

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

**APPLICATION OF SAN JUAN RESOURCES, INC.
FOR APPROVAL OF THE MCSIMMS UNIT AND
FOR ALLOWANCE OF 330 FOOT SETBACKS
FROM THE BOUNDARY OF THE UNIT,
RIO ARriba COUNTY, NEW MEXICO.**

CASE NO. 16035

APPLICATION

San Juan Resources, Inc. ("SJR") files this application for an order (1) approving the McSimms Unit and (2) authorizing 330 foot setbacks from the exterior of the proposed Unit boundary. In support of its application, SJR states:

1. The proposed Unit Area consists of approximately 5,428.10 acres of the following Federal and fee lands situated in Rio Arriba County, New Mexico:

TOWNSHIP 30 NORTH, RANGE 4 WEST, N.M.P.M.

Section 13:	All
Section 14:	All
Section 15:	E/2
Sections 23-26:	All
Sections 35-36:	All

2. SJR is the designated operator under the Unit Agreement and the unitized interval is the stratigraphic equivalent of Mancos formation defined at a depth of 6994 feet down to the base of the Mancos Formation at a measured depth of 8635 feet as encountered in the Carson SWD 1 well in NW/4 Section 26, Township 30 North, Range 4 West, N.M.P.M. (API No. 30-039-26868).

3. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

4. SJR has met with the Bureau of Land Management and received preliminary approval of the Unit Agreement.

5. The Unit acreage is subject to the Special Rules and Regulations for the Basin Mancos Gas Pool (97232) adopted under Order R-12984.

6. Rule C of the Special Rules for the Basin Mancos Gas Pool require wells to be located no closer than 660 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the unitized area.

7. To allow for the most efficient well development pattern, and to effectively drain the reserves in the unitized formation underlying the Unit, SJR requests that the Division authorize wells to be located anywhere within the Unit so long as the completed interval remains at least 330 feet from the outer boundary of the Unit.

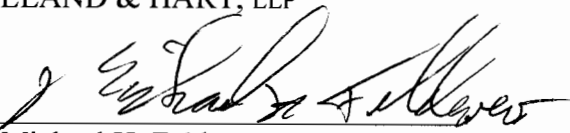
8. Notice of this Application will be provided to the affected parties in the spacing units offsetting the proposed Unit.

9. Approval of this Application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, SJR requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on March 22, 2018, 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
SAN JUAN RESOURCES, INC.**

CASE 16035:

Application Of San Juan Resources, Inc. For Approval Of The McSimms Unit And For Allowance Of 330 Foot Setbacks From The Boundary Of The Unit, Rio Arriba County, New Mexico. Applicant seeks approval of the McSimms Unit consisting of approximately of approximately 5,428.10 acres of the following Federal and fee lands situated in Rio Arriba County, New Mexico:

TOWNSHIP 30 NORTH, RANGE 4 WEST, N.M.P.M.

Section 13:	All
Section 14:	All
Section 15:	E/2
Sections 23-26:	All
Sections 35-36:	All

The unitized interval is the stratigraphic equivalent of the Mancos formation defined at a depth of 6994 feet down to the base of the Mancos Formation at a measured depth of 8635 feet as encountered in the Carson SWD 1 well in Section 26, Township 30 North, Range 4 West, N.M.P.M. (API No. 30-039-26868. In addition, Applicant seeks an order authorizing wells to be located anywhere within the proposed Unit so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed Unit. The subject acreage is located approximately 16 miles southwest of Dulce, New Mexico.