

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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

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)

January 2, 2002

HAND DELIVERED

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

Case 12797

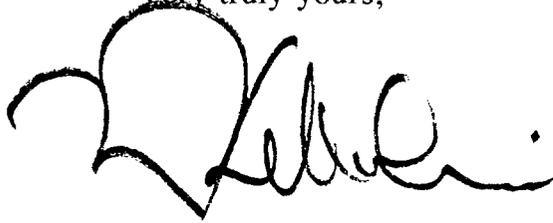
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**Re: RPC "17" Well No. 3
S/2 & SW/4 Sec 17, T29N, R13W
Application of Richardson Production Company
for compulsory pooling
San Juan County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Richardson Production Company, please find enclosed the referenced application which we request be advertised for hearing on the Examiner's docket now scheduled for January 24, 2002. Also enclosed is our proposed advertisement of this case for that docket.

Very truly yours,



W. Thomas Kellahin

cc: Richardson Production Company
Attn: Rebecca E. Van Blaricom

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 12797: Application of Richardson Production Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SW/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the S/2 of Section 17, T29N, R13W, NMPM, San Juan County, New Mexico, forming standard 160-acre and 320-acre spacing and proration units, respectively. The units are to be dedicated to its RPC "17" Well No. 3 which is to be located in Unit M of Section 17 for downhole commingled production from the Pictured Cliffs formation and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in the 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 Richardson Operating Company as the operator of the well. The well is located approximately 1-1/2 miles west from the Center 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 PRODUCTION COMPANY FOR
COMPULSORY POOLING AND DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 12797

APPLICATION

Comes now RICHARDSON PRODUCTION 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 SW/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the S/2 of Section 17, T29N, R13W, NMPM, San Juan County, New Mexico, forming standard 160-acre and 320-acre spacing and proration units, respectively. The units are to be dedicated to its RPC "17" Well No. 3 which is to be located in Unit M of Section 17 for downhole commingled production from the Pictured Cliffs formation and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in the 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 Richardson Operating Company as the operator of the well.

In support of its application, Richardson Production Company ("Richardson") states:

1. Richardson has acquired a right to drill for the oil and gas minerals underlying the SW/4 and the S/2 of Section 17, T29N, R13W, NMPM, San Juan County, New Mexico.

2. Richardson has proposed to the other working interest owners and unleased mineral 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 S/2 of Section 17 and to a 160-acre gas spacing and proration unit consisting of the SW/4 of Section 17 for production from the Pictured Cliffs formation.

3. In accordance with Division Rule 303, applicant will file an application with the Division for administrative approval to drill, complete, produce and operate this well as a downhole commingled wellbore.

4. Despite its good faith efforts, Richardson has been unable to obtain a written voluntary agreement from all owners as shown on Exhibit "A".

5. Pursuant to NMSA 1978, Section 70-2-17.C 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, a copy of this application has been sent to those interest owners.

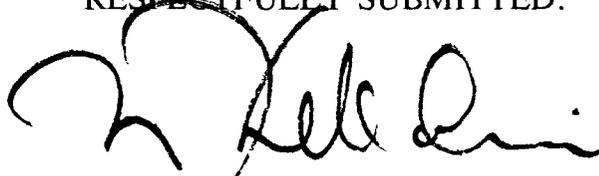
7. Richardson requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for January 24, 2002.

WHEREFORE, Richardson, 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 interest described in these spacing units for the drilling, completion and operations of the subject well for downhole commingled production 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 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". The signature is fluid and cursive, with a large initial "W" and "K".

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

Force Pooling
S/2 (Fruitland Coal) SW/4 Pictured Cliffs Section 17-T29N-R13W
RPC 17-3

Arnette Small
2516 Sinbad Road
Dodgeville, WI 53533
2.1663 net acres (FC) 1.2498 net acres (PC)

Elizabeth L Fisk, Trustee
P O Box 310
Farmington, NM 87499
1.5406 acres (FC)

Howard Henderson, deceased
5809 North 24th Place
Phoenix, AZ 86016
5.50 net acres (FC) 3.75 net acres (PC)

Julia Cremean Satterley
P O Box 448
Wadsworth, IL 60083
2.1663 net acres (FC) 1.2498 net acres (PC)

Dr. William A Hall
416 N Behrend Street
Farmington, NM 87401
5.00 net acres (FC)

First National Bank of Iowa City, Iowa
Trustee U/T/A dated August 6, 1966
P O Box 1800
Iowa City, IA 52244
5.00 net acres (FC)

Navajo Bible Missionary Church
P O Box 1655
Farmington, NM 87499
.4300 net acres (FC)

New Mexico State Highway Department
Attn: Mr. Lester Cisneros
P O Box 1149
Santa Fe, NM 8750-1149
1.0733 net acres (FC)

