

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name _____ Signature _____ Title _____ Date _____
 e-mail Address _____

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Richardson Operating Company
OPERATOR ADDRESS: 4601 FDC Blvd, Suite 470, Denver Colorado 80237 Attention: Mr. Chuck Williams
APPLICATION TYPE: DTC

Pool Commingling Lease Commingling Pool and Lease Commingling Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: State Federal

Is this an Amendment to existing Order? Yes No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
 Yes No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
See Attachment No. 4	See Attachment No. 4	See Attachment No. 4		See Attachment No. 4	See Attachment No. 4

(2) Are any wells producing at top allowables? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No.
(4) Measurement type: Metering Other (Specify) See Attachment No. 4
(5) Will commingling decrease the value of production? Yes No If "yes", describe why commingling should be approved.

RECEIVED
 MAY 25 2004
 OIL CONSERVATION DIVISION
 1220 S. ST. FRANCIS DRIVE
 SANTA FE, NM 87505

(B) LEASE COMMINGLING
Please attach sheets with the following information

(1) Pool Name and Code.
(2) Is all production from same source of supply? Yes No
(3) Has all interest owners been notified by certified mail of the proposed commingling? Yes No
(4) Measurement type: Metering Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attached sheets with the following information

(1) Is all production from same source of supply? Yes No
(2) Include proof of notice to all interest owners. See Attachment No. 6

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location. See Attachment No. 2
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. See Attachment No. 1
(3) Lease Names, Lease and Well Numbers, and API Numbers. See Attachment No. 3

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

SIGNATURE: Charles Neeley

TITLE: Agent

DATE: May 25, 2004

TYPE OR PRINT NAME Charles Neeley, PE

TELEPHONE NO.: 505-486-0211

E-MAIL ADDRESS: neelee@acmet.com

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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 - Engineering Bureau -
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 DHC CTB PLC PC OLS OLM

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 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

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Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Charles Neeley
 Print or Type Name

Charles Neeley
 Signature

Agent/PE
 Title

May 25, 2004
 Date

neelece@acmet.com
 e-mail Address

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMSF 0 079065

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
F RPC 29-1 & F RPC 29-4Y

9. API Well No.
30-045-31173 & 30-045-32117

10. Field and Pool, or Exploratory Area
W. Kutz PC & Basin Fruitland Coal

11. County or Parish, State
San Juan, New Mexico

SUBMIT IN TRIPLICATE - Other Instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Richardson Operating Company

3a. Address
4601 TDC Blvd, Suite 470, Denver, Co 80237

3b. Phone No. (include area code)
303-830-8000

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)
El Paso CDP to be Located: SW/NW Sec 28-T29N-R13W, NMPM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>See Below</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Approval is requested for surface commingling, plus off lease measurement and sale of natural gas production for a centralized compression CDP type gathering system.

Lease Serial No.'s
NMSF 0 079065

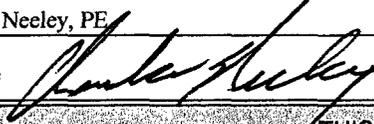
Pools
West Kutz Pictured Cliffs
Basin Fruitland Coal

See Letter of description, attached.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)
Charles Neeley, PE

Title Agent

Signature 

Date May 25, 2004

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

Name (Printed/Typed)

Title

Office

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NEELEY CONSULTING SERVICE, LLC

3001 Northridge Drive, Los Amigos Bldg
FARMINGTON, NEW MEXICO 87401
(505) 486-0211

May 25, 2004

Mr. Steve Henke, Manager
Bureau of Land Management
1235 La Plata Highway, Suite A
Farmington, NM 87401

Ms. Joanna Prukop, Interim Director
New Mexico Conservation Division
1220 South St. Francis Drive
Santa Fe, NN 87505

Re: Request for Surface Commingling – Pools, Off-lease Measurement and Sale of Produced Natural Gas
Richardson Operating Company's F RPC 29-1 and F RPC 29-4Y Gathering System: 2 Wells.
San Juan County, New Mexico

Dear Ms. Prukop and Mr. Henke:

Richardson Operating Company is writing to request your respective administrative approvals to surface commingle natural gas produced from 2 wells in Richardson Operating's planned F RPC 29-1 and F RPC 29-4Y Gathering System. Commingling of production is necessary to get produced natural gas to an El Paso CDP type sales meter and for the mutual conservation benefit of centralized compression through Richardson's planned central compressor station.

Application is, also, being made for off-lease sales measurement and production allocation to proportionally distribute production value and volume to the respective wells involved from the Central Delivery Point sales meter to be located SW/NW, Sec 28, T29N, R13W, NMPM, San Juan County, New Mexico. Production allocation, to proportionally distribute "beneficial use" compressor fuel gas will be made from the CDP meter to the wells involved (those receiving the benefits of centralized compression).

