

**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 PURPOSES OF CONSIDERING:**

**CASE NO. 13360**

**APPLICATION OF LANCE OIL & GAS COMPANY, INC.  
TO AMENDED DIVISION ORDER R-11814  
FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.**

**AFFIDAVIT OF ANNE JONES**

**STATE OF NEW MEXICO                    §  
   § ss.  
COUNTY OF SAN JUAN                    §**

Before me, the undersigned authority, personally Anne Jones appeared and being first duly sworn stated:

A. My name and qualification as expert are as follows:

Anne Jones:

Education: AA Business -NM State University - 1980  
Experience: Practicing Landman for 10 years in New Mexico,

I am over the age of majority and competent to make this Affidavit.

I am responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

I am personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements.

This affidavit has been prepared in accordance with the New Mexico Oil Conservation Division Rule 1207.A(1)(b).

C. My expert opinions are based on the following facts and events:

**Affidavit of Anne Jones  
NMOCD Case 13360  
-Page 1-**

**BEFORE THE  
OIL CONSERVATION DIVISION  
Case No.13360 Exhibit No. 1  
Submitted By: Lance Gas & Oil  
Hearing Date: November 4, 2004**

## **CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS**

Effective October 1, 2004, Lance Oil & Gas Company, Inc. ("Lance") became the successor operator to Richardson Operating Company ("Richardson").

Richardson Operating Company ("Richardson") had a working interest ownership in the oil and gas minerals underlying the W/2 of Section 21, T29N, R13W, San Juan County, New Mexico that is now owned by Lance and contains two existing wells:

Richardson has drilled and has completed its F-RPC "21" Well No. 3 (API # 30-045-31079) approved for downhole commingled production is located in the Unit E of this section and that approved the compulsory pooling of the SW/4 for Pictured Cliffs production and the W/2 for production from the Basin Fruitland Coal Gas Pool and is subject to Division Order R-11814, dated August 16, 2002 entered in Case 11855, but was only completed in the Pictured Cliffs formation. See C-102 attached as Exhibit "A" and Order R-11814 attached as Exhibit "B"

Richardson has drilled and completed its F-RPC "21" Well No. 2 (API # 30-045-31059) Located in the NW/4 of this section that was originally to be drilled to the Pictured Cliffs formation and was subject to a compulsory pooling order for that formation, Division Order R-11813, dated August 16, 2002, Case 12854, but was completed in and only produces from the Basin Fruitland Coal-Gas Pool. See C-102 attached as Exhibit "C" and order R-11813 attached as Exhibit "D"

Based upon an oil & gas title opinion, Richardson believes that the parties listed on the attached Exhibit "E" may own an unleased mineral interest in the subject units

On August 4, 2004, Richardson, as the operator, sent to all unleased mineral interest owners and working interest owners a written well proposal and AFE for the additional of the F-RPC "21" Well No. 2 as the coalbed gas well to be dedicated to the W/2 of Section 21. See Exhibit "F"

Despite its good faith efforts, Richardson has been unable to obtain a voluntary agreement with the parties referenced above.

Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Lance needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

In accordance with Division Rule 1207.A(1)(b) attached the following statements and exhibits in support of this case:

No opposition for the hearing is expected because none of these parties has filed the required pre-hearing statement. See Division Rule 1208.B

Map: (a) outlining the spacing unit already pooled, being the W/2 of Section 21, T29N, R13W, NMPM, San Juan County, New Mexico for which the F-RPC "21 Well No. 2 will be substituted for the F-RPC "21" Well No. 3 and (b) showing the well location and (c) percentage of ownership interest. See Exhibit "A" attached

The name and last known address of the party to be pooled with the nature and percent of their interest; I attest that a diligent search has been conducted of all public records in the county where the well is located and the party has been contacted on our behalf on several occasions. See Exhibit "F" attached

The names of the formations and pools to be pooled are as follows:  
The vertical limits of the Basin Fruitland Coal-Gas Pool within the W/2 of this section.

The pooled unit is for gas.

Written evidence of attempts to reach voluntary agreement including letters and summaries of telephone calls are included herein. See Exhibits "E" and "F"

The maximum 200% risk factor penalty was justified prior to drilling the well in accordance with Commission Order R-11992

The well costs overhead rates of \$5,000/month drilling and \$500/month producing well rates that were awarded in Order R-10656-A should continue to apply for this case. See Order R-11814 attached as Exhibit "B"

Copy of Division form C-102 showing the well location and the proposed depth of the well. See Exhibit "A"

Copy of the AFE in the amount of \$66,156.00 completed well costs for this well, which we conclude, is fair, reasonable and current for wells of this type in this area. See Exhibit "G"

I recommend that a compulsory pooling order be entered which provides that:

Lance Oil & Gas Company, Inc. be named Operator;

Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the well;

In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty; and

Provisions for overhead rates of \$5000 per month drilling and \$500 per month operating and a provision for an adjustment method of the overhead rates as provided by COPAS;

I have formed the following opinions based upon my expertise and upon the foregoing chronology of events:

That Richardson has been able to locate the owners of the interest to be pooled and the application is not expected to be opposed by those owners.

