

**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:**

**REOPENED
CASE NO. 12643
ORDER NO. R-11577-A**

**APPLICATION OF RICHARDSON PRODUCTION COMPANY TO REOPEN CASE
NO. 12643 FOR THE PURPOSE OF AMENDING ORDER NO. R-11577 BY
RECONSIDERING THE CHARGE FOR RISK INVOLVED IN DRILLING A WELL
IN THE BASIN-FRUITLAND COAL (GAS) POOL AND THE TWIN MOUNDS-
FRUITLAND SAND-PICTURED CLIFFS POOL, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 31, 2001, at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this 18th day of June, 2001, 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 its subject matter.

(2) At the hearing, Reopened Division Cases No. 12643 and 12644 were consolidated for the purpose of testimony.

(3) By Order No. R-11577, issued in Case No. 12643 and dated April 30, 2001, the Division granted the application of Richardson Production Company ("Richardson") for the compulsory pooling of all uncommitted mineral interests, whatever they may be, from the surface to the base of the Pictured Cliffs formation underlying the following acreage in Section 8, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico, in the following manner:

(a) the S/2 to form a standard 320-acre lay-down gas

spacing and proration unit for any pool within that vertical extent with special rules providing for development on 320-acre spacing, which presently includes only the Basin-Fruitland Coal (Gas) Pool; and

- (b) the SW/4 to form a standard 160-acre gas spacing and proration unit for formations and/or pools developed on 160-acre spacing within that vertical extent, which presently include the Twin Mounds-Fruitland Sand-Pictured Cliffs Pool.

(4) Both pooled units are to be dedicated to Richardson's proposed ROPCO "8" Well No. 3 (**API No. 30-045-30459**) to be drilled at a standard gas well location for both sized units 936 feet from the South line and 1276 feet from the West line (Unit M) of Section 8.

(5) This order further provided that a risk penalty of 156 percent be assessed against all uncommitted mineral interest owners in both units as a reasonable charge for the risk involved in the drilling of the well.

(6) At this time Richardson seeks an amendment to Division Order No. R-11577 to define the risk penalty as follows: (i) 156 percent of the well costs attributable to the Basin-Fruitland Coal (Gas) Pool; and (ii) 200 percent of the well costs attributable to any other pool.

(7) Assignment of 156 percent to the Basin-Fruitland Coal (Gas) Pool is based on precedent established in previous compulsory pooling cases; however, the assignment of 156 percent to all intervals was not the intent of Richardson at the original hearing in this case. A recent Division order assigned a risk penalty to the Basin-Fruitland Coal (Gas) Pool that differed from the risk penalty assigned to other intervals thereby establishing a basis for approving this request.

(8) This application was styled such that this matter would be taken under advisement in the absence of objection. The applicant was represented by legal counsel at the hearing.

(9) This application should be approved and the appropriate changes should be made to Division Order No. R-11577 to reflect this split risk penalty. Further, the date contained in Order No. R-11577 for Richardson to commence drilling this well (August 1,

2001) should be extended accordingly.

IT IS THEREFORE ORDERED THAT:

(1) The date "*August 1, 2001*" found three different places in Ordering Paragraph No. (2) on page 4 of Division Order No. R-11577 is hereby changed to "*September 15, 2001*."

(2) Ordering Paragraph No. (8) on page 5 of Order No. R-11577 is hereby amended to read in its entirety as follows:

"(8) 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) an additional amount representing a reasonable charge for the risk involved in drilling and completing the well in question, computed as follows: 156 percent of that portion of the amount in paragraph 8 (a), above, attributable to the cost of drilling and completing in the Basin-Fruitland Coal Gas pool, *plus* 200 percent of that portion of the amount in paragraph 8 (a), above, attributable to the additional cost of drilling to the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool and completing in that pool or any other formation developed on 160-acre spacing."

(3) The amendments set forth in this order shall be entered retroactively as of April 30, 2001.

(4) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
Director