

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF ELM RIDGE RESOURCES,
INC. FOR COMPULSORY POOLING, SAN
JUAN COUNTY, NEW MEXICO.

No. 12878

02 JUL -1 AM 6:19
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APPLICATION

Pursuant to Division Rule 1207.A(1)(b), Elm Ridge Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal Gas Pool underlying the W $\frac{1}{2}$ of Section 28, Township 25 North, Range 12 West, N.M.P.M., San Juan County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 28, and has the right to drill a well thereon.

2. Applicant proposes to drill its Bisti Coal 28 Well No. 2, at an orthodox coal gas well location in the SW $\frac{1}{4}$ of the section, and seeks to dedicate the W $\frac{1}{2}$ of Section 28 to the well for all pools or formations developed on 320 acre spacing, including the Basin-Fruitland Coal Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 28 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, one interest owner has failed or refused to join in dedicating its interest. Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ of Section 28, pursuant to NMSA 1978 §70-2-17.

5. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of this application:

(a) No opposition is expected because the only party being pooled has expressed no opposition to drilling the well, but has simply not responded to the well proposal.

(b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. The proposed well will be drilled to an approximate depth of 1200 feet subsurface, to test the Basin-Fruitland Coal Gas Pool.

(c) Applicant seeks to dedicate the W½ of Section 28 to the well to form a standard 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within that vertical extent, including the Basin-Fruitland Coal Gas Pool. No oil production is anticipated.

(d) The names of the working interest owners in the W½ of Section 28, and their interests, are as follows:

Elm Ridge Resources, Inc.	62.50%
Key Production Co., Inc.	12.50%
Anadarko Petroleum Corporation	25.00%

(e) The only party being pooled is Anadarko Petroleum Corporation, P.O. Box 1330, Houston, Texas 77251-1330.

(f) Applicant sent a well proposal to RME on June 29, 2001, a copy of which is attached hereto as Exhibit B. (**RME has merged into Anadarko Petroleum Corporation.**) The proposal was re-faxed to Anadarko Petroleum Corporation on April 8, 2002

(see Exhibit C). In addition, applicant's personnel have made approximately eight telephone calls to Anadarko Petroleum Corporation regarding the well proposal. A summary of applicant's efforts to obtain the voluntary joinder of the working interest owners is given in Exhibit D.

(g) Attached hereto as Exhibit E is a coal thickness map, which also contains production information on coal gas wells in the area. Applicant believes this well will be an average coal gas well for this area, although there is little or no production to the east, west, and south of the proposed well. Applicant requests the maximum cost plus 156% non-consent penalty in the event Anadarko Petroleum Corporation does not voluntarily participate in the well.

(h) Applicant requests overhead rates of \$4000.00/month for a drilling well and \$350.00/month for a producing well. These rates are fair and reasonable, and are comparable to overhead rates charged by applicant and other operators of coal gas wells in this area.

(i) Attached hereto as Exhibit F is an AFE for the proposed well. The costs contained therein are fair and reasonable, and are comparable to well costs for wells of this depth drilled by applicant and other operators of coal gas wells in this area.

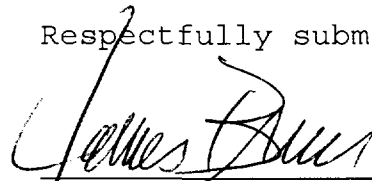
6. The pooling of all mineral interests underlying the W $\frac{1}{2}$ of Section 28 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 28, from the surface to the base of the Basin-Fruitland Coal Gas Pool;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting those rates as provided in the COPAS accounting procedure; and
- E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

APPLICANT REQUESTS THAT, IN THE ABSENCE OF OBJECTION, THIS MATTER BE TAKEN UNDER ADVISEMENT.

Respectfully submitted,



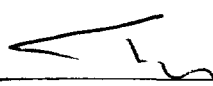
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Elm Ridge Resources,
Inc.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

James M. Clark, Jr., being duly sworn upon his oath, deposes and states that: He is the president of Elm Ridge Resources, Inc., and is authorized to make this verification on its behalf; he has read the foregoing application and knows the contents thereof; and the same are true and correct to the best of his knowledge, information, and belief.