That the approval of Lance's application in this case is necessary in order to consolidate the interest ownership within this spacing unit for the drilling, completing, and producing the subject well, will not violate correlative rights and will help prevent waste and promote the conservation of natural resources.

That the New Mexico Oil Conservation Division should enter an order amending Order R-11814 to substitute the F-RPC "21" Well No. 2 that was drilled and completed for production from the Basin Fruitland Coal-Gas Pool for the F-PRC "21" Well No. 3

FURTHER AFFIANT SAYETH NOT:



Anne Jones

STATE OF NEW MEXICO

COUNTY OF SAN JUAN

§  
§  
§



SUBSCRIBED AND SWORN TO before me this 1st day of November, 2004, by Anne Jones

  
Notary Public

Post-it® Fax Note	7671	Date	11/1/04	# of pages	6
To	TOM	From	A Jones		
Co./Dept.	205.952 2047	Co.			
Phone #		Phone #			
Fax #		Fax #			

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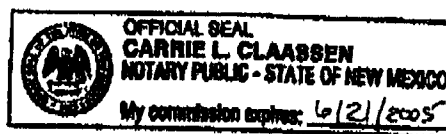
Affidavit of Anne Jones  
NMOCD Case 13360

-Page 4-

**ACKNOWLEDGMENT**

STATE OF NEW MEXICO)

SS:



COUNTY OF SAN JUAN)

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 1<sup>st</sup> day of November, 2004, personally appeared Anne Jones to me known to be the identical persons who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

Carrie L. Claassen  
Notary Public

My Commission expires:

6-21-2005

State of New Mexico  
Energy, Minerals & Mining Resources Department  
OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Form C - 102

☐ AMENDED REPORT

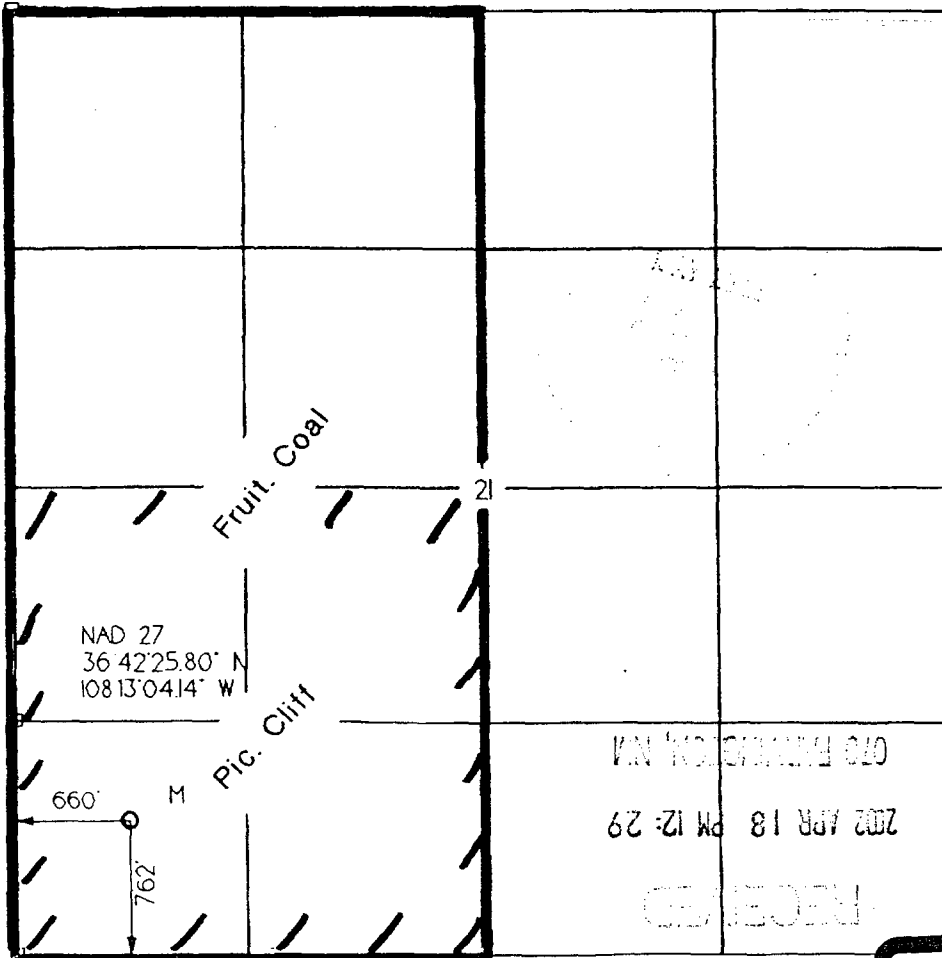
WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number <b>30-045-31079</b>	Pool Code 71629 & 79680	Pool Name <b>BASIN FRUIT. COAL &amp; WEST KUTZ PC</b>
Property Code <b>29676</b>	Property Name RPC 21	Well Number 3
OGRID No. <b>019219</b>	Operator Name RICHARDSON OPERATING COMPANY	Elevation 5290'

