

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. 13,322

APPLICATION OF RICHARDSON OPERATING)
COMPANY TO AMEND DIVISION ORDER)
R-10,656-A FOR COMPULSORY POOLING AND)
AN UNORTHODOX COAL GAS WELL LOCATION,)
SAN JUAN COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

September 16th, 2004

Santa Fe, New Mexico

2004 OCT 1 PM 2 50

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, September 16th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

September 16th, 2004
Examiner Hearing
CASE NO. 13,322

PAGE

REPORTER'S CERTIFICATE

12

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	8
Exhibit 2	5	8

* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:59 a.m.:

3 EXAMINER EZEANYIM: On page 4, we are going to
4 rearrange our priorities on page 4. The second case, Case
5 Number 13,335, that's a contested case and I would like to
6 hear it last. So after 13,334 we are going to go to
7 13,322, just to -- and then 13,335 will be heard last,
8 because that's contested.

9 So at this point I will call Case Number 13,334,
10 which is Application of Devon Energy Production Company,
11 L.P., for compulsory pooling, Eddy County, New Mexico.

12 At this time I'll call for appearances.

13 MR. BRUCE: Mr. Examiner, Jim Bruce representing
14 the Applicant in 13,334, the Devon Energy case.

15 Since the last two cases -- or the next two cases
16 are Devon Energy Cases, Mr. Kellahin is here on behalf of
17 the final case, 13,322, and we'd ask if he could go first,
18 so that he doesn't have to sit through the Devon cases.

19 EXAMINER EZEANYIM: Is there any objection to
20 that?

21 If there's no objection, then at this time I call
22 Case Number 13,322.

23 Call for appearances.

24 MR. KELLAHIN: Mr. Examiner, my name is Tom
25 Kellahin. I'm with the Santa Fe law firm of Kellahin and

1 Kellahin, appearing this morning on behalf of the
2 Applicant.

3 We are presenting this case pursuant to Division
4 Rules. We're doing it by affidavit, so there are no
5 witnesses to be sworn.

6 EXAMINER EZEANYIM: And then there are no other
7 appearances in this case.

8 You may proceed.

9 MR. KELLAHIN: Thank you, Mr. Examiner. This
10 case is being presented on behalf of Richardson Operating
11 Company. We're dealing with the east half of Section 15.

12 In the east half of Section 15 it's subdivided so
13 that in the northeast quarter of 15 there's what you're
14 going to find to be the ROPCO 15-1 well. That well is
15 subject to a compulsory pooling order. It includes the
16 Coal, which would be the east half of the entire section.
17 It also includes the northeast quarter, being the 160 acres
18 assigned to the Pictured Cliff.

19 In the southeast quarter of that section we
20 obtained a different compulsory pooling order for the 15
21 Number 2, for the Pictured Cliff only. Those wells have
22 been drilled, they're producing, and Richardson has gone
23 back and added the Coal zone to the well in the southeast
24 quarter. So the 15-2 was a PC, has been recompleted into
25 the Coal, and because there's parties that were

1 uncommitted, we're seeking to amend the original pooling
2 order for the east half to include now what is
3 characterized as the optional infill well.

4 My choice was to come back to the east half of
5 15, pick up the compulsory pooling order for the parent
6 coal gas well, and seek to have that amended to now add the
7 coal portion of the infill well which is down in the
8 southeast quarter section.

9 When the Application was filed, I had believed
10 that the location for the 15-2, which is unorthodox, had
11 only been approved as to the PC. Subsequently, I've
12 obtained the administrative order which also includes the
13 coal. So we will ask that you dismiss that portion of this
14 Application that requests approval for the location
15 exception for the 15-2, because that's already been
16 accomplished.

17 If I can take a moment, I can summarize for you
18 the affidavit.

19 EXAMINER EZEANYIM: Okay.

20 MR. KELLAHIN: I think the easiest place to start
21 is if you will turn to Exhibit 2, which is the certificate
22 of notice for hearing, and if you'll turn to the third page
23 you'll find a tabulation. That tabulation runs to a second
24 page. These are all the interest owners in the east half
25 of 15 that were renotified and were advised several months

1 ago that we're seeking this amendment to add the infill
2 well. So this is the list of the parties to be pooled.