In the event a line blow-down is necessary or other gas loss occurs from the gathering system, Richardson will determine the total volume lost using industry procedures for the conditions existing at the time of the loss. The total volume lost will be allocated to the individual wells affected using percentage of total volume factors determined for the wells involved.

All lease hold interest in the gas produced is federal and Richardson Operating Company is the operator.

Each well will be equipped with an orifice type gas meter for allocation purposes.

In as much as the gas from all of the wells involved will be accurately sampled and measured on the common lease before it enters the gathering system, Richardson Production Company proposes and believes that the total production from the respective wells will be accurately accounted for. That the individual well/pool gas allocation based on the accurately sampled and measured, on lease, orifice allocation meters combined with the proposed allocation methods and formulas, accurately accounts for the mutual benefit of "beneficial use" gas and individual well/lease production. All orifice metering facilities used in measuring gas production for allocation purposes will be installed and operated in accordance with Onshore Oil and Gas Order N. 5 and NMOCD 'Meter Proving and Calibration Frequencies'. We do not anticipate either well will produce oil or condensate. However should any well produce oil or condensate, it will be equipped with separation equipment and all oil or condensate will be separated and stored on the lease.

Attachment No.1 is a Lease/Pool map showing the lease number and location of the lease plus the 2 wells that will contribute production to the gas gathering system. This map also identifies and places flow-lines, central compressor and CDP equipment.

Page 2

Attachment No. 2 is a schematic diagram clearly identifying the planed central compressor and CDP equipment to be utilized. Gas measurement at a CDP typically results in an increased level of accuracy by reducing flow irregularities that result at the wellhead meters by increasing the amount of flow and decreasing the effects of irregular or intermittent flow. The mechanical integrity of the gathering system will be demonstrated through pressure testing - the pressure charts will be available for review.

Attachment No. 3 lists estimated monthly production and BTU content of each contributing well along with other information requested by the NMOCD.

Attachment No. 4 is Pool Commingling production information requested by NMOCD.

Attachment No. 5 is Richardson Operating Company's proposed Allocation Procedure.

Attachment No. 6 is a list of all parties owning any interest in any of the production to be commingled. Richardson Operating Company has, on or before the date that this application was mailed to the NMOCD, sent notification to each of the interest owners by submitting a copy of the application and all attachments thereto, by certified mail, return receipt requested, advising them that any objection must be filed in writing with the Santa Fe office of the NMOCD within 20 days from the date the division received this application. Attachment No. 7 is a copy of the notice sent by certified mail to all interest owners. All notice letters have been sent by certified, return receipt mail and upon receiving the receipts, copies will be forwarded to the NMOCD.

As evidenced by the production allocation procedure (attachment No. 5) and the pool commingling production information (attachment No. 4), Federal and State production will be properly allocated based upon quality and quantity.

The wells involved with this system typically have bottom hole pressures of 200 psi or less. The transporter's pipeline available for gas delivery typically has pressures in the 250+ psi range, therefore these wells have no economic life without the use of compression - as long as the compression cost does not exceed the net revenue received from the production minus the "beneficial use" gas consumed by the compression.

The minimal charges against lease production for "beneficial use" gas are far exceeded by the production rate increases due to the conservative benefit of centralized compression where: 1) Fuel burning efficiencies increase with horsepower requirements; 2) Fuel burning efficiencies increase as the number of units employed decrease and 3) Compressor lease expenses decrease as the number of units employed decrease.

Richardson Operating Company is the sole operator participating in this project.

Should you need any additional information or have questions regarding this information, please feel free to contact me at 505-486-0122.