Surface Location									
UL or Lot M	Sec 21	Top 29 N.	Rge. 13 W.	Lot Idh.	Feet from >	North/South SOUTH	Feet from >	East/West WEST	County SAN JUAN

Bottom Hole Location If Different From Surface									
UL or Lot	Sec	Top	Rge.	Lot Idh.	Feet from >	North/South	Feet from >	East/West	County
Dedication	Joint ?	Consolidation			Order No.				

NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



<b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature _____	
Printed Name <b>BRIAN WOOD</b>	
Title <b>CONSULTANT</b>	
Date <b>APR. 15, 2002</b>	
<b>SURVEYOR CERTIFICATION</b> I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey _____	
Signature of Professional Surveyor _____ Professional Surveyor No. <b>6844</b> 	

EXHIBIT

A

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. 12855  
ORDER NO. R-11814

APPLICATION OF RICHARDSON PRODUCTION COMPANY FOR  
COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 11, 2002, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 16th day of August, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

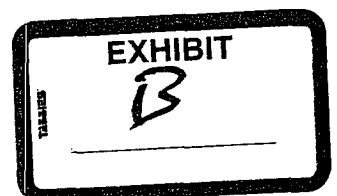
FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Richardson Production Company, ("Applicant"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation underlying the W/2 of Section 21, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, in the following manner:

The W/2, forming a standard 320-acre gas spacing and proration unit (the "320-acre Unit") for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the Basin-Fruitland Coal Gas Pool.

The SW/4, forming a standard 160-acre gas spacing and proration unit (the "160-acre Unit") for all formations or pools spaced on 160 acres within this vertical extent including but not necessarily limited to the West Kutz-Pictured Cliffs Gas Pool.



(3) The above-described units (the "Units") are to be dedicated to Applicant's proposed F-RPC 21 Well No. 3 to be drilled at a standard well location within the SW/4 SW/4 (Unit M) of Section 21, being 762 feet from the South line and 660 feet from the West line of said section. Applicant proposes to drill the well to a depth sufficient to test the Pictured Cliffs formation, and if production is established in both the Fruitland Coal and Pictured Cliffs formations, to apply to the Division for authority to down-hole commingle production from those two formations.

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

(5) Applicant is an owner of an oil and gas working interest within each of the Units. Applicant has the right to drill and proposes to drill its F-RPC 21 Well No. 3 (the "proposed well") to a common source of supply at a standard well location within the SW/4 SW/4 of Section 21.

(6) There are interest owners in each of the proposed units that have not agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Units 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 mineral interests, whatever they may be, within the Units.

(8) Pursuant to the request of Applicant, Richardson Operating Company should be designated the operator of the proposed well and of the Units.

(9) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 156% of well costs allocated to the Fruitland Coal and an additional 200% of well costs allocated to the Pictured Cliffs or any other completion as a reasonable charge for the risk involved in drilling the well.

(10) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5,000 per month while drilling and \$500 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*." The operator should be 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 each non-consenting working interest.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Richardson Production Company, all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation underlying the W/2 of Section 21, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled, as follows:

- (a) The W/2, forming a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Basin-Fruitland Coal Gas Pool.
- (b) The SW/4, forming a standard 160-acre gas spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent, including but not necessarily limited to the West Kutz-Pictured Cliffs Gas Pool.

The Units shall be dedicated to Applicant's F-RPC 21 Well No. 3 to be drilled at a standard gas well location within the SW/4 SW/4 (Unit M) of Section 21, being 762 feet from the South line and 660 feet from the West line of said section.

