

PROPOSED ADVERTISEMENT

Case _____: Application of Richardson Operating Company for downhole commingling and an unorthodox coal-gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, NMPM within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location. Said well is located 1/3rd of a mile east of the intersection of County Road 6446 and Jennefer Street, Kirtland, New Mexico.

BEFORE THE
OIL CONSERVATION DIVISION

Case No. 11772 Exhibit No. **4**
Submitted By:
Richardson Operating Company
Hearing Date: May 15, 1997

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

April 10, 1997

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF THE HEARING OF THE FOLLOWING NEW MEXICO
OIL CONSERVATION DIVISION CASE:


*Re: Application of Richardson Operating Company for
downhole commingling and an off-pattern coal gas well
location, San Juan County New Mexico.*

On behalf of Richardson Operating Company, please find enclosed our application for downhole commingling and an unorthodox coal-gas well location, San Juan County New Mexico which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for May 1, 1997. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As an offset operator who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, April 25, 1997, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF RICHARDSON OPERATING COMPANY CASE:
FOR DOWNHOLE COMMINGLING AND AN
UNORTHODOX COAL-GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION

Comes now RICHARDSON OPERATING COMPANY, ("Richardson") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, NMPM within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location.

In support of its application, Richardson states:

(1) Richardson is the proposed operator of its proposed Bushman "6" Federal Well No. 1 to be drilled at a standard Pictured Cliffs gas well location within the SE/4 of Section 6, T29N, R14W, NMPM, San Juan County, New Mexico. See Exhibit "A" attached.

(2) The well is to be drilled so that production from the Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation can be downhole commingled in the wellbore.

(3) In addition, Richardson has selected to drill its Bushman "6" Federal Well No. 1 at an unorthodox "off pattern" coal gas well location in order avoid locating the well in the NE/4 of said Section 6 which is substantially developed as a subdivision in the City of Kirtland, New Mexico.

(4) The ownership is common for the well and its respective spacing and proration units in both pools.

(5) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

1. the downhole commingling in this wellbore is necessary because evidence indicates that the Fruitland Coal/Gas formation in this area of the San Juan Basin should be marginally productive and that due to the marginal production expected, it is uneconomic to drill a stand alone Fruitland coal/gas Well. In addition, it is not economic to attempt to dually complete those formations in this well;
2. there will be no crossflow between the two zones commingled;
3. neither commingled zones exposes the other to damage by produced liquids;
4. the fluids from each zone are compatible with the other;
5. it is expected that the bottom hole pressure of the highest pressured zone is more than 50 percent of the original bottom hole pressure of the lowest pressured zone adjusted to a common datum.
6. the value of the commingled production will not be less than the sum of the values of the individual production.

(6) The proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Fruitland Coal Gas and Pictured Cliffs Gas Pool reserves underlying each respective proration unit.

(7) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. Richardson therefore seeks the adoption of a monthly allocation formula to be presented at the time of the hearing.

(8) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for May 1, 1997.

(9) A copy of this application is being sent to all owners of production within the respective spacing unit for the well who may be affected by downhole commingling as set forth on Exhibit "B" attached.

(10) Copy of this application has been sent to all offsetting operators to the two spacing units for the well as set forth on Exhibit "C" attached.

WHEREFORE Applicant requests that this matter be set for hearing on May 1, 1997 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

EXHIBIT "A"

Richardson Operating Company
1700 Lincoln, Suite 1700
Denver, CO 80203

USA NMNM-089026
Richardson 100%

Offsetting Active Wells:

Sec 31-T30N-R14W
Dugan Production Corp.
Mayre #1
Twin Mounds Fruitland PC
Sec 7-T29N-R14W
Keystone Energy, a NM LLC
Kirtland #10
Cha Cha Gallup