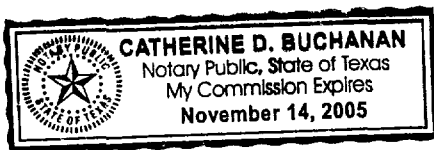
James M. Clark, Jr.

Subscribed and sworn to before me this 3rd day of June, 2002 by James M. Clark, Jr.



Notary Public

My Commission Expires:



State of New Mexico
Energy, Minerals & Mining Resources Department

Form C - 102

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number	Pool Code 71629	Pool Name BASIN FRUITLAND COAL GAS
Property Code	Property Name BISTI COAL 28	Well Number 2
GRID No.	Operator Name ELM RIDGE RESOURCES	Elevation 6335'

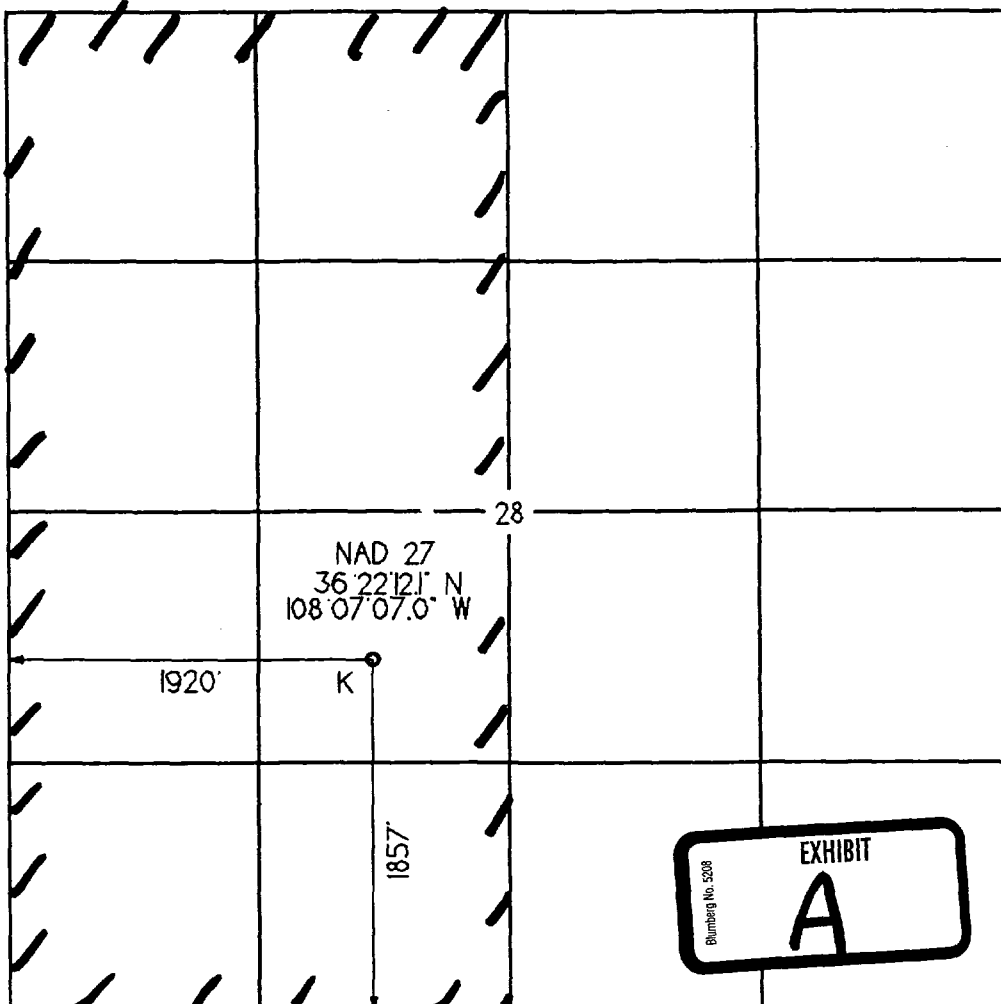
Surface Location

UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from	North/South	Feet from	East/West	County
K	28	25 N.	12 W.		1857	SOUTH	1920	WEST	SAN JUAN.

