

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

RECEIVED

SEP 13 1941

Case No. 9745

OIL CONSERVATION DIVISION

SECOND AMENDED APPLICATION

Richmond Petroleum, Inc. hereby makes application for an order pooling all interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 9, Township 32 North, Range 6 West, N.M.P.M., San Juan County, New Mexico, and in support thereof states:

1. Applicant previously filed a compulsory pooling application forming a non-standard gas spacing and proration unit to include all mineral interests in the Basin-Fruitland Coal Gas Pool underlying lots 1, 2, 3 and 4 of the S/2 N/2 of Section 9, Township 32 North, Range 6 West, N.M.P.M., San Juan County, New Mexico.

2. Applicant has reconstituted the gas spacing and proration unit to form the E/2 of said Section 9 for the purpose of drilling a well in the NE/4 NE/4 at an unorthodox location 360 feet from the North line and 120 feet from the East line.

3. Applicant has in good faith sought to join all other mineral and leasehold interest owners in the E/2 of Section 9 for the purposes set forth herein. Although Applicant attempted to obtain voluntary agreements from all mineral and leasehold 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 and leasehold interest owners in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 9, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

4. 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.

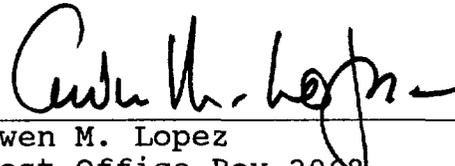
5. Further, Applicant cannot drill a well at a standard location in the NE/4 of said Section 9 due to the topographical conditions that control the available drilling sites in the E/2 of Section 9 and specifically due to the presence of Navajo Lake in the vicinity of the subject well. Therefore, Applicant requests approval of the Division to drill a well at an unorthodox location 360 feet from the North line and 120 feet from the East line of Section 9.

6. The pooling of all interests underlying the E/2 of Section 9 and the approval of the proposed unorthodox location will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Applicant requests that this matter be heard at the October 4, 1989 Examiner hearing.

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

HINKLE, COX, EATON, COFFIELD
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Petroleum, Inc.

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OIL CONSERVATION DIVISION

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2. Applicant has reconstituted the gas spacing and proration unit to form the E/2 of said Section 9 for the purpose of drilling a well in the NE/4 NE/4 at an unorthodox location 360 feet from the North line and 120 feet from the East line.

3. Applicant has in good faith sought to join all other mineral and leasehold interest owners in the E/2 of Section 9 for the purposes set forth herein. Although Applicant attempted to obtain voluntary agreements from all mineral and leasehold 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 and leasehold interest owners in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 9, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

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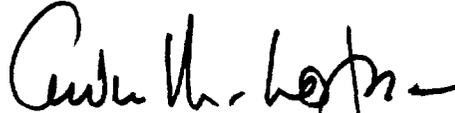
5. Further, Applicant cannot drill a well at a standard location in the NE/4 of said Section 9 due to the topographical conditions that control the available drilling sites in the E/2 of Section 9 and specifically due to the presence of Navajo Lake in the vicinity of the subject well. Therefore, Applicant requests approval of the Division to drill a well at an unorthodox location 360 feet from the North line and 120 feet from the East line of Section 9.

6. The pooling of all interests underlying the E/2 of Section 9 and the approval of the proposed unorthodox location will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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**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-_____

APPLICATION OF RICHMOND
PETROLEUM, INC. FOR COMPULSORY
POOLING AND AN UNORTHODOX 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 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) The applicant, Richmond Petroleum, Inc., seeks approval of an unorthodox well location 360 feet from the north line and 120 feet from the east line (Unit A) of Section 9, T.32N, R.6W, N.M.P.M., Basin-Fruitland Coal Gas Pool, San Juan County, New

Mexico. The E/2 of Section 9 is to be dedicated to the subject well forming a standard 279.4 acre gas spacing and proration unit for said pool.

(3) The subject well is located within the Basin-Fruitland Coal Gas Pool, which is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-8768 which require 320 acre spacing and proration units with wells to be located in the NE/4 or the SW/4 of a single governmental section and no closer than 790 feet to any outer boundary of the proration unit nor closer than 130 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(4) The applicant presented topographic evidence and testimony which indicates that a well drilled at an orthodox location in the NE/4 of said Section 9 would be located within the lake bed of the Navajo Dam and would not be economically feasible.

(5) The evidence further indicates that the affected offset acreage being the W/2 of Section 10 and the E/2 of Section 9 is owned by the same interest owners participating either actively or by virtue of farm-out agreements.

(6) No other offset operator or interest owner appeared and objected to the proposed unorthodox location.

(7) The applicant further 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 Section 9,

T.32N, R.6W, forming a standard 279.4 acre spacing and proration unit for said pool.

(8) The applicant has the right to drill and proposes to drill a well at an unorthodox well location as set forth hereinabove.

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

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

(11) 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 costs out of production.

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

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

(14) 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.

(15) \$_____ per month well while drilling and \$_____ per month well 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 operation of the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(17) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) 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 forced pooling provisions of this order.

(19) Approval of these applications for an unorthodox well location and forced pooling of all mineral interests in the Basin-Fruitland Coal Gas formation within the E/2 of said Section 9 unit will afford the applicant the opportunity to produce its just and

equitable share of the gas in the subject pool, will afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from the order, and will otherwise will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Richmond Petroleum, Inc., is hereby authorized to drill the well at an unorthodox well location 360 feet from the north line and 120 feet from the east line (Unit A) of Section 9, T.32N, R.62, N.M.P.M., Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(2) The E/2 of said Section 9 shall be dedicated to the above-described well forming a standard 279.4 gas spacing and proration unit for said pool.

(3) All mineral interests, whatever they may be, from the surface to the base of the Basin-Fruitland Coal Gas Pool underlying Lots 1 and 2, S/2 NE/4, and the SE/4 (E/2 equivalent) of said Section 9, T.32N, R.6W, N.M.P.M., San Juan County, New Mexico, are hereby pooled forming a standard 279.4 acre gas spacing and proration unit for said Basin-Fruitland Coal Gas Pool. Said unit shall be dedicated to a well to be drilled at unorthodox gas well location 360 feet from the north line and 120 feet from the east line (Unit A) of said Section 9.

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

(5) After the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(6) Within thirty (30) days from the date that 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.

(7) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within ninety (90) days following completion of the well; if actual well cost is received by the Division and the Division does not object within forty-five (45) days following receipt of said schedule, the actual well costs shall be reasonable well costs; provided, however, if there is objection to actual well costs within said forty-five (45) day period, the Division will determine reasonable well costs after public notice and hearing.

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

shall receive from the operator his prorata share of the amount that estimated well costs exceed reasonable well costs.

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

(A) The prorata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within thirty (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 drilling of the well, _____% of the prorata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within thirty (30) days from the date the schedule of estimated well costs is furnished to him.

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

(11) \$_____ per month for drilling and \$_____ per month for 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 a well, not in

excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unleased mineral interest shall be considered as 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.

(13) 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 and charges shall be withheld from production attributable to royalty interest.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall be immediately 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 thirty (30) days from the date of the first deposit with said escrow agent.

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

(16) 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 forced pooling provisions of this order.

(17) Jurisdiction of this cause is retained for the entry of such orders 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