(2) The operator of the Units shall commence drilling the proposed well on or before November 30, 2002, and shall thereafter continue drilling the well with due diligence to test the Pictured Cliffs formation.

(3) In the event the operator does not commence drilling the proposed well on or before November 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(4) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(5) Pursuant to the request of Applicant, Richardson Operating Company is hereby designated the operator of the proposed well and of the Units.

(6) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the Units, including unleased mineral interests, who are not parties to an operating agreement governing the Units.) After the effective date of this order, the operator shall furnish to the Division and to each known non-consenting working interest owner in the Units an itemized schedule of estimated well costs of the proposed well.

(7) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated 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 estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(8) The operator shall furnish to the Division and to each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. 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 notice and hearing.

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

(10) 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, 156% of costs attributable to the Fruitland Coal and

200% of costs attributable to the Pictured Cliffs or to any other completion.

(11) Costs of drilling the proposed well from the surface to a depth sufficient to test the Fruitland Coal formation, and costs of surface production equipment shall be allocated 50% to the Fruitland Coal formation and 50% to the Pictured Cliffs formation. Costs of drilling below that depth shall be allocated to the Pictured Cliffs formation. Down-hole costs of completion shall be allocated to the formation to which such costs are applicable. Costs allocated to the Fruitland Coal shall be charged to each non-consenting working interest owner in proportion to such owner's ownership interest in the Fruitland Coal formation, and costs allocated to the Pictured Cliffs formation shall be charged to each non-consenting working interest owner in proportion to such owner's ownership interest in the Pictured Cliffs formation. However, costs and charges allocable to a non-consenting interest owner that are to be paid out of such owner's share of production may be withheld from such owner's total share of production without regard to the allocation of production between formations.

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

(13) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$5,000 per month while drilling and \$500 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 each non-consenting working interest.

(14) Except as provided in Ordering Paragraphs (10) and (13) 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.

(15) 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.

(16) 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.

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

(18) In the event that the proposed well is completed in more than one pool, the operator shall not commingle production from the separate pools unless and until it has filed, and obtained approval of, a down-hole commingling application pursuant to Division Rule 303.

(19) 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

LORI WROTENBERY  
Director

SEAL

State of New Mexico  
Energy, Minerals & Mining Resources Department  
OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

APR 2002

Form C - 102

☐ AMENDED REPORT

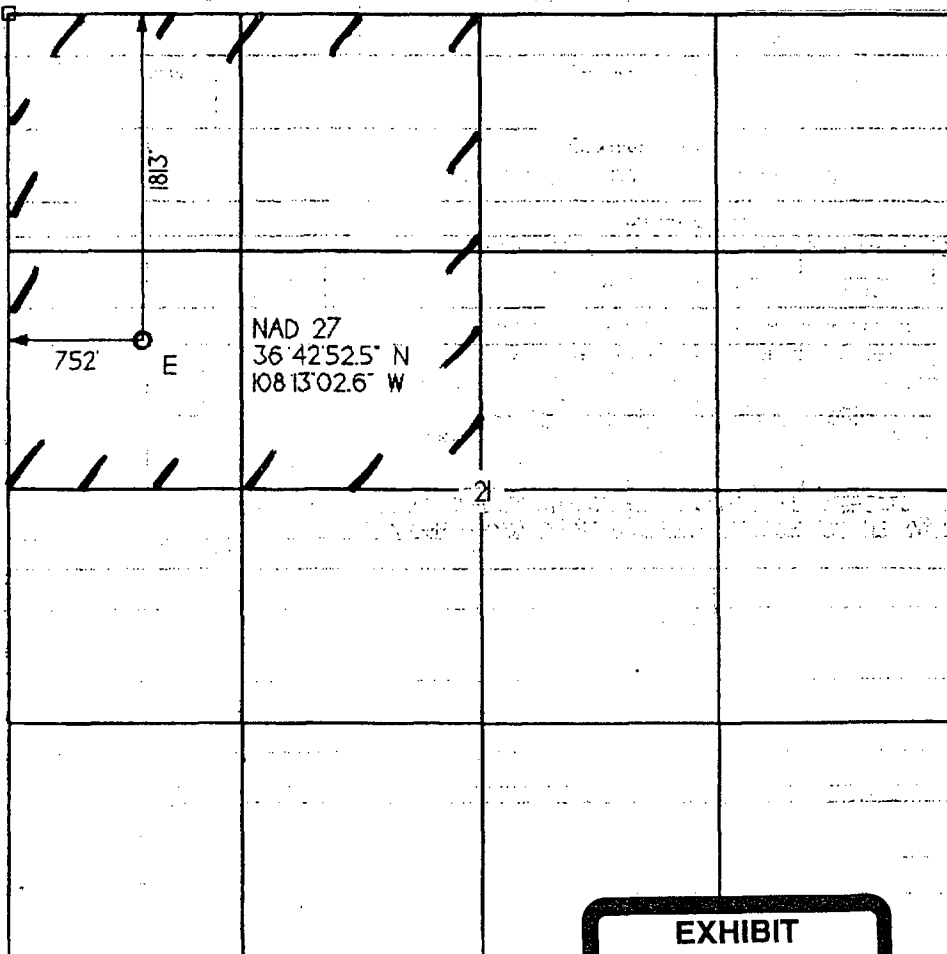
WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number 30-045-31059	Pool Code 79680	Well Name WEST KUTZ PICTURED CLIFFS
Property Code 29676	Property Name F-RPC 21	Well Number 2
OGFD No. 019219	Operator Name RICHARDSON OPERATING COMPANY	Elevation 5244'