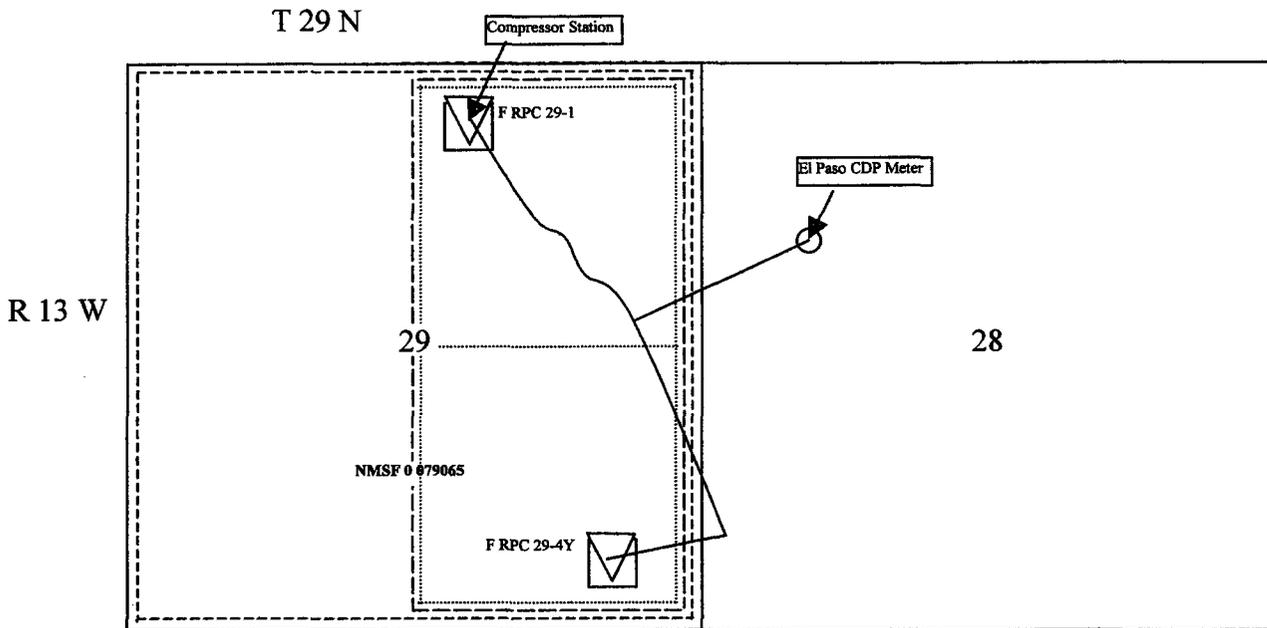
Sincerely,



Charles Neeley, PE
Agent for Richardson Operating Company

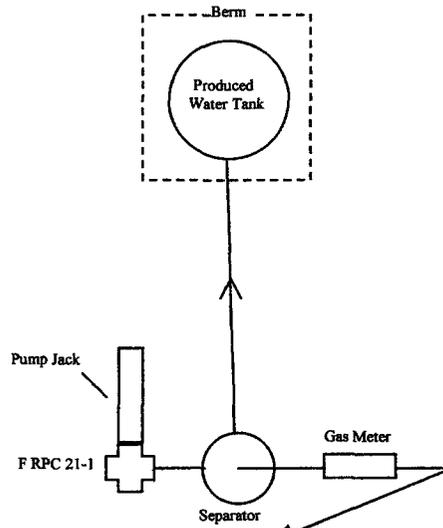
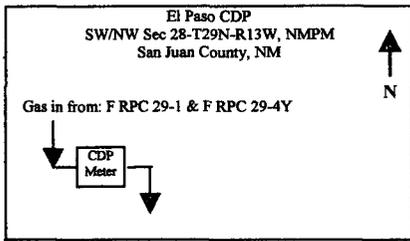
cc: NMOCD - Aztec

Wells / Leases / Pools - Map
 EL Paso CDP: F RPC 29-1 & F RPC 29-4Y Gathering System
 Section 29, T29N, R13W, NMPM
 San Juan County, New Mexico

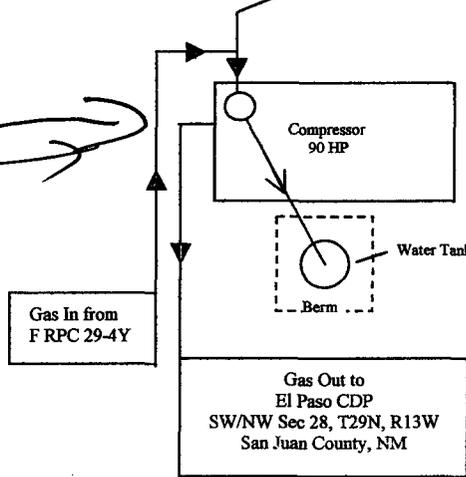


Richardson Operating Company			
Lease	Boundary	Symbols	Comments
Fed NMSF 0 079065	-----		All of Section 29
	-----	□	Basin Fruitland Coal
	▽	West Kutz Pictured Cliffs

Schematic Diagram of Facilities
Richardson Operating Company
Central Compressor Station
Located on F RPC 29-1 well location
NW/NE Sec 29, T29N, R13W
San Juan County, New Mexico



ADD ALLOCATION Meter Here



Attachment No. 3

Richardson Operating Company
 F RPC 29-1 & F RPC 29-4Y Gathering System
 EL Paso Central Delivery Sales Meter
 San Juan County, New Mexico

Well Name	API NO	Well Location		Pool Name	OGRID Pool Number	Well Location Lease Number	Type Lease	Spacing Unit	Estimated Monthly Production			
		1/4 1/4	Sec-Twn-Rng						MCFPM	BTU Fact	MOPM	BWPM
SYSTEM WELLS												
*F RPC 29-1	31173	NW/NE	Sec 29-29N-13W	West Kutz PC/BFC	79680/71629	NMSF 0 079065	Federal	NE 1/4 & E 1/2	6200	1.023	0	2500
*F RPC 29-4Y	32117	SE/SE	Sec 29-29N-13W	West Kutz PC/BFC	79680/71629	NMSF 0 079065	Federal	SE 1/4 & E 1/2	6200	1.023	0	2500
Comments on Wells												
* Drilled - waiting on completion & pipeline												

