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January 22, 2008

Hand-Delivered

Ms. Florence Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: *NMOCD Case No. 14092: Application of Koch Exploration Company, LLC for Exception to the Well Density Provisions of the Special Rules and Regulations For the Basin-Fruitland Coal Gas Pool to Authorize Two Additional Infill Wells and for Simultaneous Dedication, San Juan County, New Mexico*

Dear Ms. Davidson:

Enclosed for filing are the original and two copies of the Application in the above-referenced matter. On behalf of Koch Exploration Company, LLC, we request that this Application be set for hearing on the February 21, 2008 examiner hearing docket.

Enclosed in hard-copy and on disk is a proposed advertisement for the case.

Thank you.

Very truly yours,

MILLER STRATVERT, PA

J. Scott Hall
J. Scott Hall

JSH/kfh

Enclosures: As stated

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

OIL CONSERVATION DIVISION 4 45

IN THE MATTER OF THE APPLICATION OF KOCH EXPLORATION
COMPANY, LLC FOR EXCEPTION TO THE WELL DENSITY PROVISIONS
OF THE SPECIAL RULES AND REGULATIONS FOR THE BASIN-
FRUITLAND COAL GAS POOL TO AUTHORIZE TWO ADDITIONAL INFILL
WELLS AND FOR SIMULTANEOUS DEDICATION, SAN JUAN COUNTY,
NEW MEXICO

CASE NO. 14092

APPLICATION

KOCH EXPLORATION COMPANY, LLC ("KEC") through its undersigned attorneys, Miller Stratvert, P. A., (J. Scott Hall), hereby makes application to the Oil Conservation Division for an order providing an exception to the well density provisions of the Rules and Regulations for the Basin-Fruitland Coal Gas Pool (71629) for the drilling of two additional infill wells within six standard spacing and proration units located in Township 29 North, Range 9 West NMPM in San Juan County, New Mexico. In support of its application, KEC states:

1. KEC is the operator of the original and one infill well drilled and completed in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool in each of the following standard 320-acre \pm spacing and proration units:

Township 29 North, Range 9 West

Section 21: W/2

A. B. Geren Well No. 1 (API No. 3004527401)
475' FSL & 1060' FWL

A. B. Geren Well No. 1-A (API No. 3004531392)
920' FNL & 1575' FWL

Section 23: W/2

A. B. Geren Well No. 2 (API No. 3004527385)
1505' FSL & 1755' FWL

A. B. Geren Well No. 2A (API No. 3004531396)
780' FNL & 825' FWL

Section 24: W/2

A. B. Geren Well No. 3 (API No. 3004527386)
1485' FSL & 1280' FWL

A. B. Geren Well No. 3A (API No. 3004532382)
1700' FNL & 985' FWL

Section 25: E/2

A. B. Geren No. 4 (API No. 3004527332)
1820' FNL & 910' FEL

A. B. Geren Well No. 4A (API No. 3004531823)
1190' FSL & 870' FEL

Section 29: E/2

A. B. Geren Well No. 6 (API No. 3004527362)
965' FNL & 1690' FEL

A. B. Geren Well No. 6A (API No. 3004531388)
1175' FSL & 1345' FEL

Section 32: E/2

Aggie State 32 No. 1 (API No. 3004528090)
2070' FNL & 810' FEL

Aggie State 32 No. 1A (API No.) 3004532360)
1840' FSL & 1475' FEL

2. Each of the above-referenced spacing units is located within the low-productivity area of the Basin-Fruitland Coal Gas Pool defined by Rule 7(C) of the Special Rules and Regulations for the Pool, promulgated by Order R-8768-F dated July 17, 2003.

3. Rule 7(D) of the pool rules for the low-productivity area within the Basin-Fruitland Coal Gas pool provides as follows:

Rule 7D: Well Density

(1) Well density within the low productivity area: "No more than two (2) wells per standard 320 acre gas spacing unit may be located in the "*Low-Productivity Area*" of the Pool as follows:

(i) The *optional in-fill well* drilled on an existing spacing unit shall be located in the quarter section not containing the *initial Fruitland Coal Gas Well*;

4. KEC seeks authorization to drill the two additional Basin-Fruitland Coal Gas infill wells in each of the spacing units identified below:

Township 29 North, Range 9 West

Section 21: W/2

NE/4 SW/4: A. B. Geren Well No. 1B

SW/4 NW/4: A. B. Geren Well No. 1C

Section 23: W/2

SW/4 SW/4: A. B. Geren Well No. 2B

SE/4 NW/4: A. B. Geren Well No. 2C

Section 24: W/2

SW/4 SW/4: A. B. Geren Well No. 3B

NE/4 NW/4: A. B. Geren Well No. 3C

Section 25: E/2

NW/4 NE/4: A. B. Geren Well No. 4B

SW/4 SE/4: A. B. Geren Well No. 4C

Section 29: E/2

SW/4 NE/4: A. B. Geren Well No. 6B

NW/4 SE/4: A. B. Geren Well No. 6C

Section 32: E/2

NW/4 NE/4: Aggie State 32 No. 1B

SE/4 SE/4: Aggie State 32 No. 1C

Applicant further proposes that in each of the referenced units, the two additional coal gas wells be simultaneously dedicated with the original and infill wells identified in paragraph 1, above.

5. An exception to the pool rules for the Basin-Fruitland Coal Gas Pool to allow the two additional infill wells in each of these spacing units will increase the ultimate recovery from each of the units and will not impair correlative rights.

6. Each of the referenced spacing units is comprised of a single lease or is otherwise the subject of a communitization agreement. None of the spacing units is located within the boundaries of a federal township exploratory or development unit. Each of the proposed well locations conforms to the provisions of Rule 7(A) of the Special Pool Rules for the Basin-Fruitland Coal Gas Pool and none will be located closer than 660 feet to the outer boundary of a spacing unit or closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary.

7. Approval of this Application authorizing the drilling of additional Fruitland Coal Gas wells on each of the spacing units will allow the owners therein to produce their just and equitable share of gas from the pool and will allow the production of additional coal bed methane reserves that would otherwise go un-recovered. Approval of this Application will further be in the interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, KOCH EXPLORATION COMPANY, LLC requests that this Application be set for hearing before one of the Division's examiners on February 21, 2008, and that after a Notice of Hearing as required by law, the Division enter its order granting this Application and providing such further relief as the Division deems appropriate.

Respectfully submitted,

MILLER STRATVERT PA



J. Scott Hall
Attorneys for Koch Exploration Company, LLC
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Case 14092: *Application of Koch Exploration Company, LLC for exception to the well density provisions of the special rules and regulations for the Basin-Fruitland Coal Gas Pool to authorize two additional infill wells and for simultaneous dedication, San Juan County, New Mexico.* Applicant seeks an order providing an exception to the well density provisions of the rules and regulations for the Basin-Fruitland Coal Gas Pool (71629) for the drilling of two additional infill wells at standard gas well locations in certain standard 320-acre + spacing and proration within the Pool. Applicant currently operates an original and one infill well and seeks authorization to drill two additional infill wells in each of the following units:

Township 29 North, Range 9 West

Section 21: W/2
Section 23: W/2
Section 24: W/2
Section 25: E/2
Section 29: E/2
Section 32: E/2

Each of the above-referenced spacing units is located within the low- productivity area of the Basin-Fruitland Coal Gas Pool defined by Rule 7(C) of the Special Rules and Regulations for the Pool, promulgated by Order R-8768-F. These units are located approximately two miles southeast of Blanco, New Mexico.

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