

San Juan Development Corporation
5775 Country Club Drive
Farmington, New Mexico 87402

February 17, 1999

Energy Minerals and Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Re: Application for Downhole Commingling
Robert L. Bayless, Juhan #1
1650' FNL and 1800' FEL
Section 29, T30N, R12W
San Juan County, New Mexico

Case 12139

Gentlemen:

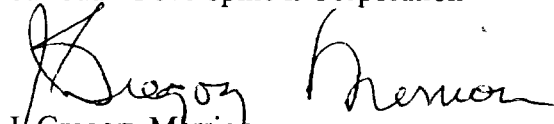
San Juan Development Corporation is the owner of all the land and fee minerals under the San Juan Country Club. It owns fee royalty under 120 acres in the NW/4 of Section 29, T30N, R12W, San Juan County, New Mexico. Hence, it would be entitled to royalty from the Fruitland Coal unit in the N/2 of Section 29 but no interest under the Pictured Cliffs well in the NE/4 of Section 29.

We object to the proposed allocation formula in the Bayless application. The Pictured Cliffs has a low bottom hole pressure and is sensitive to producing back pressure. Under commingled conditions with appreciable quantities of water to lift the well undoubtedly will be producing with increased back pressure with the result that the Pictured Cliffs cannot be expected to continue producing with the same decline curve.

The proposed allocation formula therefore unfairly favors the Pictured Cliffs at the expense of the Fruitland Coal owners.

Yours very truly,

San Juan Development Corporation


J. Gregory Merriam
Secretary

xc: Robert L. Bayless
Marlo Webb – Webb Chevrolet
Mary Ann – San Juan Development Corp.