

November 13, 2006

HAND DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13841

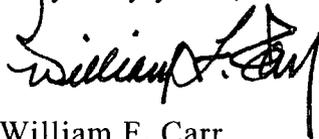
2006 NOV 13 PM 3 19

Re: **Application of Koch Exploration Company, LLC for an order authorizing increased well density and simultaneous dedication on certain non-standard spacing units in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.**

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Koch Exploration Company, LLC in the above-referenced case as well as a copy of the legal advertisement. Koch Exploration Company, LLC requests that this matter be placed on the docket for the December 13, 2006 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Morgan J. Connor
Land Manager
Koch Exploration Company, LLC

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

IN THE MATTER OF THE APPLICATION OF KOCH EXPLORATION COMPANY, LLC FOR AN ORDER AUTHORIZING INCREASED WELL DENSITY AND SIMULTANEOUS DEDICATION ON CERTAIN NON-STANDARD SPACING UNITS IN THE BASIN-FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 13841

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APPLICATION

KOCH EXPLORATION COMPANY, LLC (“Koch”) through its undersigned attorney, ES hereby makes application to the Oil Conservation Division for an order authorizing the drilling of an additional well on each of three irregular spacing and proration units located in portions of Sections 6, 7, 18, 19 and 30 of Township 31 North, Range 8 West, NMPM, San Juan County, New Mexico, and in support of its application states:

1. Koch Exploration Company, LLC, is the operator of the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool, in the following three irregular spacing units located along the western boundary of Township 31 North, Range 8 West:

- A. W/2 equivalent of Section 6 and the NW/4 equivalent of Section 7;
- B. SW/4 equivalent of Section 7 and W/2 equivalent of Section 18; and
- C. W/2 equivalent of Section 19 and the NW/4 equivalent of Section 30.

2. These non-standard spacing units were approved in the Mesaverde formation by Division Order No. R-392, dated November 24, 1953. Non-standard spacing units comprised of the same acreage were also approved in the Dakota formation, Basin Dakota-Gas Pool, by Order No. R-12521. Division Order No. R-8768-A, dated July 16, 1991 amended Rule 5 of the Special Pool Rules and Regulations for Basin-Fruitland Coal Gas Pool to provide for administrative approval of non-standard spacing units in the Basin- Fruitland Coal Gas Pool if the non-standard spacing unit already existed in the Mesaverde or Dakota formation. Such approval consisted of acceptance by the District Supervisor of the Division’s Aztec District Office of Division Form C-

102 showing the proposed non-standard unit and the acreage contained therein. Therefore these non-standard units were approved at the time the Acreage Dedication Plat (Form C-102) was filed for the original coal gas well on each of these spacing units.

3. These spacing units are located in the "High Productivity Area" of the Basin-Fruitland Coal Gas Pool as established by Order No. R-8768-F dated July 17, 2003.

4. The spacing and well location requirements of the Special Rules for the Basin-Fruitland Coal Gas Pool for the High Productivity Area, provide for no more than two (2) wells per standard 320-acre gas spacing unit provided that prior to drilling a second well on a standard 320-acre gas spacing unit in the High Productivity Area notice and an opportunity to object must be provided to affected offset operators. Rule 7(d)(2) Since the subject spacing units are non-standard units, they do not fall under the provisions of the Special Pool Rules and Regulations for the Basin-Fruitland Coal Gas Pool

5. The subject non-standard spacing units were proposed and approved to keep the ownership common in these tracts for all formations.

6. Due to the irregular shape of these non-standard units, there is acreage that cannot be drained by the existing wells thereon and the reserves under these tracts are being drained by wells on offsetting spacing units in this pool.

7. Koch seeks authorization to drill an additional well in the NW/4 of Section 6, the NW/4 of Section 18 and the NW/4 of Section 19, of Township 31 North, Range 8 West and simultaneously dedicate three wells in the Basin-Fruitland Coal Gas Pool to each of these non-standard spacing units.

8. The Oil and Gas Act charges the Division with the protection of the correlative rights of each owner in a spacing or proration unit.