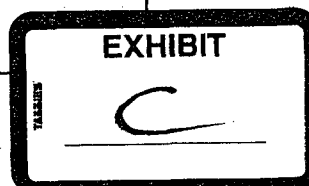
Surface Location									
UL or Lot	Sec.	Twp.	Rge.	Lot Id.	Feet from	North/South	Feet from	East/West	County
E	21	29 N.	13 W.		1813'	NORTH	752'	WEST	SAN JUAN

Bottom Hole Location if Different From Surface									
UL or Lot	Sec.	Twp.	Rge.	Lot Id.	Feet from	North/South	Feet from	East/West	County
Dedication	Joint ?	Consolidation	Order No.						

NO ALLOWABLE WILL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



<b>OPERATOR CERTIFICATION</b>	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature	<i>Brian Wood</i>
Printed Name	BRIAN WOOD
Title	CONSULTANT
Date	APR. 7, 2002
<b>SURVEYOR CERTIFICATION</b>	
I hereby certify that the well location on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.	
Date of Survey	APR 7 2002
Signature	<i>[Signature]</i>
Professional Seal	



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. 12854  
ORDER NO. R-11813

APPLICATION OF RICHARDSON PRODUCTION COMPANY FOR  
COMPULSORY POOLING, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 11, 2002, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 16th day of August, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

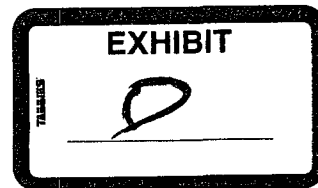
FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Richardson Production Company, ("Applicant"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Pictured Cliffs formation underlying the NW/4 of Section 21, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, in the following manner:

The NW/4, forming a standard 160-acre gas spacing and proration unit (the "Unit") for all pools and formations spaced on 160 acres within that vertical extent, including but not necessarily limited to the West Kutz-Pictured Cliffs Gas Pool.

(3) The Unit is to be dedicated to Applicant's proposed F-RPC 21 Well No. 2 (the "proposed well") to be drilled at a standard gas well location within the SW/4 NW/4 (Unit E) of Section 21. The proposed well will be located 1813 feet from the North line and 752 feet from the West line of said section. Applicant proposes to drill the well to a depth sufficient to test the Pictured Cliffs formation.



(4) 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.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill its F-RPC 21 Well No. 2 (the "proposed well") to a common source of supply at a standard well location within the NW/4 of Section 21.

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

(7) 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.

(8) Pursuant to the request of Applicant, Richardson Operating Company should be designated the operator of the proposed well and of the Unit.

(9) Any non-consenting working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(10) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5000 per month while drilling and \$500 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*." The operator should be 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 each non-consenting working interest.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Richardson Production Company, all uncommitted interests, whatever they may be, in the oil and gas from the surface to the base of the Pictured Cliffs formation underlying the NW/4 of Section 21, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, are hereby pooled, as follows:

The NW/4, forming a standard 160-acre gas spacing and proration unit for all pools and formations spaced on 160 acres within that vertical extend, including but not necessarily limited to the West Kutz-Pictured Cliffs Gas Pool.

The Unit shall be dedicated to Applicant's F-RPC 21 Well No. 2, to be drilled at a standard gas well location within the SW/4 NW/4 (Unit E) of Section 21. The proposed well will be located 1813 feet from the North line and 752 feet from the East line of said section.

(2) The operator of the Unit shall commence drilling the proposed well on or before November 30, 2002, and shall thereafter continue drilling the well with due diligence to test the Pictured Cliffs formation.