Bottom Hole Location if Different From Surface

UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from	North/South	Feet from	East/West	County
Dedication	Joint ?	Consolidation	Order No.						

NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Printed Name BRIAN WOOD

Title CONSULTANT

Date OCT. 29, 2001

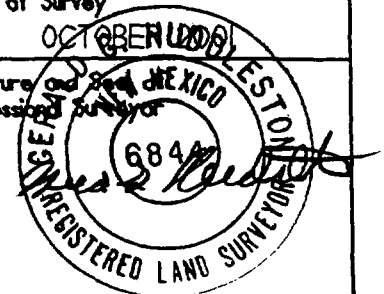
SURVEYOR CERTIFICATION

I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey

OCT 29 2001

Signature and Seal of Professional Surveyor





RME
P. O. Box 842511
Dallas, Texas 75284-2511

Re: Bisti Coal 28-2
SW/4 Section 28-25N-12W
Lease No. BLM NM-51013
W/2 Proration Unit
San Juan County, New Mexico

Gentlemen:

Elm Ridge Resources, Inc. is proposing to drill the captioned well to test the Fruitland Coal Formation. Our records indicate that you may own an interest in the SW/4 of Section 28-T25N-R12W. We are currently permitting this well, and expect to drill it in the fourth quarter of this year. Such operations will be conducted under a mutually agreeable Joint Operating Agreement.

We would appreciate it if you could give us an indication as to whether or not you wish to participate in the drilling of this well. In the event you wish to participate, please so indicate in the space provided below and return one copy of this letter along with an executed AFE. Otherwise, please indicate below how you would like us to handle your acreage, in the appropriate space below and return one copy of this letter to us.

Your cooperation in this matter is appreciated. Please feel free to call me should you have any questions in this regard.

Sincerely,

James M. Clark Jr.

9-15-01
Stacy Clark
(281) 873-1221



WELL PROPOSAL
BISTI COAL 28-2

____ I/We elect to participate in the drilling of the captioned well.

____ I/We would like to Farmout our interest, please send me/us a Farmout Proposal.

____ I/We would like to sell our interest, please send me/us a proposal.

____ I/We no longer own this interest. It is now owned by _____

Name

Date:

