

**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:**

**REOPENED
CASE NO. 12644
ORDER NO. R-11578-A**

**APPLICATION OF RICHARDSON PRODUCTION COMPANY TO REOPEN CASE
NO. 12644 FOR THE PURPOSE OF AMENDING ORDER NO. R-11578 BY
RECONSIDERING THE CHARGE FOR RISK INVOLVED IN DRILLING A WELL
TO THE BASE OF THE PICTURED CLIFFS FORMATION, SAN JUAN COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 31, 2001, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this *18th* day of June, 2001, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) At the hearing, Reopened Division Cases No. 12643 and 12644 were consolidated for the purpose of testimony.
- (3) By Order No. R-11578, issued in Case No. 12644 and dated April 30, 2001, the Division granted the application of Richardson Production Company ("Richardson") for the compulsory pooling of all uncommitted mineral interests, whatever they may be, from the surface to the base of the Pictured Cliffs formation underlying the SE/4 of Section 8, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent, which presently include the Twin Mounds-Fruitland Sand-Pictured Cliffs Pool.

(4) This pooled unit is to be dedicated to Richardson's proposed ROPCO "8" Well No. 4 (API No. 30-045-30460) to be drilled at a standard gas well location 1607 feet from the South line and 1451 feet from the East line (Unit J) of Section 8.

(5) This order further provided that a risk penalty of 156 percent be assessed against all uncommitted mineral interest owners in this unit, as a reasonable charge for the risk involved in the drilling of the well.

(6) At this time Richardson seeks an amendment to Division Order No. R-11578 to assign a 200 percent risk penalty for this well.

(7) Assignment of 156 percent to all intervals was not the intent of Richardson at the original hearing in this case. A 200 percent risk penalty is typical for wells that do not include the Basin-Fruitland Coal (Gas) Pool as an interval to be completed.

(8) This application was styled such that this matter would be taken under advisement in the absence of objection. The applicant was represented by legal counsel at the hearing.

(9) This application should be approved and the appropriate change should be made to Division Order No. R-11578. Further, the date contained in this order for Richardson to commence drilling this well (August 1, 2001) should be extended accordingly.

IT IS THEREFORE ORDERED THAT:

(1) The date "*August 1, 2001*" found three different places in Ordering Paragraph No. (2) on pages 3 and 4 of Division Order No. R-11578 is hereby changed to "*September 15, 2001.*"

(2) Ordering Paragraph No. (8) on pages 4 and 5 of Order No. R-11578 is amended to read in its entirety as follows:

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

(a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner who has not paid its

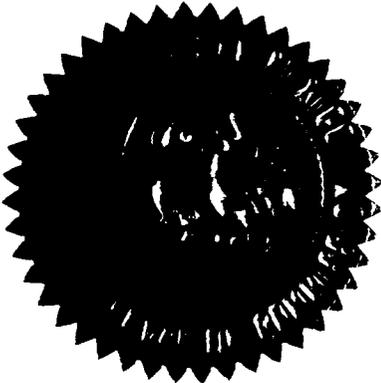
share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished; and

(b) as a charge for the risk involved in drilling the well, 200 percent of the above costs."

(3) The amendments set forth in this order shall be entered retroactively as of April 30, 2001.

(4) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
Director