(3) In the event the operator does not commence drilling the proposed well on or before November 30, 2002, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(4) Should the proposed well not be drilled to completion, or be abandoned, within 120 days after commencement thereof the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(5) Pursuant to the request of Applicant, Richardson Operating Company is hereby designated the operator of the proposed well and of the Unit.

(6) After pooling, uncommitted working interest owners are referred to as non-consenting working interest owners. ("Uncommitted working interest owners" are owners of working interests in the Unit, including unleased 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 to each known non-consenting working interest owner in the Unit an itemized schedule of estimated well costs of the proposed well.

(7) Within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay its share of estimated 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 estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(8) The operator shall furnish the Division and each known non-consenting working interest owner an itemized schedule of actual well costs within 90 days following completion of the proposed well. 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 shall determine reasonable well costs after public notice and hearing.

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

(10) 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% of the above costs.

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

(12) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$5000 per month while drilling and \$500 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 each non-consenting working interest.

(13) Except as provided in Ordering Paragraphs (10) and (12) 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.

(14) 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.

(15) 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.

(16) 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.

(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

LORI WROTENBERY  
Director

SEAL

**List of Unleased Mineral Owners**  
**Nature & percent of interest**  
**Richardson Operating Company**  
**FRPC 21-3 Well**  
**SW/4 Sec. 21 – T29N-R13W NMPM Pictured Cliffs Formation**  
**W/2 Sec. 21 – T29N-R13W NMPM Fruitland Coal**  
**San Juan County, New Mexico**

W/2 Fruitland Coal		
Name & Address	Acreage	Percent of Interest
Ronald Elkins 1539 East Elmwood Circle Mesa, AZ 85203	6.13	1.92%
Frederick Elkins and Laurie Elkins 1050 East 760 North Orem, UT 84097	6.13	1.92%
Richard Elkins and Cassandra Elkins 231115 Summers Drive San Antonio, TX 78258	6.13	1.92%
Forest Elkins and Patricia Elkins 1303 Lazy Lane San Marcus, TX 78666	6.13	1.92%
First National Bank Iowa City, Iowa, Trustee 204 West Washington Iowa City, IA 52244	5.00	1.56%
City of Farmington 800 Municipal Drive Farmington, NM 87401	3.52	1.10%
Wells Fargo Bank, N.A. 4601 East Main, Suite #1 Farmington, NM 87402	28.35	8.86%
William R. Amos 610 West Animas Farmington, NM 87401	0.47	0.15%
Dr. William A. Hall 416 North Behrend Farmington, NM 87401	5.00	1.56%
State of New Mexico Hwy Dept. P. O. Box 1149 Santa Fe, NM 87503	3.93	1.23%
<b>TOTALS</b>	<b>70.80</b>	<b>22.14%</b>



**List of Unleased Mineral Owners**  
**Nature & percent of interest**  
**Richardson Operating Company**  
**FRPC 21-3 Well**  
**SW/4 Sec. 21 – T29N-R13W NMPM Pictured Cliffs Formation**  
**W/2 Sec. 21 – T29N-R13W NMPM Fruitland Coal**  
**San Juan County, New Mexico**

SW/4 Pictured Cliffs Formation		
Name & Address	Acreage	Percent of Interest
Ronald Elkins 1539 East Elmwood Circle Mesa, AZ 85203	3.758	2.346%
Frederick Elkins and Laurie Elkins 1050 East 760 North Orem, UT 84097	3.758	2.346%
Richard Elkins and Cassandra Elkins 231115 Summers Drive San Antonio, TX 78258	3.758	2.346%
Forest Elkins and Patricia Elkins 1303 Lazy Lane San Marcus, TX 78666	3.758	2.346%
TOTAL UNLEASED	15.032	9.38%



BEFORE THE  
 OIL CONSERVATION DIVISION  
 Case No. 12855 Exhibit No. 2  
 Submitted By:  
*Richardson Production*  
 Hearing Date: July 11, 2002

**List of Unleased Mineral Owners  
Nature & percent of interest  
Richardson Operating Company  
FRPC 21-2 Well  
NW/4 Sec. 21 – T29N-R13W NMPM  
San Juan County, New Mexico**

