

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

**APPLICATION OF DJR OPERATING,
LLC TO AMEND ORDER NO. R-14194
AFFECTING THE PONDEROSA UNIT,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

DJR Operating, LLC, (“DJR”) (OGRID No. 371838) through its undersigned attorneys, files this application to amend Order No. R-14914 to reduce the geographic area of the proposed Ponderosa Unit, modify the definition of the Unitized Interval, and reflect that the proposed Unit Agreement is U.S. Bureau of Land Management model form Federal Exploratory Unit Agreement “Divided” type form which no longer provides for a single participating area. In support of its application, DJR states:

1. On July 28, 2016, the Division issued Order No. R-14194 in Case No. 15471 approving formation of the Ponderosa Unit comprising 19,839.48 acres, more or less, within San Juan County, New Mexico. As originally approved, the Ponderosa Unit comprised the following-described acreage:

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 5	W/2
Sections 6 through 8	All

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Sections 1 through 12	All
Section 13	N/2
Section 14	All
Sections 17 through 20	All

TOWNSHIP 23 NORTH, RANGE 11 WEST, NMPM

Section 1	All
Sections 11 through 15	N/2
Sections 22 through 23	All
Section 24	N/2

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM

Section 31	S/2
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TOWNSHIP 24 NORTH, RANGE 11 WEST, NMPM

Section 36	All
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2. DJR is the successor operator of the proposed Ponderosa Unit under the terms of the Unit Agreement.

3. DJR now seeks to amend Order No. R-14194 to reduce the Unit Area to include the following-described Federal, Indian Allotted, and State Trust lands comprising 8,644.16 acres, more or less (the “Ponderosa Unit Area”):

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 5	Lots 3, 4, S/2 NW/4, SW/4
Section 6	Lots 1 through 7, SE/2 NW/4, S/2 NE/4, E/2 SW/4, SE/4
Section 7	Lots 1 through 4, E/2 W/2, E/2
Section 8	All

TOWNSHIP 23 NORTH, RANGE 10 WEST, NMPM

Sections 1 through 4	All
Sections 9 through 12	All
Section 13	N/2
Section 14	All

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM

Section 31	Lots 3, 4, E/2 SW/4, SE/4
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4. DJR also seeks to amend Order No. R-14194 to revise the definition of the Mancos formation to be consistent with the definition in the new proposed Ponderosa Unit Agreement as the Unitized Interval to be: “all oil and gas of the unitized lands in the Mancos Shale Group, including genetically related rocks from below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) identified at 3,755 feet Measured Depth to the stratigraphic equivalent of the base of the Mancos Shale identified at 5,568 feet Measured Depth as shown in the December Dream 1 well (API: 30-045-25862) located in Township 23 North, Range 9 West, Section 7, San Juan County, New Mexico are unitized under the terms of this agreement and herein are called ‘unitized substances.’”

5. In addition, DJR seeks to amend Order No. R-14194 to reflect that the unit will be governed by a U.S. Bureau of Land Management Federal Exploratory Unit Agreement “Divided” type model form that no longer provides for a single participating area.

6. DJR has received commitment of working interest owners controlling 86% of the total tracts comprising in the Ponderosa Unit Area, ensuring that there will be effective control of unit operations upon approval.

7. The U.S. Bureau of Land Management and the Federal Indian Minerals Office have provided preliminary approval of the Ponderosa Unit Area and the proposed form of Unit Agreement.

8. Notice of this Application will be provided to the Indian Allottee owners within the Ponderosa Unit Area. Notice of this Application also will be provided to the Bureau of Land Management, the Federal Indian Minerals Office, and the State Land Office.

9. Approval of this Application will be in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, DJR Operating, LLC requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on January 5, 2023, and that after notice and hearing as required by law, the Division enter its order granting this Application.

Respectfully submitted,

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ATTORNEYS FOR DJR OPERATING, LLC

CASE _____: **Application of DJR Operating, LLC to amend Order No. R-14194 Affecting the Ponderosa Unit, San Juan County, New Mexico.** Applicant seeks an order amending Order No. R-14194 to reduce the geographic area of the proposed Ponderosa Unit, modify the definition of the Unitized Interval, and reflect that the proposed Unit Agreement is U.S. Bureau of Land Management Federal Exploratory Unit Agreement “Divided” type model form that no longer provides for a single participating area. The proposed amendments will reduce the unit area to include approximately 8,644.16 acres, more or less, of Federal, Allotted Indian, and State Trust lands in all or parts of the following Sections: Sections 5 through 8 in Township 23 North, Range 9 West; Sections 1 through 4, and Sections 9 through 14 in Township 23 North, Range 10 West; and Section 31 in Township 24 North, Range 9 West, all in San Juan County, New Mexico. Applicant also seeks to revise the definition of the Mancos formation to be consistent with the definition in the new proposed Ponderosa Unit Agreement as the Unitized Interval to be all oil and gas of the unitized lands in the Mancos Shale Group, including genetically related rocks from below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) identified at 3,755 feet Measured Depth to the stratigraphic equivalent of the base of the Mancos Shale identified at 5,568 feet Measured Depth as shown in the December Dream 1 well (API: 30-045-25862) located in Township 23 North, Range 9 West, Section 7, San Juan County, New Mexico are unitized under the terms of this agreement and herein are called “unitized substances.” In addition, DJR seeks to amend Order No. R-14194 to reflect that the unit will be governed by a U.S. Bureau of Land Management Federal Exploratory Unit Agreement “Divided” type model form that no longer provides for a single participating area. The subject acreage is located approximately 4 miles southwest of Nageezi, New Mexico.