

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY )  
 THE OIL CONSERVATION DIVISION FOR THE )  
 PURPOSE OF CONSIDERING: )  
 )  
 APPLICATION OF RICHARDSON OPERATING ) CASE NOS. 11,680  
 COMPANY FOR COMPULSORY POOLING AND )  
 UNORTHODOX WELL LOCATION, SAN JUAN )  
 COUNTY, NEW MEXICO )  
 )  
 APPLICATION OF RICHARDSON OPERATING ) and 11,681  
 COMPANY FOR COMPULSORY POOLING, DOWNHOLE )  
 COMMINGLING AND AN UNORTHODOX GAS WELL )  
 LOCATION, SAN JUAN COUNTY, NEW MEXICO )  
 ) (Consolidated)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

December 19th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, December 19th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

December 19th, 1996  
Examiner Hearing  
CASE NOS. 11,680 and 11,681 (Consolidated)

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## A P P E A R A N C E S

## FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
117 N. Guadalupe  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   1:50 p.m.:

3           EXAMINER CATANACH: At this time we'll call Case  
4   11,680.

5           MR. CARROLL: Application of Richardson Operating  
6   Company for compulsory pooling and unorthodox well  
7   location, San Juan County, New Mexico.

8           EXAMINER CATANACH: Are there appearances in this  
9   case?

10          MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of  
11   the Santa Fe law firm of Kellahin and Kellahin, appearing  
12   on behalf of the Applicant.

13          In addition, we would request that you call the  
14   subsequent case, which is 11,681, and that they be  
15   consolidated for purposes of this presentation.

16          EXAMINER CATANACH: Okay, we'll call at this time  
17   Case 11,681.

18          MR. CARROLL: Application of Richardson Operating  
19   Company for compulsory pooling, downhole commingling and an  
20   unorthodox gas well location, San Juan County, New Mexico.

21          EXAMINER CATANACH: Are there any additional  
22   appearances in either of these cases?

23          You may proceed, Mr. Kellahin.

24          MR. KELLAHIN: Mr. Examiner, with your  
25   permission, we would like to have you incorporate the

1 record of the two companion cases for the cases that were  
2 just called.

3 Case 11,680 was originally presented to the  
4 Examiner on July 11th. That case was then numbered 11,569,  
5 for which an order was issued on July 22nd, 1996. The  
6 order is 10,624. That order approved Richardson's  
7 application for compulsory pooling and an unorthodox well  
8 location.

9 In addition, the companion case for Case 11,681  
10 is under Division Case Number 11,570, also heard on July  
11 11th, and it was approved by order R-10,656, issued on  
12 August 20th, 1996.

13 Order 10,656 approved Richardson's application  
14 for compulsory pooling, downhole commingling and an  
15 unorthodox well location. Richardson was authorized that  
16 if they drilled this well and if it was successful, then  
17 they could commingle Pictured Cliff and Fruitland gas.

18 Unfortunately, after the issuance of the order,  
19 Richardson neither commenced either well within the time  
20 period provided in those orders, nor did they seek to have  
21 the Division Director extend those orders before they  
22 expired.

23 Both these wells are being drilled within the  
24 City of Farmington and were the subject of public hearings  
25 before their Planning Commission. All those hearings have

1 been resolved to the point where Richardson was issued the  
2 various planning approvals, and I believe Richardson has  
3 commenced drilling the ROPCO Number 1 well, which is the  
4 one that was the subject of Order Number 10,656.

5           However, having let those orders lapse,  
6 Richardson seeks the Division's approval to have them  
7 reinstated. And to accomplish that, we have refiled these  
8 as new cases with new case numbers.

9           To avoid the presentation of the same technical  
10 case again, we ask your permission to incorporate the  
11 transcript and the exhibits and the records of the two  
12 prior Division cases. For your convenience, I have taken  
13 copies of all those exhibits, and I have copies of them  
14 here for you, which I will present to you.

15           The only modification that I'm aware of with  
16 regards to any of these orders is that I need to reconfirm  
17 the well locations. The well locations as advertised in  
18 the cases before you today are the correct ones, and we  
19 need to double-check and make sure that the prior orders  
20 reflect the current state drill well locations.

21           In addition, there was an error made in Division  
22 Order R-10,624. There's a transposition of the overhead  
23 rates. The testimony at the hearing and the Applicant  
24 requested a \$3500-a-month drilling well rate and \$450-a-  
25 month producing well rate. The numbers were transposed,

1 and so what the order approved was \$350 a month producing  
2 and \$4500 a month drilling --

3 MR. CARROLL: Mr. Kellahin I reviewed --

4 MR. KELLAHIN: -- so they're reversed.

5 MR. CARROLL: -- that transcript --

6 MR. KELLAHIN: Yes?

7 MR. CARROLL: -- a couple weeks ago, and the  
8 order was correct. The witness for Richardson had the  
9 overhead rates that were in the order.

