

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:

CASE NO. 9745
Order No. R-9033

APPLICATION OF RICHMOND PETROLEUM
INC. FOR COMPULSORY POOLING AND
AN UNORTHODOX COAL GAS WELL
LOCATION, SAN JUAN COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989 and on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of November, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the September 6, 1989 hearing Division Cases Nos. 9744, 9745, 9746, and 9750 were consolidated for the purpose of testimony.

(3) The applicant, Richmond Petroleum Inc. (Richmond), originally sought to compulsory-pool all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 N/2 (N/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, forming a non-standard 237.60-acre gas spacing and proration unit for said pool to be dedicated to a well to be drilled at an undetermined location.

(4) Richmond also appeared at the September 6, 1989 hearing as applicant in Division Case No. 9746, to compulsory-pool the Basin-Fruitland Coal Gas Pool interests in the S/2 of said Section 9, and in Division Case No. 9744, to compulsory-pool the Basin-Fruitland Coal Gas interests underlying the W/2 equivalent of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico.

(5) Meridian Oil Inc. (Meridian) appeared at the September 6, 1989 hearing in opposition to all of the Richmond cases and sought in Division Case No. 9750 to compulsory-pool the Basin-Fruitland Coal Gas Pool interests underlying Lots 1 and 2, the SE/4 NE/4, and the E/2 SE/4 of Section 8 and the SW/4 of Section 9, both in Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, to form a non-standard 317.51-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at a standard coal gas well location in the SW/4 of said Section 9.

(6) Subsequent to said September 6, 1989 hearing, Richmond Petroleum Inc. has amended its application in the immediate case and now seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 1 and 2, the S/2 NE/4 and the SE/4 (E/2 equivalent) of said Section 9, forming a standard 279.4-acre gas spacing and proration unit for said pool.

(7) Richmond has also dismissed its application in Case No. 9746 and Meridian Oil Inc. has amended its application in Case No. 9750 to change the acreage to be pooled in the Basin-Fruitland Coal Gas Pool to the W/2 equivalent of said Section 9.

(8) As a result of the referenced amended and dismissed applications and the stipulation of Richmond and Meridian, each company has withdrawn their respective objections to the application of the other, as amended.

(9) The applicant has the right to drill a well within the proposed proration unit and further seeks approval for an unorthodox coal gas well location 360 feet from the North line and 120 feet from the East line (Unit A) of said Section 9.

(10) The subject unorthodox coal gas well location is necessitated because approximately 91 percent of the proposed proration unit is below the high water mark of the Navajo Reservoir. In the NE/4 equivalent of said Section 9 there is only a small portion of land in the extreme northeast corner of the subject unit that is above this high water mark and which may be suitable for drilling activity.

(11) Final authorization to drill the subject well will be from the United States Bureau of Reclamation and only after an extensive review of the proposed well site and any possible effects it would have on and to the immediate and surrounding area.

(12) Should it be necessary to relocate the well on this small isolated parcel of land in the extreme northeast corner of the unit at the request of the United States Bureau of Reclamation or other authorizing agency of the United States Government, then such move should be approved only if an alternate site is no more unorthodox than the subject well location.

(13) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(14) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said amended unit.

(15) The applicant should be designated the operator of the subject well and unit.

(16) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(17) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(18) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is excessive and should therefore be reduced to 156 percent.

(19) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(20) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(21) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(22) At the time of the hearing, the applicant proposed that the reasonable monthly fixed charges for supervision while drilling and producing be \$4500.00 and \$450.00, respectively.

(23) Also based on established precedents from prior compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the above drilling and producing charges are in excess of the normal monthly fixed charges in this area for a well to a comparable depth and should therefore be adjusted to reflect a more reasonable rate.

(24) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(25) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(26) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(27) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(28) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 1 and 2, the S/2 NE/4 and the SE/4 (E/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 279.4-acre gas spacing and proration unit for said pool, said unit to be dedicated to a well to be drilled at an unorthodox coal gas well location 360 feet from the North line and 120 feet from the East line (Unit A) of said Section 9.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1990, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Richmond Petroleum Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Should it be necessary for the well location to be moved to accommodate the request of the United States Bureau of Reclamation or any other Surface Management Agency of the Federal Government, any said move shall be approved only if the alternate well site is no more unorthodox than the above-described well location in the NE/4 equivalent of said Section 9.

