

**KELLAHIN AND KELLAHIN**

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EL PATIO BUILDING

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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 3, 1999

**HAND DELIVERED**

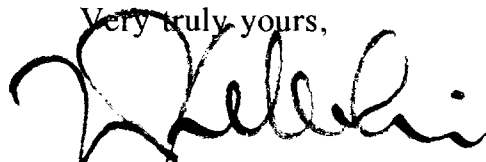
Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: **WP State "2" Well No. 1**  
**Application of Richardson Operating Company**  
**for compulsory pooling and downhole commingling**  
**San Juan County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Richardson Operating Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 27, 1999. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

  
W. Thomas Kellahin

cc: Richardson Operating Company  
Attn: Cathy Colby

12187  
OIL CONSERVATION DIV.  
69 APR 33 AM 11:02

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

12187

**CASE\_\_\_**: Application of Richardson Operating Company for compulsory pooling and downhole commingling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 2, T30N, R14W, NMPM, San Juan County, New Mexico, forming standard 160-acre and 320-acre spacing and proration units, respectively. Said units are to be dedicated to its WF State "2" Well No. 1 which is to be located at a standard gas well location within Unit A of this section for downhole commingled production from the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

Said well is located approximately 6 miles north of the northwestern corner of the City of Farmington, New Mexico.

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF RICHARDSON OPERATING COMPANY FOR  
COMPULSORY POOLING AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO. 12187**

**A P P L I C A T I O N**

Comes now RICHARDSON OPERATING COMPANY, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 2, T30N, R14W, NMPM, San Juan County, New Mexico, forming standard 160-acre and 320-acre spacing and proration units, respectively. These units are to be dedicated to its WF State "2" Well No. 1 which is to be located at a standard gas well location within Unit A of this section for downhole commingled production from the Undesignated Harper Hill Fruitland Sand Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

In support of its application, Richardson Operating Company ("Richardson") states:

1. Richardson has a working interest ownership in the oil and gas minerals underlying the NE/4 and the N/2 of Section 2, T30N, R14W, NMPM, San Juan County, New Mexico.

2. Richardson has proposed to the other working interest owners that this well be drilled and completed as a "downhole commingled completion" for potential production from the Basin Fruitland Coal Gas Pool with any Pictured Cliffs production to be dedicated respectively to a 320-acre coal-gas spacing and proration unit consisting of the N/2 of Section 2 and to a 160-acre gas spacing and proration unit consisting of the NE/4 of this section for production from the Undesignated Harper Hill Fruitland Sand-Pictured Cliffs Gas Pool.

3. In accordance with Division Rule 303, applicant has completed Division Form C-107-A, which is attached hereto As Exhibit "C" and incorporated by reference. Notice of the proposed downhole commingling is being sent to the interest owners in the respective spacing units as set forth on Exhibit "A".

4. Despite its good faith efforts, Richardson has been unable to obtain a written voluntary agreement from certain uncommitted working interest owners as shown on Exhibit "B".

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and these spacing units, Richardson needs an order of the Division pooling the identified and described mineral interests in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements for compulsory pooling, a copy of this application has been sent to those interest owners to be pooled as set forth on Exhibit "B".

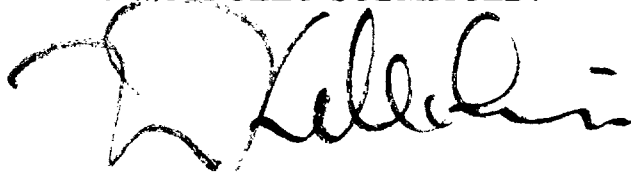
7. Richardson requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for May 27, 1999.

WHEREFORE, Richardson, as applicant, requests that this application be set for hearing on May 27, 1999 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in these spacing units for the drilling, completion and operations of the subject well for downhole commingled production at standard gas well location upon terms and conditions which include:

- (1) Richardson Operating Company be named operator;

- (2) provisions for each working interest owner to participate in any production by reimbursing the applicant for the value of the costs of drilling, completing, equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates of \$5000 per month drilling and \$500 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a faint circular stamp.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285