Name & Address	Acreage	Percent of Interest
Ronald Elkins 1539 East Elmwood Circle Mesa, AZ 85203	2.38	1.49%
Frederick Elkins and Laurie Elkins 1050 East 760 North Orem, UT 84097	2.38	1.49%
Richard Elkins and Cassandra Elkins 231115 Summers Drive San Antonio, TX 78258	2.38	1.49%
Forest Elkins and Patricia Elkins 1303 Lazy Lane San Marcus, TX 78666	2.38	1.49%
First National Bank Iowa City, Iowa, Trustee 204 West Washington Iowa City, IA 52244	5.00	3.13%
City of Farmington 800 Municipal Drive Farmington, NM 87401	3.52	2.20%
Wells Fargo Bank, N.A. 4601 East Main, Suite #1 Farmington, NM 87402	28.35	17.74%
William R. Amos 610 West Animas Farmington, NM 87401	0.47	0.29%
Dr. William A. Hall 416 North Behrend Farmington, NM 87401	5.00	3.13%
State of New Mexico Hwy Dept. P. O. Box 1149 Santa Fe, NM 87503	3.93	2.46%
<b>TOTAL UNLEASED</b>	<b>55.79</b>	<b>34.91%</b>



BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 12854 Exhibit No. — **2**  
Submitted By:  
*Richardson Production*  
Hearing Date: July 11, 2002

**RICHARDSON OPERATING COMPANY**  
**501 AIRPORT DRIVE, SUITE 119**  
**FARMINGTON, NM 87401**

**Phone (505) 564-8115**

**FAX (505) 564-8334**

CERTIFIED MAIL 7002 0510 0002 5239 9135

August 4, 2004

NEW MEXICO STATE HWY DEPT  
P O BOX 1149  
SANTA FE, NM 87504-1149

Re: Richardson Operating Company  
Well Proposal for an optional "infill" coal gas well  
W/2 Section 21, T29N-R13W  
San Juan County, New Mexico

Dear Owner:

On October 15, 2002, the New Mexico Oil Conservation Division ("Division") entered Order R-8768.C that authorized one option "infill" coalbed gas well in an existing 320-acre gas spacing unit already dedicated to a coal well.

In the referenced spacing unit (W/2 Section 21), Richardson operates two existing wells:

1. the F-RPC 21-3 located in the SW/4 dedicated to both the Pictured Cliffs formation (SW/4) and the Fruitland Coal Gas Pool (W/2). This production is downhole commingled and the interest consolidated by Division compulsory pooling order R-11814, dated August 16, 2002, and
2. the F-RPC 21-2 located in the NW/4 dedicated to the Pictured Cliffs formation (NW/4). Division compulsory pooling order R-11813, dated August 15, 2002, has consolidated the interests in this well.

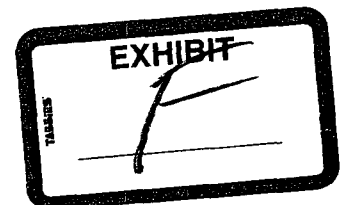
The purpose of this letter is to notify you that:

- (a) Richardson records indicate that you may have an interest in either the 160-acre or 320-acre spacing units;
- (b) That Richardson plans to add the coal-gas formation by perforating and fracturing that formation in its existing F-RPC 21-2 well and dedicating it as the approved option infill well for the existing 320-acre spacing unit consisting of the W/2 of this section; and
- (c) That you are entitled to participate in a share of any gas production from the coal-gas pool by prepaying your share of the costs of this additional work as set forth on the enclosed Authority for Expenditure ("AFE").

We would appreciate receiving your reply within 20 days of the date of this letter.

Yours truly,

Anne Jones



**KELLAHIN  
AND  
KELLAHIN**

Attorney at Law  
P.O. Box 2265  
Santa Fe, New  
Mexico 87504  
117 North Guadalupe  
Santa Fe, New  
Mexico 87501

Telephone 505-982-  
4285  
Facsimile 505-982-  
2047  
TKELLAHIN@earthlink  
.net

**FAX TRANSMITTAL FORM****To**

Name: Will Jones  
Agency:  
Oil Conservation Division  
Fax: 476-3462

**From**

W. Thomas Kellahin  
Telephone 505-982-4285  
Facsimile 505-982-2047  
TKELLAHIN@earthlink.net

- ☐ Urgent  
☐ For Review  
☐ Please Comment  
☐ Please Reply

Date sent: 12-16-04  
Time sent: 9:15 am  
Number of pages including cover page:

-2-

**Re: NMOCD Case 13360  
Lance Oil & Gas Company  
compulsory pooling  
W/2 Sec 21, T29N, R13W  
San Juan County, New Mexico**

**Dear Mr. Jones:**

*In accordance with our phone conversation yesterday, Anna Jones has Determined that we inadvertently attached the wrong AFE to her affidavit. Please substitute the enclosed Replacement Exhibit "G" that shows that of the total well costs only the costs associated with the Fruitland Coal completion are to be recovered.*

Regards,



**Fax: Lance Oil & Gas Company  
Attn: Anne Jones 505-598-0064**

**NOTICE OF CONFIDENTIALITY**

THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS CONFIDENTIAL AND INTENDED FOR THE USE OF THE INDIVIDUAL OR ENTITY NAMED ABOVE. IF THE READER OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT, OR THE EMPLOYEE OR AGENT RESPONSIBLE FOR DELIVERING IT TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION, COPYING, OR UNAUTHORIZED USE OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS FACSIMILE IN ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE AND RETURN THE FACSIMILE TO THE SENDER AT THE ABOVE ADDRESS. THANK YOU.