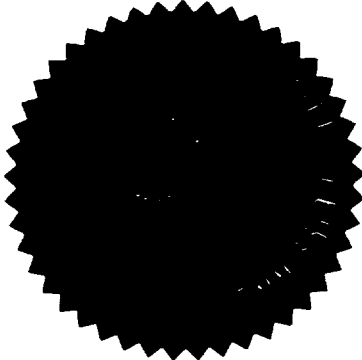
-8-

Case No. 9745

Order No. R-9033

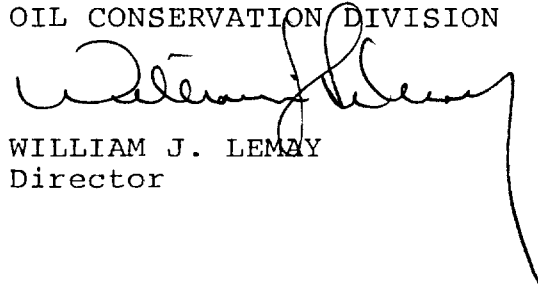
(16) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', written over the printed name and title.

WILLIAM J. LEMAY
Director

fd/

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:

CASE NO. 9750
ORDER NO. R-_____

APPLICATION OF MERIDIAN OIL, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

September 6, 1989 and on

This cause came on for hearing at 8:15 a.m. on ^{October 4,} 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of October, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(1) *At the September 9, 1989 hearing Division Cases Nos. 9744, 9745, 9746, and 9750 were consolidated for the purpose of testimony.*

(1) *The applicant, Meridian Oil, Inc., (Meridian) originally sought ^{the} compulsory pooling of ~~part~~ all mineral interests in the Basin Fruitland Coal Gas Pool underlying lots 1 and 2, the SE $\frac{1}{4}$ NE $\frac{1}{4}$, and the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 8 and the SW $\frac{1}{4}$ of Section 9, both in Township 32 North, Range 6 West, NMRM, San Juan County, New Mexico, forming a non-standard 317.51-acre gas spacing and production unit for said pool, to be dedicated to its Allison Unit Com. Well No. 135 to be drilled at a standard coal gas well location in the SW $\frac{1}{4}$ of said Section 9.*

(1) *Richmond Petroleum Inc. (Richmond) appeared at the September 6, 1989 hearing in opposition to the Meridian application and sought in Division Case No. 9746 to compulsory pool ~~the SE $\frac{1}{4}$ of Section 8~~ the Basin Fruitland Coal Gas Pool interests in the E $\frac{1}{2}$ of said Section 9 and in original Case No.*

22-141 50 SHEETS
22-142 100 SHEETS
22-144 200 SHEETS

9745 to compulsory pool the Basin Fruitland Coal Gas Pool interests underlying the $\frac{W}{2}$ equivalent of said Section 9, and finally in Division Case No. 9744 sought to compulsory pool the Basin Fruitland Coal Gas Pool interests underlying the $\frac{W}{2}$ equivalent of ~~said~~ Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico.

() Subsequent to the September 6, 1989 hearing of these consolidated cases, Meridian Oil Inc. ~~am~~ has amended its application in the immediate case and now ~~amends~~

~~(2) The applicant, Meridian Oil, Inc.,~~ seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, forming a standard 278.2-acre gas spacing and proration unit for said pool, and Richmond has dismissed its application in Case No. 9746 and in Case No. ~~9745~~ 9745 has amended its application to change the acreage to be pooled in the Basin ~~at Richmond~~ Fruitland Coal Gas Pool to the $\frac{E}{2}$ equivalent of said Section 9,

(6) As a result of the referenced amended and dismissed applications and the stipulation of Meridian and Richmond, each company has withdrawn their respective opposition to the application of the other, as amended.

(3) The applicant has the right to drill and proposes to drill a well at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9, ~~forming a standard 278.2-acre, more or less, gas spacing and proration unit for said pool.~~

(4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said ^{amended} unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying this share of reasonable well costs out of production.

