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December 28, 2001

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 12796*

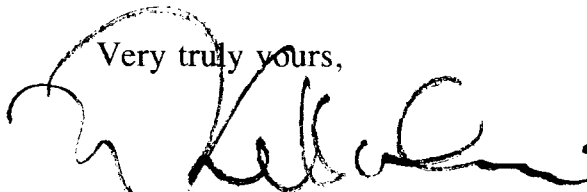
CE 12796-2  
FRI 12/28/01  
11:06 AM

**Re: Kaempf Well No. 1E  
Application of San Juan Resources, Inc.  
for compulsory pooling and downhole commingling  
San Juan County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of San Juan Resources, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for January 24, 2002. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: San Juan Resources, Inc.  
Attn: Jerry McHugh, Jr.

## PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

**CASE 12796**: Application of San Juan Resources, Inc. for compulsory pooling and downhole commingling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Pictured Cliffs to the top of the Dakota formations underlying the S/2 of Section 19, T30N, R11W, NMPM, San Juan County, New Mexico, forming standard 327.7-acre gas spacing and proration unit to be dedicated to its Kaempf Well No. 1E which is to be located at a standard gas well location within Unit I of this section for downhole commingled production from the Blanco Mesa Verde Gas Pool and the Basin-Dakota Gas Pool. Also to be considered will be the costs of participation in this well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

This well is located approximately 2 miles east of the Flora Vista, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF SAN JUAN RESOURCES, INC. FOR  
COMPULSORY POOLING AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO. 12796**

**APPLICATION**

Comes now SAN JUAN RESOURCES, INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the base of the Pictured Cliffs formations to the top of the Dakota formations underlying the S/2 of Section 19, T30N, R11W, NMPM, San Juan County, New Mexico, forming standard 327.7-acre gas spacing and proration unit to be dedicated to its Kaempf Well No. 1E which is to be located at a standard gas well location within Unit I of this section for downhole commingled production from the Blanco Mesa Verde Gas Pool and the Basin-Dakota Gas Pool. Also to be considered will be the costs of participation in this well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

In support of its application, San Juan Resources, Inc. ("San Juan") states:

1. San Juan has a working interest ownership in the oil and gas minerals underlying the S/2 of Section 19, T30N, R11W, NMPM, San Juan County, New Mexico.

2. San Juan has proposed to the other working interest owners that this well be drilled and completed as a "downhole commingled completion" for potential production from the Blanco Mesaverde Gas Pool with any production from the Basin Dakota Gas Pool to be dedicated respectively to a 327.70-acre gas spacing and proration unit consisting of the S/2 of Section 19.

3. In accordance with Division Rule 303, applicant has completed Division Form C-107-A, which is attached hereto as Exhibit "C" and incorporated by reference. Notice of the proposed downhole commingling is being sent to the interest owners in the respective spacing units as set forth on Exhibit "A".

4. Despite its good faith efforts, applicant has been unable to obtain a written voluntary agreement from certain uncommitted working interest owners as shown on Exhibit "B".

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and these spacing units, San Juan needs an order of the Division pooling the identified and described mineral interests in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements for compulsory pooling, a copy of this application has been sent to those interest owners to be pooled as set forth on Exhibit "B".

7. San Juan requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for January 24, 2002.

WHEREFORE, San Juan, as applicant, requests that this application be set for hearing on January 24, 2002 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in these spacing units for the drilling, completion and operations of the subject well for downhole commingled production at standard gas well location upon terms and conditions which include:

(1) San Juan Resources, Inc. be named operator;

(2) provisions for each working interest owner to participate in any production by reimbursing the applicant for the value of the costs of drilling, completing, equipping and operating said well;

- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285

**EXHIBIT "B"**

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Dallas, Texas 75205

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Dallas, Texas 75225