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JASON KELLAHIN (RETIRED 1991)

April 4, 1997

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

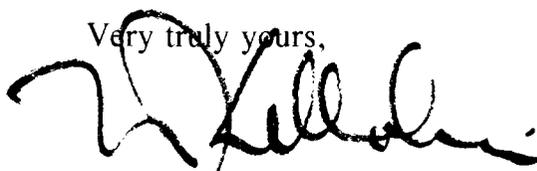
Re: **Bushman "6" Federal Well No. 1**
Application of Richardson Operating Company
for downhole commingling and an
unorthodox coal-gas well location,
San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Richardson Operating Company, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for May 1, 1997.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cfx: Richardson Operating Company
Attn: Cathy Colby

PROPOSED ADVERTISEMENT

Case_____: Application of Richardson Operating Company for downhole commingling and an unorthodox coal-gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, NMPM within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location. Said well is located 1/3rd of a mile east of the intersection of County Road 6446 and Jennefer Street, Kirtland, New Mexico.

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 COMPANY CASE: 10/13
FOR DOWNHOLE COMMINGLING AND AN
UNORTHODOX COAL-GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION

Comes now RICHARDSON OPERATING COMPANY, ("Richardson") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, NMPM within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location.

In support of its application, Richardson states:

(1) Richardson is the proposed operator of its proposed Bushman "6" Federal Well No. 1 to be drilled at a standard Pictured Cliffs gas well location within the SE/4 of Section 6, T29N, R14W, NMPM, San Juan County, New Mexico. See Exhibit "A" attached.

(2) The well is to be drilled so that production from the Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation can be downhole commingled in the wellbore.

(3) In addition, Richardson has selected to drill its Bushman "6" Federal Well No. 1 at an unorthodox "off pattern" coal gas well location in order avoid locating the well in the NE/4 of said Section 6 which is substantially developed as a subdivision in the City of Kirtland, New Mexico.

(4) The ownership is common for the well and its respective spacing and proration units in both pools.

(5) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

1. the downhole commingling in this wellbore is necessary because evidence indicates that the Fruitland Coal/Gas formation in this area of the San Juan Basin should be marginally productive and that due to the marginal production expected, it is uneconomic to drill a stand alone Fruitland coal/gas Well. In addition, it is not economic to attempt to dually complete those formations in this well;
2. there will be no crossflow between the two zones commingled;
3. neither commingled zones exposes the other to damage by produced liquids;
4. the fluids from each zone are compatible with the other;
5. it is expected that the bottom hole pressure of the highest pressured zone is more than 50 percent of the original bottom hole pressure of the lowest pressured zone adjusted to a common datum.
6. the value of the commingled production will not be less than the sum of the values of the individual production.

(6) The proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Fruitland Coal Gas and Pictured Cliffs Gas Pool reserves underlying each respective proration unit.

(7) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. Richardson therefore seeks the adoption of a monthly allocation formula to be presented at the time of the hearing.

(8) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for May 1, 1997.

(9) A copy of this application is being sent to all owners of production within the respective spacing unit for the well who may be affected by downhole commingling as set forth on Exhibit "B" attached.

(10) Copy of this application has been sent to all offsetting operators to the two spacing units for the well as set forth on Exhibit "C" attached.

WHEREFORE Applicant requests that this matter be set for hearing on May 1, 1997 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

EXHIBIT "B"

E/2-Section 6-Township 29 North-Range 14 West, NMPM
Owners Entitled to Production:

Royalty:

USA c/o Bureau of Land Management
Attn: Mr. Duane Spencer
1235 La Plata Highway
Farmington, NM 87401

Overriding Royalty:

Burlington Resources Oil & Gas Company
Attn: Mr. James Strickler
P.O. Box 4289
Farmington, NM 87499-4289

Working Interest:

Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203