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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)

May 3, 1999

**HAND DELIVERED**

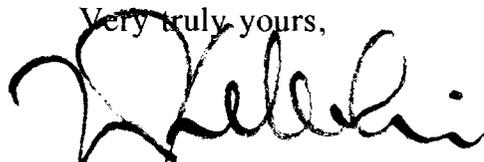
Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: **WP State "2" Well No. 1**  
**Application of Richardson Operating Company**  
**for compulsory pooling and downhole commingling**  
**San Juan County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Richardson Operating Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 27, 1999. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

  
W. Thomas Kellahin

cc: Richardson Operating Company  
Attn: Cathy Colby

12187  
99 APR 33 AM 11:02  
OIL CONSERVATION DIV.

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

12187

**CASE \_\_\_**: Application of Richardson Operating Company for compulsory pooling and downhole commingling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 2, T30N, R14W, NMPM, San Juan County, New Mexico, forming standard 160-acre and 320-acre spacing and proration units, respectively. Said units are to be dedicated to its WF State "2" Well No. 1 which is to be located at a standard gas well location within Unit A of this section for downhole commingled production from the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in said 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.

Said well is located approximately 6 miles north of the northwestern corner of the City of Farmington, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF RICHARDSON OPERATING COMPANY FOR  
COMPULSORY POOLING AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 12187

**A P P L I C A T I O N**

Comes now RICHARDSON OPERATING COMPANY, 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 in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 2, T30N, R14W, NMPM, San Juan County, New Mexico, forming standard 160-acre and 320-acre spacing and proration units, respectively. These units are to be dedicated to its WF State "2" Well No. 1 which is to be located at a standard gas well location within Unit A of this section for downhole commingled production from the Undesignated Harper Hill Fruitland Sand Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in said 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, Richardson Operating Company ("Richardson") states:

1. Richardson has a working interest ownership in the oil and gas minerals underlying the NE/4 and the N/2 of Section 2, T30N, R14W, NMPM, San Juan County, New Mexico.

2. Richardson 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 Basin Fruitland Coal Gas Pool with any Pictured Cliffs production to be dedicated respectively to a 320-acre coal-gas spacing and proration unit consisting of the N/2 of Section 2 and to a 160-acre gas spacing and proration unit consisting of the NE/4 of this section for production from the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Gas Pool.

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, Richardson 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, Richardson 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. Richardson requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for May 27, 1999.

WHEREFORE, Richardson, as applicant, requests that this application be set for hearing on May 27, 1999 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) Richardson Operating Company 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 of \$5000 per month drilling and \$500 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:



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

## EXHIBIT A

## NOTIFICATION LIST

Mr. Robert L. Hamilton  
8 Blacklog Road  
Kentfield, CA 94904

Mrs. Myrtle Jo Orzalli  
2790 Bruce Street  
Matlacha, FL 33993

New Mexico State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148

Evko Development Company  
P.O. Box 245  
Sausalito, CA 94966

Credo Petroleum Corporation  
1801 Broadway, Suite 900  
Denver, CO 80202

R. K. O'Connell  
C. S. O'Connell  
P.O. Box 2003  
Casper, WY 82602

Bill D. Farleigh  
P.O. Box 3215  
Casper, WY 82602-3215

Don E. Lawson and Marjorie C. Lawson, Trustees  
3350 Arroyo Place  
Casper, WY 82604

Harvest Energy Company  
3501 S. Corona #7  
Englewood, CO 80110

Burlington Resources Oil & Gas Company  
P.O. Box 4289  
Farmington, NM 87499-4289

Four Star Oil & Gas Company  
P.O. Box 46513  
Denver, CO 80201-6513

Dugan Production Corp.  
P.O. Box 420  
Farmington, NM 87401

Bureau of Land Management  
Farmington District Office  
1235 La Plata Highway  
Farmington, NM 87401

EXHIBIT B

Uncommitted Working Interest Owners:

Mr. Robert L. Hamilton  
8 Blacklog Road  
Kentfield, CA 94904

Mrs. Myrtle Jo Orzalli  
2790 Bruce Street  
Matlacha, FL 33993



RICHARDSON OPERATING COMPANY  
WF State #2-1  
Commingling Application

There are currently no Fruitland Coal or Pictured Cliffs completions in this nine-section area. Based on recent Richardson Operating Company wells in the southwest quarter of this township, it is anticipated that both zones will have similar bottom hole pressures of approximately 200 psi. Both zones produce some water and no liquid hydrocarbons. Neither zone is fluid sensitive and fluids from the two zones are compatible.

Since neither zone has enough data to prepare a reliable production forecast, or predict the ultimate reserves, Richardson Operating Company proposes to allocate the production based on a ratio of the initial production rates. The Pictured Cliffs zone will be completed first and tested. The test results will establish the baseline for the Pictured Cliffs production. The Fruitland Coal formation will then be completed separately, but it will have to be produced with the Pictured Cliffs. The Fruitland Coal production will be the total measured production minus the Pictured Cliffs baseline rate.

Assuming a 7% decline rate from the Pictured Cliffs, the allocation formula is as follows:

**Pictured Cliffs Production** = Pictured Cliffs base rate  $\times e^{-Dt}$ , where  $D = 7\%/yr$  and  $t =$  time in years since first production.

**Fruitland Coal Production** = Total Production - Pictured Cliffs production

**District I**  
1425 N. French Dr., Hobbs, NM 88240

**District II**  
811 South First, Artesia, NM 88210

**District III**  
1000 Rio Grande Rd., Aztec, NM 87410

**District IV**  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-102  
Revised March 17, 1994

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		78150		* Well Name		Undesignated Harper Hill Fruitland Sand Pictured Cliffs ext.	
* Property Code	* Property Name				* Well Number		
	WT State				2-1		
* OGRID No.	* Operator Name				* Elevation		
	RICHARDSON OPERATING COMPANY				5750'		

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	2	30 N	14 W		800'	North	915'	East	San Juan

11 Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160	Y		

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

16				17 OPERATOR CERTIFICATION
				I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
				Signature <i>Cathleen Colby</i>
				Printed Name Cathleen Colby Title Land Manager Date April 30, 1999
				18 SURVEYOR CERTIFICATION
				I hereby certify that the well location shown 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 Signature and Seal of Professional Surveyor 
				Certificate Number

101  
 N. French Dr., Hobbs, NM 88240  
 102  
 South First, Artesia, NM 88210  
 103  
 Rio Brazos Rd., Aztec, NM 87410  
 104  
 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION  
 2040 South Pacheco  
 Santa Fe, NM 87505

Form C-102  
 Revised March 17, 1994

Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Well Code 71629		3 Well Name Basin Fruitland Coal		4 Well Name	
5 Property Code		6 Property Name WT State				7 Well Number 2-1	
8 OGRID No.		9 Operator Name RICHARDSON OPERATING COMPANY				10 Elevation 5750'	

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	2	30 N	14 W		800'	North	915'	East	San Juan

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedication Acres 320	13 Joint or Infill Y	14 Classification Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

6 	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
	Signature: <u>Cathleen Colby</u> Printed Name: <u>Cathleen Colby</u> Title: <u>Land Manager</u> Date: <u>April 30, 1999</u>	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown 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: _____ Signature and Seal of Registered Land Surveyor: <u>[Signature]</u> 		Certificate Number: _____