

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:)

APPLICATION OF RICHARDSON PRODUCTION)
COMPANY TO REOPEN CASE 12,643 FOR THE)
PURPOSE OF AMENDING ORDER NO. R-11,577)
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)

CASE NOS. 12,643

APPLICATION OF RICHARDSON PRODUCTION)
COMPANY TO REOPEN CASE 12,644 FOR THE)
PURPOSE OF AMENDING ORDER NO. R-11,578)
BY RECONSIDERING THE CHARGE FOR RISK)
INVOLVED IN DRILLING A WELL IN THE TWIN)
MOUNDS-FRUITLAND SAND-PICTURED CLIFFS)
POOL, SAN JUAN COUNTY, NEW MEXICO)

and 12,644

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 31st, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 31st, 2001, 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.

* * *

I N D E X

May 31st, 2001
 Examiner Hearing
 CASE NOS. 12,643 and 12,644 (Consolidated)

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A P P E A R A N C E S

FOR THE DIVISION:

DAVID BROOKS
 Attorney at Law
 Legal Counsel to the Division
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
 110 N. Guadalupe, Suite 1
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

ALSO PRESENT:

RICHARD EZEANYIM
 NMOCD Chief Engineer

* * *

1 WHEREUPON, the following proceedings were had at
2 11:39 a.m.:

3
4
5 EXAMINER STOGNER: Hearing will come to order.
6 At this time I'll call both cases, 12,4643 and 12,644, both
7 of which is an Application of Richardson Production Company
8 to reopen both of these cases for the purpose of amending a
9 single order -- I'm sorry, two different orders, Order
10 Number R-11,578 and Order Number R-11,577, by reconsidering
11 the charge for risk involved in drilling a well, or two
12 different wells, in a particular section in San Juan
13 County, New Mexico.

14 This case involved the south half of Section 8,
15 Township 29 North, Range 14, West, two different wells, one
16 down to the Fruitland Coal, and the other one to the
17 Pictured Cliffs. They were both assigned 156-percent risk
18 penalty factor based on the evidence presented at that
19 time.

20 These matters are now being reopened to address
21 that issues.

22 Call for appearances.

23 MR. CARR: May it please the Examiner, my name is
24 William F. Carr with the Santa Fe office of Holland and
25 Hart, L.L.P.

1 We represent Richardson Production Company in
2 this matter, and I have no witnesses.

3 I have a statement.

4 EXAMINER STOGNER: Mr. Carr?

5 MR. CARR: As you stated, Mr. Examiner, these
6 cases were presented on April the 19th, and orders were
7 entered granting the pooling Applications on April the
8 30th.

9 Two pools, or two formations were pooled, the
10 Basin-Fruitland Coal Gas Pool and the Twin Mounds-Fruitland
11 Sand-Pictured Cliffs Pool. A single risk penalty of 156
12 percent was imposed.

13 Richardson has requested that the risk penalty
14 for the Twin Mounds-Fruitland Sand-Pictured Cliff Pool be
15 increased to 200 percent.

16 At the original hearing, Mr. Richardson testified
17 that they were seeking the maximum penalty. He then
18 testified that a 156-percent penalty was appropriate. I
19 have read them, and the record really isn't clear. The
20 Order was entered, and the Order imposed one penalty, 156
21 being the standard maximum penalty for the Basin Fruitland
22 Coal Gas Pool, but for other formations up there the
23 maximum penalty is 200 percent.

24 We believe there was confusion as to what we were
25 seeking and what was granted, and since that time -- This

1 is part of a drilling program that is going to involve a
2 number of wells in very close proximity to the City of
3 Carlsbad, and there are hearings that are coming, and
4 you're going to see them again and again, I suspect --

5 EXAMINER STOGNER: Which city?

6 MR. CARR: I believe it -- I'm sorry, it's the
7 City of Farmington.

8 EXAMINER STOGNER: Oh, okay.

9 MR. BROOKS: Thought you were in the wrong part
10 of the state.

11 MR. CARR: I'm in the right state, that's all I
12 can guarantee anymore.

13 In any event, there were follow-up hearings.
14 Orders were entered in May, and it broke out the penalties,
15 and it said 156 percent in the Fruitland Coal, 200 in the
16 other formations.

17 We have renotified the parties affected, and as
18 you will note, the cases were advertised that in the
19 absence of objection it would be taken under advisement.

20 I discussed this matter with the Division, and I
21 have to present here today notice affidavits confirming
22 that all affected parties have, in fact, been renotified.

23 And I also have prepared in each case proposed
24 findings. All these are are findings that are exactly like
25 the findings entered in the other cases for wells in this

1 immediate area, the findings that were entered and the
2 orders entered on May the 8th.

3 And with that, I would request permission to
4 tender my notice affidavit and submit the proposed
5 findings.

6 EXAMINER STOGNER: Prepared to admit them at this
7 time.

8 MR. CARR: I didn't mark them as exhibits.
9 There's one for each case, and there's a notice affidavit
10 for each case with a notice letter and the parties.

11 And Mr. Stogner, that concludes my presentation
12 in this case. I have -- or my statement. And I can
13 respond to any questions you may have, or at least I'll try
14 to.

15 EXAMINER STOGNER: Also I believe there's been a
16 recent order issued by the Commission that had a -- what?
17 It's not really a split risk, but in some way it was. Do
18 you have that number?

19 MR. CARR: There were two orders entered that had
20 the split risk. One is Order -- They are Orders 11,581 and
21 11,582.

22 EXAMINER STOGNER: I'll take administrative
23 notice of those two orders.

24 I don't believe I have any questions or anything
25 concerning at this point.

1 Is there anything further?

2 Since there's nothing further in Cases 12,643
3 and/or 12,644, then this matter, these matters, will be
4 taken under advisement.

5 With that, this hearing is adjourned today.

6 (Thereupon, these proceedings were concluded at
7 11:45 a.m.)

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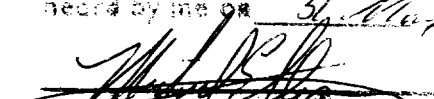
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I do hereby certify that the foregoing is a complete record of the proceedings of the hearing of Cases 12643 and 12644 (Reopened) heard by me on 31 May 2001.


Michael R. Kelly
Off 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 June 4th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002