(9) The applicant has proposed a 200 percent risk penalty be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

() Based on established precedence from prior compulsory pooling cases in the Basin Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(8) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 ~~200~~ percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) \$ 3500.⁰⁰ per month while drilling and \$ 350.⁰⁰ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(15) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4 and the SW/4 (W/2 equivalent) of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 278.2-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard coal gas well location 900 feet from the South line and 1490 feet from the West line (Unit N) of said Section 9. *for said pool, said unit*

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1989, ~~Ordering~~ Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown. *Director*

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why ~~Ordering~~ Paragraph No. (1) of this order should not be rescinded. *Director*

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date of the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45-days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay the to operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working

interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$ 3500.⁰⁰ per month while drilling and \$ 350.⁰⁰ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9750
Order No. R- _____
Page No. 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

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:

CASE NO. 9706
ORDER NO. R-8989

APPLICATION OF BAHLBURG EXPLORATION
FOR AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 9, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of August, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Bahlburg Exploration, seeks approval of an unorthodox oil well location 900 feet from the South line and 50 feet from the West line (Unit M) of Section 25, Township 13 South, Range 37 East, NMPM, to test the Undesignated King-Devonian Pool, Lea County, New Mexico.

(3) The SW/4 SW/4 of said Section 25 is to be dedicated to the well forming a 40-acre oil spacing and proration unit for said pool.

(4) The geologic evidence presented at the hearing established that the Devonian formation produces in this area as a result of entrapment within a complex faulted structural closure.

(5) The position of the critical faults at the proposed location has been determined by seismic data and well control.

Case No. 9706
Order No. R-8989
Page No. 2

(6) A well drilled in the proposed location will better enable the applicant to penetrate the potentially productive upthrown Devonian reservoir, thereby enabling the applicant to produce his share of the reserves underlying the proration unit.

(7) The offset operator immediately to the west in Section 26 to which the proposed location is unorthodox, BTA Oil Producers, has agreed to the proposed location.

(8) No offset operator objected to the proposed unorthodox location.

(9) Due to the well's close proximity to the outer boundary of the proposed proration unit the applicant should be required to conduct an accurate wellbore survey from the surface to total depth to determine its actual position and course.

(10) Subsequent to conducting said wellbore survey, should it be determined that the well's producing interval is located in a proration unit other than the above-described acreage, the operator should be required to meet any subsequent applicable Division requirements prior to producing the well.

(11) Approval of the subject application, along with the above-described provisions, will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Bahlburg Exploration for an unorthodox oil well location to test the Undesignated King-Devonian Pool is hereby approved for a well to be located 900 feet from the South line and 50 feet from the West line (Unit M) of Section 25, Township 13 South, Range 37 East, NMPM, Lea County, New Mexico. The SW/4 SW/4 of said Section 25 shall be dedicated to the above-described well forming a standard 40-acre oil spacing and proration unit for said pool.

PROVIDED HOWEVER THAT, upon completion of drilling operations the applicant shall conduct an accurate wellbore survey from the surface to total depth in order to determine its actual position and course.

Case No. 9706
Order No. R-8989
Page No. 3

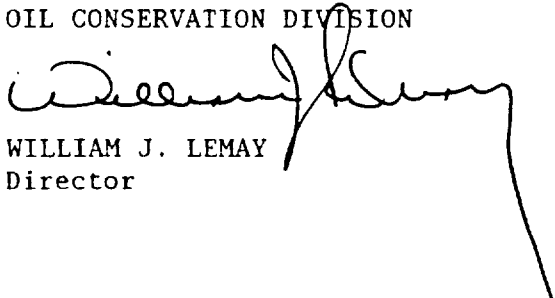
(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) Should it be determined from said directional survey that the subject well's producing interval is located in a proration unit other than the above-described acreage dedication for either an oil or gas well for this particular location, the applicant shall be required to meet any subsequent Division approvals prior to producing the well.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

Example *M.S. 10/6/89*
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:

CASE NO. 9744
ORDER NO. R-_____

APPLICATION OF RICHMOND PETROLEUM, INC.
FOR COMPULSORY POOLING AND AN UNORTHODOX
COAL GAS WELL LOCATION, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989 and on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of October, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the September 6, 1989 hearing, Division Case Nos. 9744, 9745, 9746 and 9750 were consolidated for the purpose of testimony.

(3) The applicant, Richmond Petroleum, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, forming a standard 279-acre gas spacing and proration unit for said pool.

(4) The applicant has the right to drill a well within the proposed proration unit and further seeks approval for an unorthodox coal gas well location 1450 feet from the North line and 1815 feet from the West line (Unit F) of said Section 10.