3 If you turn to the affidavit, Anne Jones is the
4 landman for Richardson Operating Company, and pursuant to
5 Division Rule 1207 she and I have prepared this affidavit.
6 And as you turn through the affidavit, if you go beyond the
7 text and start with the exhibit numbers, starting with
8 Exhibit A, that will illustrate for you the east half of
9 Section 15. The well in the northeast quarter is the 15-1,
10 and that is subject to the pooling order that is found
11 later in this exhibit set of documents. We've included it
12 specifically as one of the exhibit numbers.

13 We're seeking to amend that order, which is Order
14 10,656-A, to include the Coal infill well for the well on
15 Exhibit A that's shown down in the southeast quarter, and
16 that's the Number 2 well.

17 Following Exhibit A is Exhibit B, which is the
18 Director's approval of the location exception, so that you
19 know that's been accomplished.

20 Exhibit C is the newspaper publication that we've
21 made, identifying everybody on this notice list again,
22 pursuant to newspaper publication of this hearing today.

23 And then Exhibit D is the entire tabulation of
24 interest owners for the two 160-acre spacing units.
25 Collectively, those people are also involved in the west

1 half, which is shown at the top portion of the spreadsheet.

2 And then E is going to be Richardson's first
3 letter to all these parties, advising them that they're
4 adding the Coal of the 15-2 well to the spacing unit, and
5 that was done back in March.

6 And after all those letters we've attached the
7 Examiner order for the compulsory pooling portion that
8 we're seeking to amend, and followed by that we've added
9 some other plats.

10 If you'll find the second-to-last exhibit, it's
11 Exhibit L. We've summarized on Exhibit L the situation for
12 the two wells and given you the API numbers. The Number 2
13 well --

14 EXAMINER EZEANYIM: I haven't got it yet.

15 MR. KELLAHIN: J should be the last one, and just
16 back from J is --

17 EXAMINER EZEANYIM: I --

18 MR. KELLAHIN: I --

19 EXAMINER EZEANYIM: -- H --

20 MR. KELLAHIN: -- I'm sorry, I. It says
21 Richardson Exhibit I.

22 EXAMINER EZEANYIM: Oh, I, okay.

23 MR. KELLAHIN: Yeah, it's got the two API numbers
24 for the two wells, and we've given you a short summary.

25 EXAMINER EZEANYIM: Okay, yeah.

1 MR. KELLAHIN: On the Number 2 well -- that was a
2 PC well -- it produced enough volumes to pay out -- achieve
3 payout. It was then recompleted in July of last year to
4 add the coal, and is being produced in that fashion. And
5 then it goes on to show you how we're doing the
6 allocations.

7 Just prior to that exhibit is the apportionment
8 of the cost. And the only apportionment of the cost for
9 the Coal for the 15-2 is the cost to recompletion into the
10 Coal, the \$66,000.

11 So in summary, Mr. Examiner, that is our request
12 and our plan of action for you.

13 And with your permission we would ask that you
14 introduce Exhibits 1 and 2.

15 EXAMINER EZEANYIM: Exhibits 1 and 2 will be
16 admitted into evidence.

17 Do you have any questions?

18 MS. MacQUESTEN: (Shakes head)

19 EXAMINER EZEANYIM: Mr. Kellahin, I know that the
20 Well Number 1 was approved by R Order 10,656; is that
21 correct? The well on Unit Letter H, I think, was approved
22 by R-10,656; is that correct? That's the R order that
23 approved the drilling of that well.

24 MR. KELLAHIN: Of the Number 2 well?

25 EXAMINER EZEANYIM: Number 1.

1 MR. KELLAHIN: The Number 1 was approved by
2 10,656-A.

3 EXAMINER EZEANYIM: Oh.

4 MR. KELLAHIN: The reason it's an A order is, the
5 original order, 10,656, was an order issued that was
6 allowed to expire, and the operator failed to get it
7 extended. So when we refiled it under a different case
8 number, the Examiner chose to pick up the prior R order,
9 and he made it an A order.