EXHIBIT A

NOTIFICATION LIST

Mr. Robert L. Hamilton  
8 Blacklog Road  
Kentfield, CA 94904

Mrs. Myrtle Jo Orzalli  
2790 Bruce Street  
Matlacha, FL 33993

New Mexico State Land Office  
P.O. Box 1148  
Santa Fe, NM 87504-1148

Evko Development Company  
P.O. Box 245  
Sausalito, CA 94966

Credo Petroleum Corporation  
1801 Broadway, Suite 900  
Denver, CO 80202

R. K. O'Connell  
C. S. O'Connell  
P.O. Box 2003  
Casper, WY 82602

Bill D. Farleigh  
P.O. Box 3215  
Casper, WY 82602-3215

Don E. Lawson and Marjorie C. Lawson, Trustees  
3350 Arroyo Place  
Casper, WY 82604

Harvest Energy Company  
3501 S. Corona #7  
Englewood, CO 80110

Burlington Resources Oil & Gas Company  
P.O. Box 4289  
Farmington, NM 87499-4289

Four Star Oil & Gas Company  
P.O. Box 46513  
Denver, CO 80201-6513

Dugan Production Corp.  
P.O. Box 420  
Farmington, NM 87401

Bureau of Land Management  
Farmington District Office  
1235 La Plata Highway  
Farmington, NM 87401

EXHIBIT B

Uncommitted Working Interest Owners:

Mr. Robert L. Hamilton  
8 Blacklog Road  
Kentfield, CA 94904

Mrs. Myrtle Jo Orzalli  
2790 Bruce Street  
Matlacha, FL 33993

DISTRICT I  
P.O. Box 1985, Hobbs, NM 88241-1985  
DISTRICT II  
811 South First St., Artesia, NM 88210-2825  
DISTRICT III  
1000 No. Bristol Rd., Aptos, NM 87410-1813

State of New Mexico  
Energy, Minerals and Natural Resources Department  
**OIL CONSERVATION DIVISION**  
2040 S. Pecos  
Santa Fe, New Mexico 87508-8428

Form C-107-A  
New 3-12-86

APPROVAL PROCESS:  
Administrative ☒ Hearing  
EXISTING WELLBORE  
YES ☐ NO ☒

**APPLICATION FOR DOWNHOLE COMMINGLING**

**RICHARDSON OPERATING COMPANY** 1700 Lincoln St., Suite 1700 Denver, CO 80203  
Operator Address

Well State 2-1 A 2 30N 14W San Juan  
County Well No. Unit Loc. Sec. Twp. Rge. County

OGNID NO. 019219 Property Code API NO. Spacing Unit Lease Type: (check 1 or more)  
Federal ☐ State ☒ (include Fee)

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	71629 Basin Fruitland Coal		78160 undesignated Harper Hill Fruitland Sand Picture Cliffs extension
2. Top and Bottom of Pay Section (Perforations)	1441-1471		1471-1501
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Pumping		Pumping
5. Bottomhole Pressure	a. (Current)	b.	c.
Oil Zones - Artificial Lift: Gas & Oil - Flowing: Estimated Current Measured Current All Gas Zones: (estimated) Or Measured Original	b. (Original) 200	b.	b. 200
6. Oil Gravity (° API) or Gas SGU Constant	1000		1000
7. Producing or Shut-in?			
Production Marginal? (yes or no)	Yes		Yes
* If Shut-in, give date and oil/gas/water rates of last production Note: For new wells with no production history, applicants shall be required to attach production estimates and supporting data	Date: Rate:	Date: Rate:	Date: Rate:
* If Producing, give date and oil/gas/water rates of recent test (within 90 days)	Date: Rate:	Date: Rate:	Date: Rate:
8. Fixed Percentage Allocation Formula - % for each zone	Oil: % Gas: %	Oil: % Gas: %	Oil: % Gas: %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes ☒ No ☐  
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes ☒ No ☐  
Have all offset operators been given written notice of the proposed downhole commingling? Yes ☒ No ☐

11. Will cross-flow occur? Yes ☒ No ☐ If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes ☐ No ☐ (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No

13. Will the value of production be decreased by commingling? ☒ Yes ☐ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

15. NMCO Reference Cases for Rule 303(D) Exceptions: ORDER NO(S):

**16. ATTACHMENTS:**

- \* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- \* Production curve for each zone for at least one year. (If not available, attach explanation.)
- \* For zones with no production history, estimated production rates and supporting data.
- \* Data to support allocation method or formula.
- \* Notification list of all offset operators.
- \* Notification list of working, overriding, and royalty interests for uncommon interest cases.
- \* Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Paul C. Thompson TITLE Agent DATE 4-30-99