(5) At the September 6, 1989 hearing Meridian Oil, Inc., an operator and mineral interest owner in the area objected to this application in its entirety; however, Meridian appeared at the October 4, 1989 hearing to withdraw such objection and further went on record in support of the subject application.

(6) The unorthodox gas well location request is necessitated due to topographical conditions caused by the presence of the Navajo Reservoir throughout a large portion of the subject acreage making a standard well location in the SW/4 of said Section 10 impractical.

(7) The applicant also presented testimony indicating that a well directionally drilled from the subject location to a standard bottomhole coal gas well location within the subject unit would not be economically feasible.

(8) No other offset operators or interest owners objected to the unorthodox location of the proposed well.

(9) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(10) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(11) The applicant should be designated the operator of the subject well and unit.

(12) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying this share of reasonable well costs out of production.

(13) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(14) Based on established precedence from prior compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(15) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(16) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(17) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(18) At the time of the hearing, the applicant proposed that the reasonable monthly fixed charges for supervision while drilling and producing be \$4500.00 and \$450.00, respectively.

(19) Also based on established precedence from prior compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the above drilling and producing charges are in excess of the normal monthly fixed charges in this area for a coal gas well and should therefore be adjusted to reflect a more reasonable rate.

(20) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(21) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(22) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(23) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(24) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 279-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox coal gas well location 1450 feet from the South line and 1815 feet from the West line (Unit F) of said Section 10.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1990, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Richmond Petroleum Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date of the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45-days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay the to operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9744
Order No. R- _____
Page No. 7

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

M.S. 10/6/89

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:

CASE NO. 9744
ORDER NO. R-_____

APPLICATION OF RICHMOND PETROLEUM, INC.
FOR COMPULSORY POOLING AND AN UNORTHODOX
COAL GAS WELL LOCATION, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989 and on October 4, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of October, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the September 6, 1989 hearing, Division Case Nos. 9744, 9745, 9746 and 9750 were consolidated for the purpose of testimony.

(3) The applicant, Richmond Petroleum, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, forming a standard 279-acre gas spacing and proration unit for said pool.

(4) The applicant has the right to drill a well within the proposed proration unit and further seeks approval for an unorthodox coal gas well location 1450 feet from the North line and 1815 feet from the West line (Unit F) of said Section 10.

(5) At the September 6, 1989 hearing Meridian Oil, Inc., an operator and mineral interest owner in the area objected to this application in its entirety; however, Meridian appeared at the October 4, 1989 hearing to withdraw such objection and further went on record in support of the subject application.

(6) The unorthodox gas well location request is necessitated due to topographical conditions caused by the presence of the Navajo Reservoir throughout a large portion of the subject acreage making a standard well location in the SW/4 of said Section 10 impractical.

(7) The applicant also presented testimony indicating that a well directionally drilled from the subject location to a standard bottomhole coal gas well location within the subject unit would not be economically feasible.

(8) No other offset operators or interest owners objected to the unorthodox location of the proposed well.

(9) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(10) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(11) The applicant should be designated the operator of the subject well and unit.

(12) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying this share of reasonable well costs out of production.

(13) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(14) Based on established precedence from prior compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(15) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(16) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(17) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(18) At the time of the hearing, the applicant proposed that the reasonable monthly fixed charges for supervision while drilling and producing be \$4500.00 and \$450.00, respectively.

(19) Also based on established precedence from prior compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, the above drilling and producing charges are in excess of the normal monthly fixed charges in this area for a coal gas well and should therefore be adjusted to reflect a more reasonable rate.

(20) \$3500.00 per month while drilling and \$350.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(21) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(22) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(23) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(24) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 10, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 279-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox coal gas well location 1450 feet from the South line and 1815 feet from the West line (Unit F) of said Section 10.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal Gas Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1990, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Richmond Petroleum Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date of the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45-days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay the to operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9744
Order No. R-_____
Page No. 7

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7816
Order No. R-7242

APPLICATION OF SOVEREIGN OIL CO.
FOR DIRECTIONAL DRILLING, UNORTHODOX
LOCATION, COMPULSORY POOLING, AND A
NON-STANDARD PRORATION UNIT, SAN JUAN
COUNTY, NEW MEXICO.

