposed paragraph is consistent with Article VI of the JOA used by San Juan Resources. See paragraph E (1) lines 37-39 (Page 8): "All such wells shall be plugged and abandoned in accordance with applicable regulations and at the costs, risk and expense of the parties who participated in the costs of drilling or deepening such well."
- d. Also see paragraph B lines 61-62, Page 5 of the JOA used by San Juan Resources: "If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense."
- e. What is wrong with the consenting parties paying for plugging and clean up—This is consistent with paragraph E-1 Article VI of the JOA.
- f. The Division is Order R-11645, dated September 5, 2001, adopted this same provisions from a Yates Petroleum Corporation JOA in a case involved infill wells and subsequent operations. **See finding (19) and Decretal paragraph (9) of Order R-11645.**

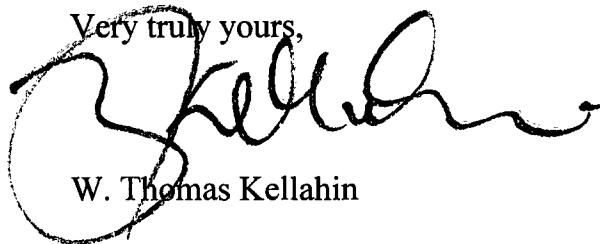
Mr. David R. Catanach
Oil Conservation Division
January 12, 2005
-Page 5-

(10) Decretal Paragraph 8:

- a. This paragraph is not doing what Mr. Hall said it did.
- b. This paragraph is intended to correct a flaw in the usual form of compulsory pooling order issued by the Division.
- c. Dispute the fact that the applicant submits an AFE and testifies about it being fair and reasonable, the orders fail to approve the AFE.
- d. It is relevant in this case, because the Mosley Group is being afforded its election and the prepayment amount based upon the AFE dated September 21, 2004 despite the fact that this sum will increase.
- e. Any objection as to the actual well costs for the infill well is provided in the typical way by Decretal Paragraph (14)

(11) Decretal Paragraph 18 is identical with the current Division form.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive.

W. Thomas Kellahin

cc: J. Scott Hall, Esq. for Mosley Group
Gail MacQuesten, Esq. (OCD)
San Juan Resources Properties, LLC
Attn: Jerry McHugh, Jr.

MILLER STRATVERT

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January 11, 2005

HAND-DELIVERED

Mr. David Catanach
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87504

Re: NMOCD Case No. 13391; Application of San Juan Resources of Colorado, Inc. to Amend Division Order R-11926 to Include Subsequent Operations and Optional Infill Gas Well Provision (Tecumseh Well No. 1E), San Juan County, New Mexico

Dear Mr. Catanach:

In accordance with your request, enclosed is an Amended Entry of Appearance in the referenced matter which includes George Mosley as a client of Miller Stratvert P.A.

Very truly yours,

MILLER STRATVERT P.A.

J. Scott Hall

J. Scott Hall

JSH/glb

Enclosure

cc (w/encl.): Gail Macquesten, Esq. (via facsimile)
W. Thomas Kellahin, Esq. (via facsimile)

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2005 JAN 11 PM 3 48

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

**IN THE MATTER OF THE APPLICATION
OF SAN JUAN RESOURCES OF COLORADO, INC.
TO AMEND DIVISION ORDER R-11926
(COMPULSORY POOLING) TO INCLUDE
SUBSEQUENT OPERATIONS AND AN
OPTIONAL INFILL GAS WELL PROVISION,
SAN JUAN COUNTY, NEW MEXICO**

CASE NO. 13391

AMENDED ENTRY OF APPEARANCE

Comes now Bob L. Mosley, George and Janet Mosley, Leonard and Leona Mosley, Mary G. Mosley and Betty Nelms by and through their undersigned attorneys, Miller Stratvert P.A., (J. Scott Hall) and hereby enters their appearance in the above cause.

MILLER STRATVERT P.A.

By:

J. Scott Hall

J. Scott Hall
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
(505) 989-9614
Attorneys for Bob L. Mosley, Janet Mosley,
Leonard Mosley, Leona Mosley, Mary G. Mosley
and Betty Nelms

2005 JAN 11 PM 3 48

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was faxed to counsel of record on the 11th day of January, 2004, as follows:

W. Thomas Kellahin
Post Office Box 2265
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Gail MacQuesten
New Mexico Oil Conservation Division
1220 South St. Francis Drive
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A handwritten signature in black ink, appearing to read "J. Scott Hall", written over a horizontal line.

J. Scott Hall