TYPE OR PRINT NAME Paul C. Thompson TELEPHONE NO. ( 505 ) 327-4692



RICHARDSON OPERATING COMPANY  
WF State #2-1  
Commingling Application

There are currently no Fruitland Coal or Pictured Cliffs completions in this nine-section area. Based on recent Richardson Operating Company wells in the southwest quarter of this township, it is anticipated that both zones will have similar bottom hole pressures of approximately 200 psi. Both zones produce some water and no liquid hydrocarbons. Neither zone is fluid sensitive and fluids from the two zones are compatible.

Since neither zone has enough data to prepare a reliable production forecast, or predict the ultimate reserves, Richardson Operating Company proposes to allocate the production based on a ratio of the initial production rates. The Pictured Cliffs zone will be completed first and tested. The test results will establish the baseline for the Pictured Cliffs production. The Fruitland Coal formation will then be completed separately, but it will have to be produced with the Pictured Cliffs. The Fruitland Coal production will be the total measured production minus the Pictured Cliffs baseline rate.

Assuming a 7% decline rate from the Pictured Cliffs, the allocation formula is as follows:

**Pictured Cliffs Production** = Pictured Cliffs base rate  $\times e^{-Dt}$ , where  $D = 7\%/yr$  and  $t =$  time in years since first production.

**Fruitland Coal Production** = Total Production - Pictured Cliffs production

**District I**

1425 N. French Dr., Hobbs, NM 88240

**District II**

811 South First, Artesia, NM 88210

**District III**

1000 Rio Grande Rd., Aztec, NM 87410

**District IV**

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural ResourcesOIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505Form C-102  
Revised March 17, 1994Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number		78150		* Well Name		Undesignated Harper Hill Fruitland Sand Pictured Cliffs ext.	
* Property Code		* Property Name				* Well Number	
		WT State				2-1	
* GRID No.		* Operator Name				* Elevation	
		RICHARDSON OPERATING COMPANY				5750'	

## 10 Surface Location

UL or lot no.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
A	2	30 N	14 W		800'	North	915'	East	San Juan

## 11 Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County

12 Undeveloped Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160	Y		

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

16					<b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature <u>Cathleen Colby</u> Printed Name <u>Cathleen Colby</u> Title <u>Land Manager</u> Date <u>April 30, 1999</u>
				<b>18 SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown 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 <u>April 30, 1999</u> Signature and Seal of Professional Surveyor <u>Ernest G. Ruddleston</u>  Certificate Number <u>8004</u>	

101  
N. French Dr., Hobbs, NM 88240  
102  
Smith Farm, Artesia, NM 88210  
103  
Rio Brazos Rd., Artesia, NM 87410  
104  
1 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Form C-102  
Revised March 17, 1994

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number	2 Well Code 71629	3 Well Name Basin Fruitland Coal	4 Well Number 2-1
5 Property Code	6 Property Name WT State		7 Elevation 5750'
8 GRID No.	9 Operator Name RICHARDSON OPERATING COMPANY		

10 Surface Location

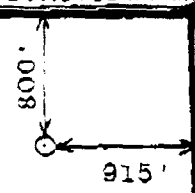
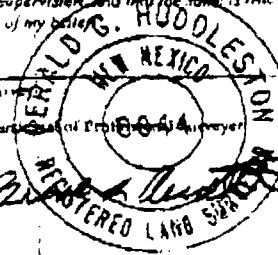
11 U/L or lot no. A	12 Section 2	13 Township 30 N	14 Range 14 W	15 Lot Idn	16 Feet from the 800'	17 North/South line North	18 Feet from the 915'	19 East/West line East	20 County San Juan
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11 Bottom Hole Location If Different From Surface

21 U/L or lot no.	22 Section	23 Township	24 Range	25 Lot Idn	26 Feet from the	27 North/South line	28 Feet from the	29 East/West line	30 County
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31 Dedication Acres 320	32 Joint or Infill Y	33 Classification Code	34 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Cathleen Colby Signature Cathleen Colby Printed Name Land Manager Title April 30, 1999 Date	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown 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 and Seal of Registered Surveyor  Certificate Number	