10 EXAMINER EZEANYIM: Okay.

11 MR. KELLAHIN: And it's hard to figure that out
12 unless you go back and look at the transcript.

13 EXAMINER EZEANYIM: Yeah, okay, I see.

14 MR. KELLAHIN: So the A order is what we have in
15 effect now --

16 EXAMINER EZEANYIM: Okay.

17 MR. KELLAHIN: -- and we're asking for a B order
18 that will add the Coal in the well in the southeast.

19 For your information now, the PC was pooled in
20 the 15-2, and there's a different R order for that one.

21 EXAMINER EZEANYIM: There is what?

22 MR. KELLAHIN: There's a different R order --

23 EXAMINER EZEANYIM: Yeah.

24 MR. KELLAHIN: -- in the southeast quarter, yes.

25 EXAMINER EZEANYIM: That was my next one, do you

1 know what R order that is?

2 MR. KELLAHIN: Yes, sir, it's 10,624.

3 EXAMINER EZEANYIM: Okay, that was the R order
4 that approved that Number 2 well?

5 MR. KELLAHIN: Yes, ma'am -- Yes, sir, just for
6 the PC.

7 EXAMINER EZEANYIM: Okay, is this Ropco Number 2,
8 is that within the boundaries of the Basin-Fruitland Coal?

9 MR. KELLAHIN: Yes, sir, it is.

10 EXAMINER EZEANYIM: It is?

11 MR. KELLAHIN: Yes, sir.

12 EXAMINER EZEANYIM: And it's going by special
13 pool rules?

14 MR. KELLAHIN: Yes, sir.

15 EXAMINER EZEANYIM: Okay. That rule is
16 promulgated by Division Order R-8768?

17 MR. KELLAHIN: That's my recollection.

18 EXAMINER EZEANYIM: Okay. Now, if you look at
19 that R order, you know it has some requirements. It
20 requires that the wells be located in certain quarters of
21 that section, northeast quarter and southwest quarter. But
22 when I'm looking at this, the well in the northeast quarter
23 is okay, but this well is already located in the southeast
24 quarter. When I go back to that R Order 8768 and read the
25 provisions of that order, it says wells should be located

1 in the northeast quarter and southwest quarter for whatever
2 reason.

3 MR. KELLAHIN: Those rules have subsequently been
4 amended, and now you get an optional infill well, and you
5 can have a well in either quarter section. So having the
6 alternative quarter sections no longer applies.

7 EXAMINER EZEANYIM: Okay, so you say it has been
8 amended. Do you know what amendment --

9 MR. KELLAHIN: I'll have to get it for you, I
10 don't remember it off the top of my head.

11 EXAMINER EZEANYIM: So when do you think you can
12 get that for me?

13 MR. KELLAHIN: Well, as soon as I can get back to
14 the office and --

15 EXAMINER EZEANYIM: Yeah, just let me make some
16 reference.

17 MR. KELLAHIN: Okay, I will do that.

18 EXAMINER EZEANYIM: I have no other questions.

19 MR. KELLAHIN: Okay, thank you.

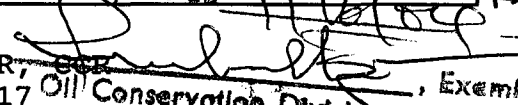
20 EXAMINER EZEANYIM: With that, Case Number 13,322
21 will be taken under advisement.

22 MR. KELLAHIN: Thank you.

23 (Thereupon, these proceedings were concluded at
24 10:14 a.m.)

25 * * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13322
heard by me on 9/16/09

STEVEN T. BRENNER, , Examiner
(505) 989-9317 Oil Conservation Division

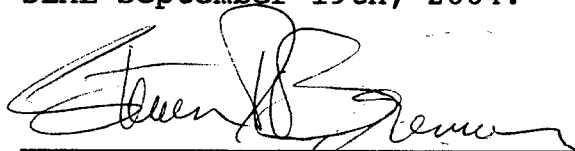
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 19th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006