WELL COS		DATE		M RIDGE RESOURCES, INC.		
Well Name/Project Name				Well Number		Field
Bisti Coal 28				2		Basin Fruitland
Location				County	State	AFE Number (Drill)
Sec.28, T25N, R12W				San Juan	NM	282512
Project Description				Estimated Total Depth		AFE Number (Complete)
Drill a +/-1400'				1500'		
Tubular Goods:				Producing Well		Dry Hole
				Sub-Total	Total	Sub-Total
Surface Casing	300	Ft.	8.25			\$ 2,475.00
Intermedicate Casing		Ft.				
Prod. Casing or Liner	1500	Ft.	5.2			\$ 7,800.00
Tubing	1450	Ft.	2.32	\$ 3,364.00		
Tubing (Salvage)		Ft.			\$3,364.00	
Pipeline Expense (Gathering & Selling):						
Line Pipe 1 (Steel)		Ft.				
Line Pipe 2 (PVC)		Ft.				
Casing and Tubing Heads					0	
Production Equipment						
Seperator	\$ 3000	Rod String	\$ 1800			
Miscellaneous	\$	Engine/Motor	\$			
Tank (s)	\$ 3000	Injection Pump	\$			
Pumping Unit	\$ 12000	Transfer Pumps	\$			
Water Inj. Equip.	\$	Compressor	\$			
Down Hole Equip. (Packers, Anchors, etc.)				\$ 19,800.00	\$ 19,800.00	
Parts, Supplies and Fittings						
Drilling/Completion Costs						
Footage	1400	Ft.	18			\$ 25,200.00
Daywork - Rathole		Day				
Daywork - Drilling	1	Day	3000			\$ 3,000.00
Daywork - Completion	5	Day	2200	\$11,000.00		
Daywork - Water Well		Day				
Directional Drilling Coasts (Materials & Services)					\$11,000.00	
Cementing: (Materials & Services)						
Conductor and/or Surface						\$ 4,500.00
Intermediate						
Production or Linear						\$ 7,500.00
Squeeze Cementing						
Plug and Abandon (Plug Back, Whipstock Plug)						
Cementing Downhole Equipment (Shoes, Collars, Tools, etc.)						
Formation Treatments:						
Acidizing & Miscellaneous Pumping						
Fracturing Treatment (Materials & Equipment)				\$ 60,000.00		
Tank Rental and Transportation				\$ 3,000.00		
Tool Rental (Packer, Bridge Plug, Flanges, etc.)				\$ 2,750.00	\$65,750.00	
Formation Evaluation Services:						
Open Hole Logging (Electric & Radioactive Logging)						
Perforating and Cased Hole Logging				\$ 2,500.00		
Testing (Mud Logging, Drill Stem Test, Cores, etc.)					\$2,500.00	
Drilling Materials and Services:						
Drilling Mud (Materials & Services)						
Drilling Gas or Air				\$ 7,000.00		
Water and Trucking						
Drill Bits & Reamers (Special Drilling Tools)						
Fuel (Gasoline, Diesel, Butane, Electricity)					\$7,000.00	
Other Services and Materials:						
Contract Labor (Installation, Fabrication and Pipeline)				\$ 3,000.00		
Welding (Installation, Fabrication and Pipeline)				\$ 3,000.00		
Miscellaneous Materials, Services and Repairs						
Casing Service				\$ 1,000.00		
Electricity/Electrical Services					\$7,000.00	
Access and Locations:						
Abstract and Title Opinions						
Location, Roads and Excavation Dirtwork				\$ 6,000.00		
Surface Damages						
Staking and Survey				\$ 2,000.00	\$ 8,000.00	
Supervision and Consulting:						
COPAS Overhead:						
Sub-Total					\$124,414.00	\$ 50,475.00
Plus 10% Contingency					\$12,441.40	
Estimated Total Cost					\$187,330.40	
Date of Well Cost Estimate:				ESTIMATED COST ONLY - each participating Owner to pay proportionate share of actual well cost subject to operating agreement.		
6-Dec-00						
Approved:		Title:		Date:		Company:

Z 464 604 045

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent by

P. O. Box 842511	
Street & Number	
Dallas, Texas 75284-2511	
Post Office, State, & ZIP Code	
Postage	\$ 1.55
Certified Fee	1.90
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.50
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$3.95
Postmark or Date	
Mailed 6-29-01	

PS Form 3800, April 1995

3447

28#2

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

RME
P. O. Box 842511
Dallas, Texas 75284-2511

4a. Article Number

2 464 604 045

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JUL 03 2001

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

102595-98-B-0229

Domestic Return Receipt



FACSIMILE TRANSMITTAL SHEET

TO: *Larry Hemingway* FROM: *Ray Buchanan*
COMPANY: DATE: *4-08-02*
FAX NUMBER: *(832) 636-8055* TOTAL NO. OF PAGES INCLUDING COVER: *4*
PHONE NUMBER:

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

Re: Best Coal 28 #2
Ltr proposal & AFE



MEMO

To: File
From: Kay
Date: May 29, 2002
Re: Bisti Coal 28 #2

On June 29, 2001, proposal letters along with AFEs were sent to Key Production Company, 1700 Lincoln Street, Suite 2050, Denver, Colorado 80203 and RME (now Anadarko Petroleum Corp), P. O. Box 842511, Dallas, Texas 75284-2511, certified mail – return receipt requested, to drill the captioned well to test the Fruitland Coal formation. The proposal letter and AFE was delivered to Key Production Company on July 20, 2001 and to RME on July 3, 2001.

Key Production Company elected to participate in the drilling of the captioned well and executed the AFE.

RME (now Anadarko Petroleum Corp. through merger) did not respond to the proposal letter.

On September 15, 2001, I contacted Anadarko's land department and spoke with Sherry Coke. Sherry said I needed to talk to the person taking care of the San Juan Basin area who was Chuck Tracksler, but was out of the office for a few days.

On September 24, 2001, I called Sherry Coke and advised her that Elm Ridge would like to get an answer regarding this proposal as Elm Ridge would like to drill this well by the end of the year. She said she would check and call me back.