Allocation Procedures
Richardson Production Co.'s
F RPC 29-1 & F RPC 29-4Y Gathering System
CDP Gas Sales Meter: SW/NW, Sec 28-T29N-R13W
El Paso CDP Meter
San Juan County, New Mexico

Base Data:

V = Individual Well BTU

W = Gas Volume (MCF) from allocation meters at individual wells during allocation period

X = Gas Volume (MCF) from CDP Sales Meter (El Paso) during allocation period.

Y = BTU's from CDP Sales Meter (El Paso) during allocation period.

Allocation Period is typically a calendar month and will be the same for all wells.

1. All wells:

A. Individual Well Gas Production, MCF's = A + B + C + D + E

A = Allocated Sales Volume, MCF = $(W / \text{SUM } W) \times X$

B = On lease fuel usage, MCF. Determined from equipment specification and operating conditions.

C = Purged and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment specifications and procedures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by $W / \text{SUM } W$ for the wells involved.

E = Allocated volume of gas lost and/or vented from the gathering system and/or gathering system equipment, MCF. The total volume will be determined using industry procedures for the conditions existing at the time of the loss. All volumes corresponding to liquid condensation within the gathering system will also be determined. The total volume lost and/or vented will be allocated to the individual wells affected using factors determined by $W / \text{SUM } W$ for the wells involved.

B. Allocated Individual Well BTU's

1) Allocated Individual Well BTU's = $((W \times V) / \text{SUM } (W \times V)) \times Y$

Note: Individual well gas heating values to be determined in accordance with BLM regulations (currently Onshore Order No. 5).

Attachment No. 6

Persons Owning Mineral Interest
Richardson Operating Company
F RPC 29-1 & F RPC 29-4Y

Bureau of Land Management
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

Burlington Resources
P.O. Box 4289
Farmington, New Mexico 87499

Patrick and Karen Hagood
7439 Calle Arragon
Laverne, California 917-50-1126

Neeley Consulting Service, LLC
3001 Northridge Drive, Los Amigos Bldg
Farmington, New Mexico 87401

Addressee

Certified Mail RRR:

Date:

Re: Notice of Application: Surface Commingling, Off-lease Measurement and Sale of Produced Natural Gas
Richardson Operating Company's F RPC 29-1 and F RPC 29-4Y Gathering System: 2 wells.
San Juan County, New Mexico

Dear Interest Owner:

According to our records, you have an interest in one or more of the wells involved.

Richardson Operating Company, 3100 LaPlata Highway, Farmington, NM 87401 is currently preparing an application to the New Mexico Oil Conservation Division (NMOCD) and Bureau of Land Management (BLM) requesting their respective approvals to surface commingle natural gas produced from the 2 wells proposed to be in Richardson's F RPC 29-1 and F RPC 29-4Y Gathering System. Commingling of production is necessary to get produced natural gas to an El Paso CDP type sales meter and for the mutual conservation benefit of centralized compression through Richardson's centralized compressor station.

Application is, also, being made for off-lease sales measurement and production allocation to proportionally distribute production value and volume to the respective wells involved from the Central Delivery Point sales meter to be located SW/NW, Sec 28, T29N, R13W, NMPM, San Juan County, New Mexico. Production allocation, to proportionally distribute "beneficial use" compressor fuel gas will be made from the CDP meter to the respective wells.

This proposal should not affect your interest in these wells and should allow for optimum operations on all wells, especially production from the Fruitland Coal formation. All wells will benefit from central compression, keeping wellhead operating pressures as low as possible. This method of operation will help to keep our operating expenses as low as possible, which will allow all interest owners to recover more of the gas reserves from each well.

Richardson Operating Company believes that the method of allocating production volumes and sales to the respective wells ensures protection of correlative rights.

The matter does not require any action on your part. This letter is intended to serve as notice of the application, provide you with a copy of the application including all attachments thereto and to advise you of your right to file an objection with the NMOCD - objections must be filed in writing with the Santa Fe office of the New Oil Conservation Division, 1220 South Francis Drive, Santa Fe, NM 87505, within 20 days from the date the division receives the application.

A complete copy of the application, is included.

Should you have any questions or concerns regarding this matter, the person to contact at Richardson Operating Company is Mr. Chuck Williams at 303-830-8000 or by mail at 4601 DTC Blvd, Suite 470, Denver, Colorado 80237.

Sincerely,

Charles Neeley
Agent/PE