

## 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 ) CASE NOS. 12,643  
 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 )

APPLICATION OF RICHARDSON PRODUCTION ) and 12,644  
 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 )

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

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.

\* \* \*

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

01 JUN 14 AM 8:35  
 CLERK OF COURT  
 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.)

8 \* \* \*

9  
10  
11  
12  
13  
14 do hereby certify that the foregoing  
15 is a true and correct copy of the proceedings  
16 held at the hearing of the cases 12,643 and 12,644, (Reopened)  
17 dated by me on 31 May 2001  
18  
19  
20  
21  
22  
23  
24  
25  
Conservation Division Examiner

## 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.



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STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002