

**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. 13322
ORDER NO. R-10656-B**

**APPLICATION OF RICHARDSON OPERATING COMPANY TO AMEND
DIVISION ORDER NO. R-10656-A FOR COMPULSORY POOLING AND AN
UNORTHODOX COAL-GAS WELL LOCATION, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 16, 2004, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 6th day of December, 2004, 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 of the subject matter.

(2) By Order No. R-10656-A, issued in Case No. 11681 on January 13, 1997, the Division granted the application of Richardson Operating Company ("Richardson" or "Applicant") for the compulsory pooling of all mineral interests, whatever they may be, in the Undesignated West Kutz-Pictured Cliffs Pool underlying the NE/4 of Section 15, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico and all mineral interests, whatever they may be, in the Basin-Fruitland Coal (Gas) Pool underlying the E/2 of Section 15, to form a standard 160-acre and a standard 320-acre gas spacing unit respectively, for both pools. Both units were dedicated to Richardson's ROPCO "15" GW "A"-PC/"B"-FC Well No. 1 (API #30-045-29407) that was drilled and completed at an approved unorthodox gas well location for both intervals 2171 feet from the North line and 775 feet from the East line (Unit H) of Section 15.

(3) By Order No. R-10624-A, issued in Case No. 11680 on January 13, 1997, the Division granted the application of Richardson Operating Company for the compulsory pooling of all mineral interests, whatever they may be, within the Pictured Cliffs formation underlying the SE/4 of Section 15, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, to form a standard 160-acre gas spacing unit, for either the Undesignated Fulcher Kutz-Pictured Cliffs Pool or the Undesignated West Kutz-Pictured Cliffs Pool. This unit was dedicated to Richardson's ROPCO "15" GW-PC Well No. 2 (API #30-045-29383) that was drilled at an approved unorthodox gas well location 476 feet from the South line and 1800 feet from the East line (Unit O) of Section 15.

(4) By Order No. R-8768-C, issued in Case No. 12888 on October 15, 2002, the Division authorized the drilling and production of an Optional Infill Well within an existing 320-acre gas spacing unit in the Low Productivity Area. Richardson's ROPCO "15" GW-PC Well No. 2 is located in the area defined as the Low Productivity Area.

(5) On March 4, 1997, Richardson's ROPCO "15" Well No. 2 was completed in the Pictured Cliffs formation and has produced sufficient volumes of hydrocarbons to achieve pay-out in this formation.

(6) On December 17, 2002, the Division approved Richardson's request to re-complete the ROPCO "15" GW-PC Well No. 2 to the Basin Fruitland Coal (Gas) Pool. On July 7, 2003, this well was re-completed in the Basin Fruitland Coal (Gas) Pool and the Pictured Cliffs production was abandoned at an uneconomical rate of 15 MCFGPD.

(7) Richardson now seeks to amend Division Order No. R-10656-A to add its ROPCO "15" GW-PC Well No. 2 that was drilled as a Pictured Cliffs formation well as an optional infill coal gas well and to pool all uncommitted mineral interest within the vertical limits of the Basin Fruitland Coal Gas Pool for a standard 320-acre gas spacing unit consisting of the E/2 of Section 15.

(8) Richardson also seeks approval of an unorthodox gas well location for the ROPCO "15" GW-PC Well No. 2 which was drilled at a location 476 feet from the South line and 1800 feet from the East line (Unit O) of Section 15.

(9) Subsequent to filing this application it was discovered that the Division by Administrative Order NSL-4907, issued on June 27, 2003, had approved Richardson's request for this unorthodox gas well location for its ROPCO "15" Well No. 2.

(10) This part of the application requesting approval for unorthodox gas well location in the Basin Fruitland Coal Gas Pool for Richardson's ROPCO "15" Well No. 2 should be dismissed.

(11) This case was presented by affidavit on behalf of Richardson Operating Company by legal counsel. Richardson has complied with the notice requirements of

Rule 1207. No interested party appeared at the hearing in opposition to this application.

(12) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(13) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled and re-completed its ROPCO "15" GW-PC Well No. 2 at an approved unorthodox gas well location 476 feet from the South line and 1800 feet from the East line to the Basin Fruitland Coal Gas Pool.

(14) There are interest owners in the Unit that have not agreed to pool their interests.

(15) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(16) The applicant should be designated the operator of the subject well and of the Unit.

(17) Any pooled working interest owner who does not pay its share of actual well costs should have withheld from production its share of reasonable well costs plus an additional 200% (pursuant to rule 35.A) thereof as a reasonable charge for the risk involved in drilling and re-completing the well.

(18) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5048.20 per month while re-completing and \$589.01 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Richardson Operating Company ("Applicant") Division Order No. R-10656-A is hereby amended to authorize the addition of Applicant's ROPCO "15" GW-PC Well No. 2 that was drilled as a Pictured Cliffs formation well at an approved unorthodox gas well location 476 feet from the South line and 1800 feet from the East line (Unit O) as an optional infill coal gas well, and to pool all uncommitted mineral interests, whatever they may be, within the vertical limits of the Basin Fruitland Coal gas Pool for a standard 320-acre gas spacing unit consisting of the E/2 of Section 15, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico. This unit shall be dedicated to the applicant's ROPCO "15" GW-PC Well No.2 that has been re-completed to the Basin Fruitland Coal Gas Pool.

(2) Richardson Operating Company, is hereby designated the operator of the subject well and of the Unit.

(3) The portion of this application requesting approval for unorthodox gas well location in the Basin Fruitland Coal Gas Pool for Richardson's ROPCO"15" Well No. 2 is hereby dismissed.

(4) Upon final plugging and abandonment of the subject well, the pooled Unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(5) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including un-leased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of actual costs of drilling, completing and equipping the subject well ("well costs").

(6) Within 30 days from the date the schedule of actual well costs is furnished, any pooled working interest owner shall have the right to pay its share of actual well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of actual well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(7) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days from the date of this order. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of actual well costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed actual well costs and shall receive from the operator the amount, if any, that the actual well costs it has paid exceed its share of reasonable well costs.

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

- (a) the pro-rata share of actual well costs attributable to each non-consenting working interest owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

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

(11) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$5,048.20 per month while re-completing and \$589.01 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(12) Except as provided in Ordering Paragraphs (9) and (11) above, all proceeds from production from the well that are not disbursed for any reason shall be 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 the escrow agent within 30 days from the date of first deposit with the escrow agent.

(13) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

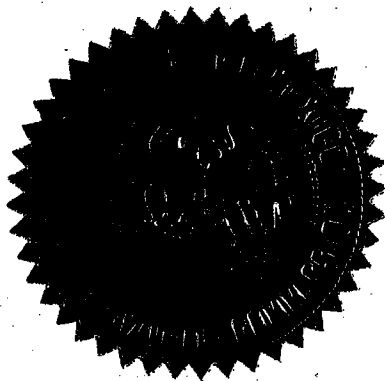
(14) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(15) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(16) Division Order No. R-10656-A shall remain in full force and effect except to the extent amended hereby.

(17) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director

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