See Also
R-7242-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of March, 1983, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Sovereign Oil Co., seeks authority to directionally drill its proposed 32-6 Well No. 1 from a surface location 1730 feet from the North line and 900 feet from the West line of Section 9, Township 32 North, Range 6 West, San Juan County, New Mexico, by kicking off from the vertical at a depth of 1500 feet and drilling in a northerly direction in such a manner as to penetrate the Pictured Cliffs formation at an unorthodox location within 50 feet of a point 1500 feet from the North line and 900 feet from the West line and to penetrate the Mesaverde formation at an unorthodox location no nearer than 1100 feet from the North line and no nearer than 700 feet from the West line, all in said Section 9, dedicating the N/2 of said Section 9 to the well.

(3) That the applicant further seeks an order pooling all mineral interests in the Mesaverde and Pictured Cliffs formations underlying a 237.6-acre non-standard proration unit

comprising the N/2 of said Section 9. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

(4) That at the time of the hearing the applicant requested and received approval to dismiss those portions of this application seeking compulsory pooling and directional drilling to the Mesaverde formation.

(5) That the unorthodox surface location and directional drilling are necessary in that a standard well location lies below the high water mark within Navajo reservoir.

(6) That the non-standard prortion unit is the result in variation in the legal subdivision of the U. S. Public Land Surveys.

(7) That the applicant should be required to determine the subsurface location of the bottom hole and of the hole within the Pictured Cliffs formation by means of a continuous multi-shot directional survey conducted subsequent to said directional drilling, if said well is to be completed as a producing well.

(8) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Sovereign Oil Co., is hereby authorized to directionally drill a well from an unorthodox surface location 1730 feet from the North line and 900 feet from the West line of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, vertically to an approximate depth of 1500 feet and then directionally to a bottom hole location in the Pictured Cliffs formation within 50 feet of a point 1500 feet from the North line and 900 feet from the West line of said Section 9.

(2) That a 237.6 acre non-standard gas proration unit consisting of the North half of said Section 9 to be dedicated to said directionally drilled well, is hereby approved for the Pictured Cliffs formation.

PROVIDED HOWEVER, that subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore from total depth to the kick-off point with shot

points not more than 100 feet apart; that the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, P. O. Box 2088, Santa Fe, New Mexico, and that the operator shall notify the Division's Aztec District Office of the date and time said survey is to be commenced.

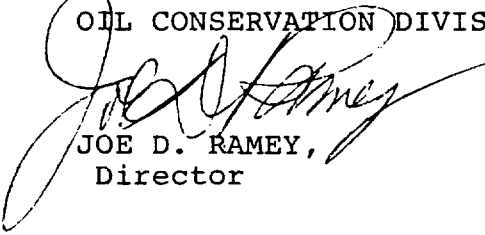
(3) That Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths, and the bottom hole location of the well.

(4) That those portions of the subject application seeking compulsory pooling in the Pictured Cliffs and Mesaverde formations and for directional drilling to the Mesaverde formation are hereby dismissed.

(5) That jurisdiction of this cause, is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7919
Order No. R-7242-A

APPLICATION OF SOVEREIGN OIL COMPANY
FOR AMENDMENT OF DIVISION ORDER
NO. R-7242, SAN JUAN COUNTY,
NEW MEXICO.

*See Also
R-7242*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 20, 1983,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 1st day of August, 1983, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Sovereign Oil Company, seeks an
amendment of Division Order No. R-7242 to show corrected
unorthodox surface and bottomhole locations for their 32-6 Well
No. 1 located in Section 9, Township 32 North, Range 6 West, as
follows:

Surface location 1730 feet from the North line and
900 feet from the West line;

bottomhole location at the top of the Pictured Cliffs
formation 1482 feet from the North line and 836 feet
from the West line;

and a bottomhole location at the base of the Pictured
Cliffs formation 1442 feet from the North line and
826 feet from the West line.

(3) That the bottomhole location in Order No. R-7242 was calculated in error.

(4) That Order (1) of said Order No. R-7242 should be amended to reflect the true bottomhole location described in Finding No. (1) above.