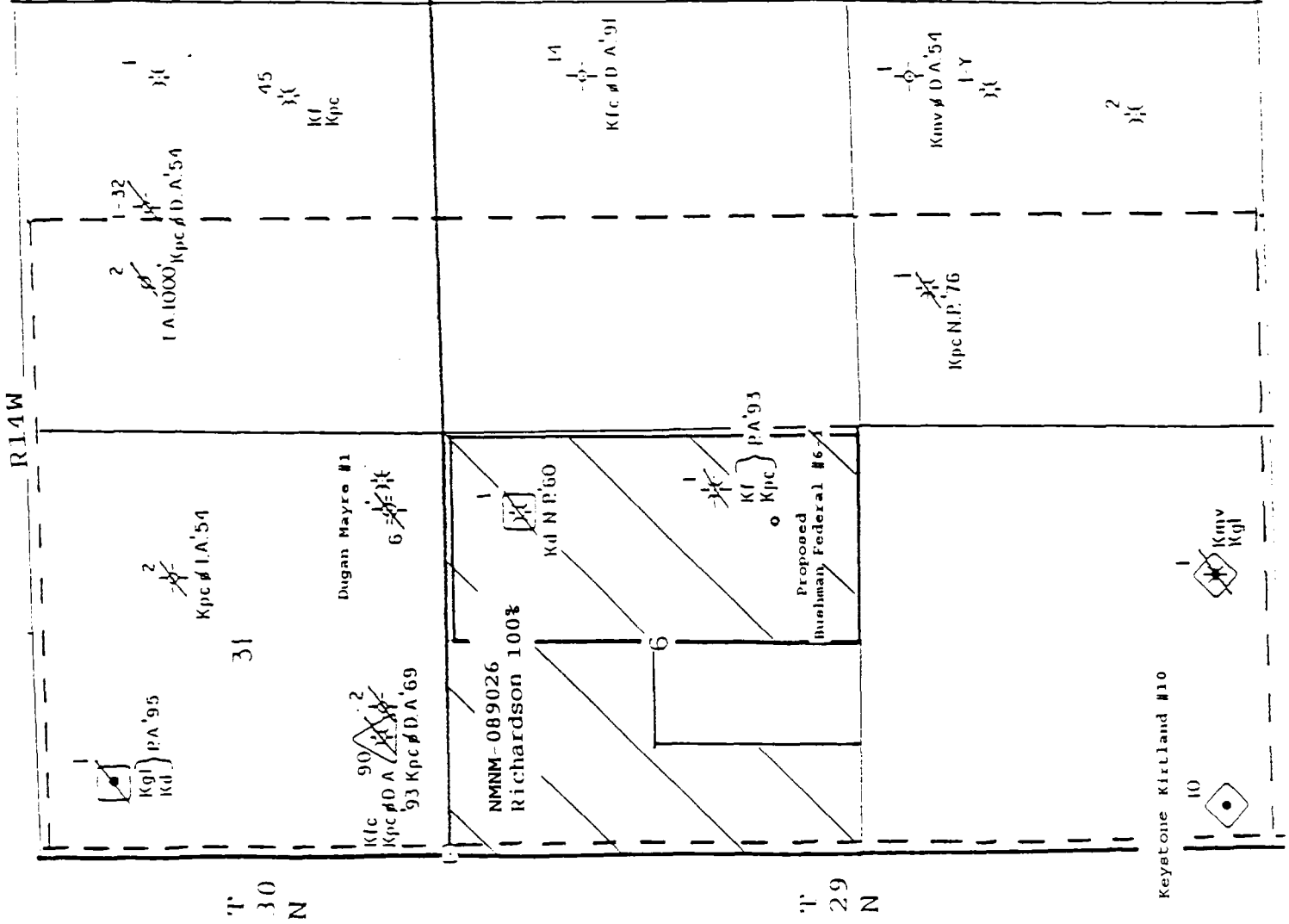


EXHIBIT "B"

E/2-Section 6-Township 29 North-Range 14 West, NMPM
Owners Entitled to Production:

Royalty:

USA c/o Bureau of Land Management
Attn: Mr. Duane Spencer
1235 La Plata Highway
Farmington, NM 87401

Overriding Royalty:

Burlington Resources Oil & Gas Company
Attn: Mr. James Strickler
P.O. Box 4289
Farmington, NM 87499-4289

Working Interest:

Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

EXHIBIT "C"

Offsetting Operators/Owners to:
E/2-Section 6-Township 29 North-Range 14 West, NMPM

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

Keystone Energy, a NM LLC
P.O. Box 962
Farmington, NM 87499

USA c/o Bureau of Land Management
Attn: Mr. Duane Spencer
1235 La Plata Highway
Farmington, NM 87401

Anne Burrows Church
c/o Walter W. Church
1777 NE Loop 410, Suite 707
San Antonio, TX 78217

Eva Thompson Burrows
9319 Powhatan
San Antonio, TX 78230

Joseph E. and Twila M. Goodding Living Trust
Dated 7-12-89, Twila M. Goodding, Trustee
1009 Crestview Circle
Farmington, NM 87401

Hugh L. Sterling and Iva A. Sterling
Bloomfield Highway
Farmington, NM 87401

Dr. William A. Hall and Suzanne Hall
416 N. Behrend
Farmington, NM 87401

Dr. Charles W. Amsden
P.O. Box 4671
Yah Ta Hey, NM 87375

First National Bank of Iowa City, Iowa as
Trustee Under Trust Agreement, dated May 20, 1965
P.O. Box 1880
Iowa City, IA 52244

Winifred Amsden, Trustee of
Winifred Amsden Trust, dated July 2, 1991
1730 Ponderosa
Los Alamos, NM 87544

Larry Amsden
172/10 Sukhumvit S01 23
Bangkok 10110 Thailand

Address Unknown:
Thomas W. Pettit