On September 26, 2001, I contacted the Chuck Tracksler, the landman for Anadarko. Mr. Tracksler advised that he would have a geologist look at this proposal and then - would get back with me.

On October 19, 2001 I contacted Sherry Coke who was out of the office for a few days so I left a message.

On October 29, 2001 I called Chuck Tracksler. He said he would call me back.

On December 14, 2001 I called Chuck Tracksler and made some offers as:

- 1) Sell your Fruitland Coal rights to Elm Ridge
- 2) Do a JOA with a non-consent
- 3) Force Pool but Elm Ridge preferred not to go this route.



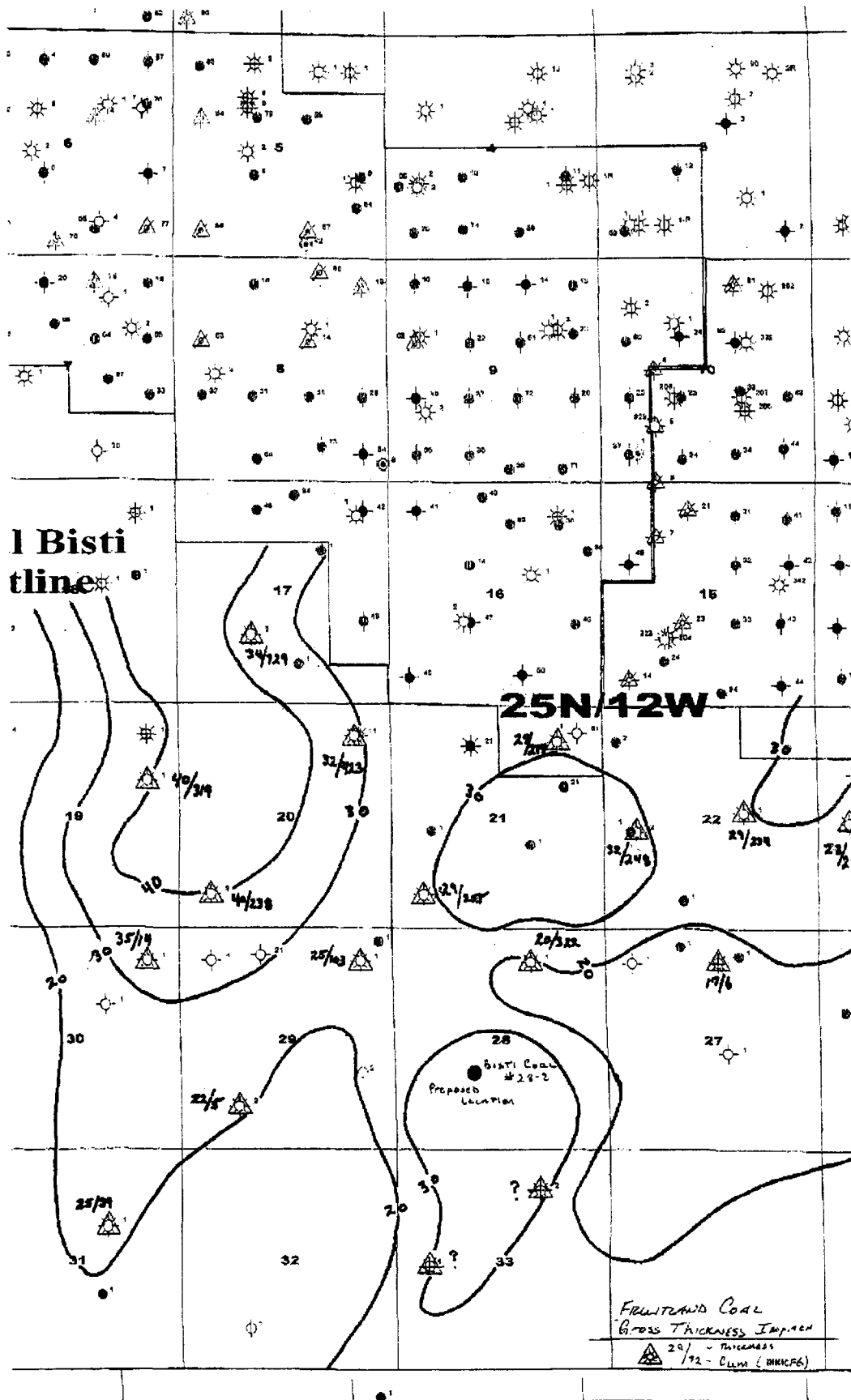
On March 8, 2002, I talked to Chuck Tracksler and he advised me that he did not work this area any more. The landman working this area is Larry Hemingway (281/874-3303). I talked to Larry and discussed in detail the Bisti Coal 28 #2 proposal letter and AFE. He said he would get this info together and get back with me next week.