IT IS THEREFORE ORDERED:

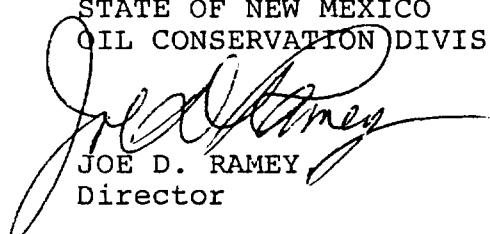
(1) That Order (1) of Division Order No. R-7242 is hereby amended to read in its entirety as follows:

"(1) That the applicant, Sovereign Oil Co., is hereby authorized to directionally drill a well from an unorthodox surface location 1730 feet from the North line and 900 feet from the West line of Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico, vertically to an approximate depth of 1500 feet and then directionally to a bottomhole location in the Pictured Cliffs formation within 50 feet of a point 1442 feet from the North line and 826 feet from the West line of said Section 9."

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 740
ALBUQUERQUE, NEW MEXICO 87102-2121
(505) 768-1500
FAX (505) 768-1529

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. WASKO
JOHN C. CHAMBERS*
THOMAS D. HAINES, JR.
FRANKLIN H. MCCALLUM*

GREGORY J. NIBERT
DAVID T. MARKETTE*
MARK C. DOW
KAREN M. RICHARDSON*

FRED W. SCHWENDIMANN
DAVID MORAN
JAMES R. MCADAMS*
JAMES M. HUDSON
MACDONNELL, GORDON
REBECCA NICHOLS JOHNSON
PAUL R. NEWTON
WILLIAM P. JOHNSON
ELLEN S. CASEY
MARGARET C. LUDEWIG
PATRICIA A. WATTS*
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
S. BARRY PAISNER
W. CRAIG BARLOW*
JAMES A. GILLESPIE
KAREN L. COLLIER
GARY W. LARSON
STEPHANIE LANDRY
JERRY D. WORSHAM, II

OF COUNSEL
O. M. CALHOUN
MACK EASLEY
JOE W. WOOD

CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNOODGRASS, JR. (1914-1987)

*NOT LICENSED IN NEW MEXICO

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88202
(505) 622-6510
FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691
FAX (915) 683-6518

1700 TEXAS AMERICAN BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5589
FAX (806) 372-9761

218 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554

August 11, 1989

FEDERAL EXPRESS

Ms. Florene Davidson
New Mexico Oil Conservation
Division
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87503

Dear Florene:

Enclosed are an original and two copies each of three separate amended applications by Richmond Petroleum Inc. The applications were previously filed under the name of Richmond-Hogue Oil & Gas Partnership. Also, please note the changes in the application on the W $\frac{1}{2}$ S 10. Please set these matters for hearing on September 6, 1989.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By:  James Bruce

JB:le
Enclosures

RECEIVED

AUG 14 1989

OIL CONSERVATION DIVISION

Case 9745

RECEIVED

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION AUG 14 1989

OIL CONSERVATION DIVISION

APPLICATION OF RICHMOND PETROLEUM)
INC. FOR COMPULSORY POOLING, A)
NON-STANDARD SPACING AND PRORATION)
UNIT, AND AN UNORTHODOX GAS WELL)
LOCATION, SAN JUAN COUNTY, NEW)
MEXICO.)

Case No. 9745

AMENDED APPLICATION

Richmond Petroleum Inc. hereby makes application for an order pooling all interests in the Basin-Fruitland Coal Gas Pool underlying the N $\frac{1}{2}$ of Section 9, Township 32 North, Range 6 West, N.M.P.M. San Juan County, New Mexico, for a non-standard spacing and proration unit, and for an unorthodox gas well location, and in support thereof would show:

1. Applicant previously filed an application for compulsory pooling, etc., on the N $\frac{1}{2}$ of Section 9 under the name of Richmond-Hogue Oil & Gas Partnership. Due to a name change, Applicant should be listed as Richmond Petroleum Inc.

2. Applicant has the right to drill a well in the N $\frac{1}{2}$ of said Section 9.

3. The N $\frac{1}{2}$ of Section 9 is comprised of Lots 1-4 and the S $\frac{1}{2}$ N $\frac{1}{2}$, comprising 237.60 acres, more or less.

4. Applicant proposes to drill a well in the N $\frac{1}{2}$ of Section 9 to a depth sufficient to test the Basin-Fruitland Coal Gas Pool, and seeks to dedicate the N $\frac{1}{2}$ of Section 9 to the well.