001/001

**Date:** 8/4/2004  
**Objective Formation:**  
**Recomplete into Furland Coal Formation**

	\$0.00
	\$88,168.83
<b>Total FC Costs</b>	<b>\$88,168.83</b>

EXHIBIT  
Replacement  
G 12/16/62

**RICHARDSON OPERATING COMPANY**  
**AUTHORITY FOR EXPEDITURES**

**Well Name:** F-RPC 21-3  
**Location:** SW/4 Section 21-T29N-R13W  
**Spacing:** W/2 320 acres  
**Proposed Depth:** 1,000' FC; 1,100' PC

**Date:** 8/20/2002  
**Objective Formation:**  
Commingle Pictured Cliffs and Fruitland Coal

I. Drilling Costs (Included Run Casing)	Tangible	Intangible	Total	Fruitland Coal	Pictured Cliffs
Survey and Permits - - - - -		3,000		1,500	1,500
Title Opinion & Land - - - - -		3,000		1,500	1,500
Damages- - - - -		2,000		1,000	1,000
* Drilling (incl. water & mud) 1200' @ 15.00/ft.-		18,000		7,515	10,485
BOP Rental- - - - -		750		375	375
Dirt Work- - - - -		4,000		2,000	2,000
Pit Lining- - - - -		2,800		1,400	1,400
Surface Casing 200' @ 7.65/ft.- - - - -	1,530			765	765
Casing Head- - - - -	1,500			750	750
Cement Surface- - - - -		2,300		1,150	1,150
Power Tongs- - - - -		1,000		500	500
Casing 1200' @ 5.00/ft.- - - - -	6,000			2,505	3,495
Trucking- - - - -		3,000		1,500	1,500
Logs- - - - -		4,000		2,000	2,000
Engineering- - - - -		5,000		2,500	2,500
Cement Longstring- - - - -		4,000		1,670	2,330
Total Cost to Run Casing- - - - -	9,030	52,850	61,880	28,630	33,250
10% Contingency- - - - -			6,188	2,863	3,325
<b>Grand Total to Run Casing</b>			<b>68,068</b>	<b>31,493</b>	<b>36,575</b>
II. Completion Costs					
Rig Anchors- - - - -		750		375	375
Logs- - - - -		3,000		1,500	1,500
Perf- - - - -		4,000		2,000	2,000
Wellhead & Fittings- - - - -	4,000			2,000	2,000
Tubing 1200' @ 2.10/ft.- - - - -	2,520			1,052	1,468
Stimulation- - - - -		50,000		25,000	25,000
Tool Rental- - - - -		2,300		1,150	1,150
Trucking- - - - -		3,000		1,500	1,500
Battery Installation- - - - -		6,000		3,000	3,000
Restore Location- - - - -		4,000		2,000	2,000
Engineering- - - - -		5,000		2,500	2,500
Treater, Separator - - - - -	6,000			3,000	3,000
Flowline- - - - -	4,000			2,000	2,000
Tank & Fittings- - - - -	5,000			2,500	2,500
Gravel- - - - -	3,000			1,500	1,500
Workover Rig- - - - -		12,000		6,000	6,000
Completion Fluids- - - - -		2,000		1,000	1,000
Pipeline Hookup- - - - -		50,000		25,000	25,000
Division Order Opinion - - - - -		2,000		1,000	1,000
Frac Tank Rental- - - - -		2,000		1,000	1,000
Flowback - - - - -		2,000		1,000	1,000
Fence Location- - - - -	5,000			2,500	2,500
Total Completion Costs- - - - -	29,520	148,050	177,570	88,577	88,993
10% Contingency- - - - -			17,757	8,858	8,899
Drilling Costs- - - - -			68,068	31,493	36,575
<b>Grand Total Well Costs</b>			<b>263,395</b>	<b>128,928</b>	<b>134,467</b>



**FRUITLAND COAL (FC)**  
0.0000% THIRD PARTY  
100.0000% Richardson Operating Company et als

<b>Share of costs:</b>	
Approved BY:	\$0.00
	\$128,927.81
<b>Total FC Costs</b>	<b>\$128,927.81</b>