On April 8, 2002, I spoke with Larry Hemingway. He asked me to fax a copy of the proposal letter and the AFE, and then would call back in a few days.

I have not heard anything since.

Kay

EXHIBIT C



WELL COST ESTIMATE		RIDGE RESOURCES, INC.			
Well Name/Project Name		Well Number		Field	
Bisti Coal 28		2		Basin Fruitland	
Location		County	State	AFE Number (Drill)	
Sec.28, T25N, R12W		San Juan	NM	282512	
Project Description		Estimated Total Depth		AFE Number (Complete)	
Drill a +/-1400'		1500'			
Tubular Goods:		Producing Well		Dry Hole	
		Sub-Total	Total	Sub-Total	
Surface Casing	300 Ft.			\$ 2,475.00	
Intermedicate Casing	Ft.				
Prod. Casing or Liner	1500 Ft.			\$ 7,800.00	
Tubing	1450 Ft.	\$ 3,364.00			
Tubing (Salvage)	Ft.		\$3,364.00		
Pipeline Expense (Gathering & Selling):					
Line Pipe 1 (Steel)	Ft.				
Line Pipe 2 (PVC)	Ft.				
Casing and Tubing Heads			0		
Production Equipment					
Seperator	\$ 3000	Rod String	\$ 1800		
Miscellaneous	\$	Engine/Motor	\$		
Tank (s)	\$ 3000	Injection Pump	\$		
Pumping Unit	\$ 12000	Transfer Pumps	\$		
Water Inj. Equip.	\$	Compressor	\$		
Down Hole Equip. (Packers, Anchors, etc.)					
Parts, Supplies and Fittings		\$ 19,800.00	\$ 19,800.00		
Drilling/Completion Costs					
Footage	1400 Ft.	18 \$/Ft.		\$ 25,200.00	
Daywork - Rathole	Day	\$/Day			
Daywork - Drilling	1 Day	3000 \$/Day		\$ 3,000.00	
Daywork - Completion	5 Day	2200 \$/Day	\$11,000.00		
Daywork - Water Well	Day	\$/Day			
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Intermediate					
Production or Linear				\$ 7,500.00	
Squeeze Cementing					
Plug and Abandon (Plug Back, Whipstock Plug)					
Cementing Downhole Equipment (Shoes, Collars, Tools, etc.)					
Formation Treatments:					
Acidizing & Miscellaneous Pumping					
Fracturing Treatment (Materials & Equipment)		\$ 60,000.00			
Tank Rental and Transportation		\$ 3,000.00			
Tool Rental (Packer, Bridge Plug, Flanges, etc.)		\$ 2,750.00	\$65,750.00		
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Open Hole Logging (Electric & Radioactive Logging)					
Perforating and Cased Hole Logging		\$ 2,500.00			
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Drilling Mud (Materials & Services)					
Drilling Gas or Air		\$ 7,000.00			
Water and Trucking					
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Contract Labor (Installation, Fabrication and Pipeline)		\$ 3,000.00			
Welding (Installation, Fabrication and Pipeline)		\$ 3,000.00			
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Abstract and Title Opinions					
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Surface Damages					
Staking and Survey		\$ 2,000.00	\$ 8,000.00		
Supervision and Consulting:					
CQPAS Overhead:					
Sub-Total		\$124,414.00	\$	50,475.00	
Plus 10% Contingency		\$12,441.40			
Estimated Total Cost		\$187,330.40			
Date of Well Cost Estimate:		ESTIMATED COST ONLY - each participating Owner to pay proportionate share of actual well cost subject to operating agreement.			
6-Dec-00					
Approved:	Title:	Date:	Company:		