5. Applicant has in good faith sought to join all other mineral interest owners in the N $\frac{1}{2}$ of Section 9 for the purposes set forth herein.

6. 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, certain interest owners have refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral interest owners in the Basin-Fruitland Coal Gas Pool underlying the N $\frac{1}{2}$ of Section 9, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

7. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

8. Applicant requests approval to form a 237.60 acre non-standard spacing and proration unit, which is necessary due to a variation in the United States Public Land Survey.

9. Rule 7 of Order No. R-8768, regarding the subject pool, requires the first well in each section to be completed in the NE $\frac{1}{4}$ or SW $\frac{1}{4}$ of each section. Applicant plans to drill a coal gas well in the SW $\frac{1}{4}$ of Section 9, with the S $\frac{1}{2}$ of Section 9 dedicated to that well. Due to topographical

conditions (the presence of Navajo Lake covering the NE $\frac{1}{4}$ of Section 9), applicant cannot drill in the NE $\frac{1}{4}$ of Section 9 and requests permission to drill and complete a well for the N $\frac{1}{2}$ unit in the NW $\frac{1}{4}$ of Section 9.

10. The pooling of all interests underlying the N $\frac{1}{2}$ of Section 9, as described above, the formation of a non-standard spacing and proration unit, and approval of the unorthodox well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

11. Applicant requests that this matter be heard at the September 6, 1989 Examiner hearing.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

James Bruce
500 Marquette, N.W.
Suite 740
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED

AUG 14 1989

APPLICATION OF RICHMOND PETROLEUM)
INC. FOR COMPULSORY POOLING, A)
NON-STANDARD SPACING AND PRORATION)
UNIT, AND AN UNORTHODOX GAS WELL)
LOCATION, SAN JUAN COUNTY, NEW)
MEXICO.)

Case No.

OIL CONSERVATION DIVISION
9795AMENDED APPLICATION

Richmond Petroleum Inc. hereby makes application for an order pooling all interests in the Basin-Fruitland Coal Gas Pool underlying the N $\frac{1}{2}$ of Section 9, Township 32 North, Range 6 West, N.M.P.M. San Juan County, New Mexico, for a non-standard spacing and proration unit, and for an unorthodox gas well location, and in support thereof would show:

1. Applicant previously filed an application for compulsory pooling, etc., on the N $\frac{1}{2}$ of Section 9 under the name of Richmond-Hogue Oil & Gas Partnership. Due to a name change, Applicant should be listed as Richmond Petroleum Inc.

2. Applicant has the right to drill a well in the N $\frac{1}{2}$ of said Section 9.

3. The N $\frac{1}{2}$ of Section 9 is comprised of Lots 1-4 and the S $\frac{1}{2}$ N $\frac{1}{2}$, comprising 237.60 acres, more or less.

4. Applicant proposes to drill a well in the N $\frac{1}{2}$ of Section 9 to a depth sufficient to test the Basin-Fruitland Coal Gas Pool, and seeks to dedicate the N $\frac{1}{2}$ of Section 9 to the well.

5. Applicant has in good faith sought to join all other mineral interest owners in the N $\frac{1}{2}$ of Section 9 for the purposes set forth herein.

6. 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, certain interest owners have refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral interest owners in the Basin-Fruitland Coal Gas Pool underlying the N $\frac{1}{2}$ of Section 9, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

7. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

8. Applicant requests approval to form a 237.60 acre non-standard spacing and proration unit, which is necessary due to a variation in the United States Public Land Survey.

9. Rule 7 of Order No. R-8768, regarding the subject pool, requires the first well in each section to be completed in the NE $\frac{1}{4}$ or SW $\frac{1}{4}$ of each section. Applicant plans to drill a coal gas well in the SW $\frac{1}{4}$ of Section 9, with the S $\frac{1}{2}$ of Section 9 dedicated to that well. Due to topographical

conditions (the presence of Navajo Lake covering the NE¼ of Section 9), applicant cannot drill in the NE¼ of Section 9 and requests permission to drill and complete a well for the N½ unit in the NW¼ of Section 9.

10. The pooling of all interests underlying the N½ of Section 9, as described above, the formation of a non-standard spacing and proration unit, and approval of the unorthodox well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

11. Applicant requests that this matter be heard at the September 6, 1989 Examiner hearing.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

James Bruce
500 Marquette, N.W.
Suite 740
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant