

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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OCT 16 1990

OIL CONSERVATION DIVISION

HEARING NO. 10159

IN THE MATTER OF THE APPLICATION)
OF MORGAN RICHARDSON OPERATING)
COMPANY FOR AN ORDER POOLING)
CERTAIN INTEREST FOR PRODUCTION OF)
COAL SEAM GAS AND ASSOCIATED)
HYDROCARBONS FROM THE FRUITLAND COAL)
SEAMS UNDERLYING CERTAIN LANDS LOCATED)
IN THE BASIN FRUITLAND COAL FIELD,)
SAN JUAN COUNTY, NEW MEXICO)

VERIFIED APPLICATION

The Applicant, Morgan Richardson Operating Company, by its attorneys, respectfully petitions the Oil Conservation Commission of the State of New Mexico as follows:

1. The Oil Conservation Commission has established 320-acre spacing units for the production of methane gas and associated hydrocarbons from the Fruitland coal seams in the San Juan Basin.

2. Applicant is authorized to do and is doing business in the State of New Mexico and is the owner and operator of oil and gas leasehold working interests in the following described 320-acre spacing unit established by this Commission:

Township 28 North, Range 8 West
Section 17: S/2

comprising 320 acres, more or less,
San Juan County, New Mexico

Applicant, as operator, proposes the drilling of a well on the 320-acre spacing and proration unit, to test the Fruitland coal seams underlying the 320-acre spacing and proration unit at a subsurface depth of approximately 2,500 feet, said well to be located in the approximate center of the SW/4 of Section 17.

3. Applicant has heretofore attempted, pursuant to Sections 70-2-17 and 70-2-18 NMSA, as amended, to obtain the consent to the drilling of said well by interested parties.

4. Despite diligent efforts, Applicant has been unable to obtain such agreement on a voluntary basis from Meridian Oil, Inc.,

a working interest owner owning a working interest in and underlying the SE/4 of the 320-acre spacing and proration unit.

5. Applicant is preparing to the best of its knowledge, a list of interested parties consisting of working interest, royalty and overriding royalty owners within said spacing and proration unit.

6. Applicant will serve as Operator of the pooled 320-acre unit under an operating agreement.

7. Applicants estimate that drilling costs of the proposed well for which request for permit is in process, will be \$63,127.50 and completion costs \$160,700.00.

8. Applicant's proposed overhead charges on a fixed rate basis are \$5,000.00 per well per month drilling well rate and \$500.00 per well per month producing well rate. Major construction and catastrophe overhead costs to be negotiated prior to construction or restoration.

9. Due risks of drilling, completing, testing, stimulation and producing the well, together with problems of water disposal, construction of facilities and transportation. Applicants believe a 200% risk charge payable from the proceeds of production should be assessed against the share or shares of any party or parties who do not agree to voluntary pooling.

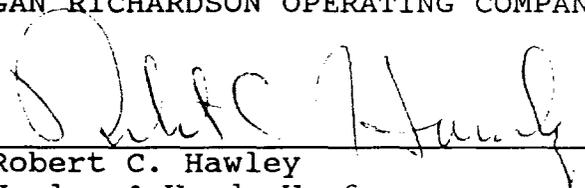
10. Applicant requests that the Commission, after notice as required, and after hearing, enter an order pooling all interests in the 320-acre spacing and proration unit set forth above for the development and operation of the Fruitland coal seams underlying said unit and the production of methane gas and associated hydrocarbons from such unit. Applicant requests that such pooling order be upon terms and conditions that are just and reasonable and that afford to the interested parties in the pooled unit the opportunity to recover or receive, without unnecessary expense, their just and equitable share of gas and associated hydrocarbons. Applicant further requests, pursuant to Section 70-2-17(c) NMSA, as amended, that Applicant recover from any non-consenting interested party's share of production a risk charge of 200% from such working

interest owner or owner's pro rata share of drilling and completing the well.

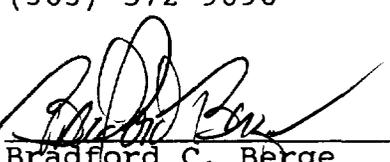
WHEREFORE, Applicant respectfully requests this matter be set for hearing by the Commission; that notice thereof be given to the interested parties as required by law; and that upon such hearing, the Commission issue its order granting this Application. Applicant further requests that the Commission in its order grant such other provisions including a 200% risk charge as the Commission may find to be necessary or desirable.

Respectfully submitted,

MORGAN RICHARDSON OPERATING COMPANY

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STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

VERIFICATION

The undersigned, Bryan Lewis, being first duly sworn upon oath, states:

1. That I am the Landman for Morgan Richardson Operating Company, and I am personally familiar with the facts set forth in the foregoing Application.

2. That I have read the Application and the facts contained therein are true and correct to the best of my knowledge, information and belief.



Bryan Lewis

SUBSCRIBED AND SWORN TO before me, a notary public, this 10th day of October, 1990.

WITNESS MY HAND AND OFFICIAL SEAL.



Notary Public

My Commission Expires: 4/8-92