9. "Correlative Rights" is "the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined,

and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool”

10 The approval of this application and the drilling of an additional Fruitland Coal Gas well on each of these three spacing units is necessary to enable the owners therein to produce their just and equitable share of the reserves from this pool.

11. Notice of this application has been provided as required by Division Rules to each affected persons as defined by Division Rules 1207(a)(2) [19.15.14.1207(1)(2) NMAC] in each spacing unit that adjoins the spacing unit on which a proposed additional well is proposed.

12. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Koch Exploration Company, LLC request that this application be set for hearing before an examiner of the Oil Conservation Division on December 13, 2006, and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,
Holland & Hart, LLP

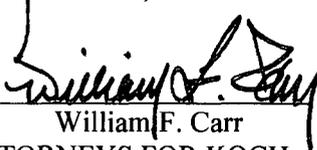
By: 
William F. Carr
ATTORNEYS FOR KOCH
EXPLORATION COMPANY, LLC

EXHIBIT A

NOTIFICATION LIST

**IN THE MATTER OF THE APPLICATION OF
KOCH EXPLORATION COMPANY, LLC
FOR AN ORDER AUTHORIZING INCREASED WELL DENSITY AND
SIMULTANEOUS DEDICATION IN THE BASIN FRUITLAND COAL GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

BP America Production Company
Regulatory Affairs
1660 Lincoln Street, suite 3000
Denver, Colorado 80264
Attention: Bill Hawkins

Burlington Resources Oil and Gas Company
3401 East 30th Street
Farmington, New Mexico 87402
Attn: Alan Alexander

ConocoPhillips Company
3401 East 30th Street
Farmington, New Mexico 87402
Attn: Alan Alexander

Chevron Texaco
11111 South Wilcrest
Houston, Texas 77099
Attention: Paul R. Owen, Esq.

Four Star Oil & Gas
11111 South Wilcrest
Houston, Texas 77099
Attention: Stacey Saunders

Peoples Energy
1301 McKinney, Suite 3200
Houston, Texas 77010
Attention: Diane Sumrall

Williams Production Company
One Williams Center, Suite 2500
Tulsa, Oklahoma 74172
Attention: Barbara Burnett

Williams Production Company
999 Godard Ave.
Ignascio, Colorado 81137

Bureau of Land Management
Farmington District Office
1235 La Plata Highway
Suite A
Farmington, New Mexico 87401-8731

Commissioner of Public Lands
310 Old Santa Fe Trail
Post Office Box 1148
Santa Fe, New Mexico 87504-1148

Morgan Connor
Land Manager
Koch Exploration Company, LLC
9777 Pyramid Court
Englewood, Colorado 80112

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

AFFECTED INTEREST OWNERS

Re: Application of Koch Exploration Company, LLC for an order authorizing increased well density and simultaneous dedication on certain non-standard spacing units in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Koch Exploration Company, LLC has filed the enclosed application with the New Mexico Oil Conservation Division seeking authorization for increased well density and simultaneous dedication on certain non-standard spacing units in the Basin-Fruitland Coal Gas Pool. Koch seeks authorization to drill an additional coal gas well in each of three existing non-standard gas spacing units that comprise the following acreage located in the narrow sections along the west side of Township 31 North, Range 8 West:

- A. W/2 equivalent of Section 6 and the NW/4 equivalent of Section 7 (The additional well is proposed at a standard location in the NW/4 of Section 6);
- B. SW/4 equivalent of Section 7 and W/2 equivalent of Section 18 (the additional well is proposed at a standard location in the NW/4 of Section 18); and
- C. W/2 equivalent of Section 19 and the NW/4 equivalent of Section 30 (the additional well is proposed at a standard location in the NW/4 of Section 19).

Koch also seeks authorization to simultaneously dedicated each of these units to the three coal gas wells located thereon

This application has been set for hearing before a Division Examiner at 8:15 a. m. on December 13, 2006 at Porter Hall located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their



attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr
Attorney for Koch Exploration Company, L.L.C.

Enclosure

cc: Mr. Morgan J. Connor
Land Manager
Koch Exploration Company, LLC