10 MR. KELLAHIN: There should be a subsequent  
11 affidavit that Kathy Colby filed in that case --

12 MR. CARROLL: Okay.

13 MR. KELLAHIN: -- and I have -- I don't know if  
14 I've brought it with me today, but I will provide that to  
15 you. There was a --

16 MR. CARROLL: -- error made by the witness, then?

17 MR. KELLAHIN: I think she misspoke.

18 MR. CARROLL: Okay.

19 MR. KELLAHIN: The application in that case  
20 requested the correct number, and that number is also  
21 reflected in the operating agreement. And she misspoke and  
22 filed a subsequent affidavit attesting to the fact that she  
23 misspoke.

24 EXAMINER CATANACH: Do you know what the correct  
25 numbers are?

1 MR. KELLAHIN: Yes, sir, it's \$450 a month  
2 producing and \$3500 a month drilling.

3 MR. CARROLL: And Mr. Kellahin, you renotified  
4 all the appropriate parties?

5 MR. KELLAHIN: I appreciate you bringing that to  
6 my attention. Ms. Colby sent those notices out of her  
7 office. There were several hundred of them, and she  
8 Federal-Expressed to me the original certificate and copies  
9 of the green cards.

10 Unfortunately, as of this morning the Federal  
11 Express had not yet been delivered, and with your  
12 permission, I'd like the record to stay open so that I  
13 might submit those affidavits to you after the hearing.

14 To the best of my knowledge, there have been no  
15 objections or complaints raised by any of the parties that  
16 were sent notice.

17 We renotified all the offset operators, we  
18 notified all parties that would participate under the  
19 commingling rule, and then we notified all those people on  
20 the list that would be subject to force-pooling, and the  
21 affidavit will separate out each category for you so that  
22 you'll see what person was entitled to what notice.

23 MR. CARROLL: Yeah, it's our understanding that  
24 in the case that was heard in July, there's a mobile park  
25 owner that objected or protested?

1 MR. KELLAHIN: Yes, sir.

2 MR. CARROLL: He didn't file any objection this  
3 time?

4 MR. KELLAHIN: He did not. I'm trying to  
5 remember the name. Kemper? I forget the gentleman's --

6 MR. CARROLL: I missed that hearing, and it was  
7 Mike's case.

8 MR. KELLAHIN: The transcript reflects his name.  
9 It escapes me at the moment. But he was one of  
10 Richardson's lessees, yet he complained about having the  
11 well drilled. And so his complaint was addressed before  
12 the City Planning Commission.

13 The parties in the trailer park for which he is  
14 the owner of the park appeared before the City Planning  
15 people and voiced their objections.

16 The City of Farmington, through their various  
17 departments, have issued all the necessary approvals and  
18 applied the conditions that they felt were necessary, and  
19 so I believe the well is being drilled.

20 One of the reasons it was delayed is that it's in  
21 close proximity to a Conoco well, and there was work being  
22 conducted on the Conoco well, and so Richardson had to  
23 delay and unfortunately didn't ask for an extension, which  
24 would have been easily obtained.

25 MR. CARROLL: Mr. Kellahin, what was the

1 approximate number of parties that had to be notified in  
2 this case?

3 MR. KELLAHIN: I think it was approaching 200.

4 MR. CARROLL: Okay. There they are. We have  
5 cited this case in referring to other operators desiring to  
6 force-pool. We don't want to go through the necessity of  
7 notifying dozens or hundreds of interest owners.

8 MR. KELLAHIN: I'm trying to remember the case.  
9 We did one down in Carlsbad for Naumann, and I think it had  
10 350.

11 EXAMINER CATANACH: What else, Mr. Kellahin?

12 MR. KELLAHIN: That's all in this one, Mr.  
13 Examiner.

14 EXAMINER CATANACH: Okay. At the Applicant's  
15 request, we will incorporate the record, evidence and  
16 transcript in Case Numbers 11,569 and 11,570 into Case  
17 11,680 and 11,681.

18 And if you would check on the well locations, Mr.  
19 Kellahin, and advise us as to --

20 MR. KELLAHIN: Let me reverify --

21 EXAMINER CATANACH: -- their status --

22 MR. KELLAHIN: -- and make sure we have those  
23 exactly right.

24 EXAMINER CATANACH: And we'll leave the record  
25 open for the submittal of the receipt, mailing receipts.

1 MR. KELLAHIN: Yes, sir.

2 EXAMINER CATANACH: And with that we will -- With  
3 the exception of that, we'll go ahead and take the cases  
4 under advisement.

5 Case 11,680 and 11,681 will be taken under  
6 advisement.

7 (Thereupon, these proceedings were concluded at  
8 2:00 p.m.)

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL December 27th, 1996.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11680 11681 heard by me on December 19 1996.

David R. Catant, Examiner  
Oil Conservation Division

STEVEN T. BRENNER, CCR  
(505) 989-9317