

**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. 23283

APPLICANT'S PREHEARING STATEMENT

DJR Operating, LLC, ("DJR") (OGRID No. 371838) submits this Prehearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

DJR Operating, LLC

ATTORNEY

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OTHER PARTIES

ATTORNEY

APPLICANT'S STATEMENT OF CASE

DJR Operating, LLC seeks an order 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.

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. DJR is the successor operator of the proposed Ponderosa Unit.

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

TOWNSHIP 24 NORTH, RANGE 11 WEST, NMPM

Section 36 All

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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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.’”

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.

DJR has thus far 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.

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.

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

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion – Landman	Affidavit	Approx. 5
Jack Rosenthal – Geologist	Affidavit	Approx. 4

PROCEDURAL MATTERS

DJR intends to present this case by affidavit if there is no opposition at the time of hearing.

Respectfully submitted,

HOLLAND & HART LLP



By: _____

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
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QUESTIONS

Action 171127

QUESTIONS

Operator: DJR OPERATING, LLC 1 Road 3263 Aztec, NM 87410	OGRID: 371838
	Action Number: 171127
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>