

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 FOR COMPULSORY POOLING, SAN	)	
JUAN COUNTY, NEW MEXICO	)	
	)	
APPLICATION OF RICHARDSON PRODUCTION	)	and 12,644
COMPANY FOR COMPULSORY POOLING, SAN	)	
JUAN COUNTY, NEW MEXICO	)	(Consolidated)
	)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 19th, 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, April 19th, 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

OIL CONSERVATION DIV.  
01 MAY - 2001  
AM 9:00

## I N D E X

April 19th, 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 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: MICHAEL H. FELDEWERT

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:58 a.m.:

3           EXAMINER STOGNER: At this time I'll call Case  
4   Number 12,643, which is the Application of Richardson  
5   Production Company for Compulsory Pooling in San Juan  
6   County, New Mexico.

7           Call for appearances.

8           MR. FELDEWERT: Michael Feldewert with the law  
9   firm, Santa Fe office of Holland and Hart and Campbell and  
10   Carr, for the Applicant, Richardson Production Company. I  
11   have two witnesses today, Mr. Examiner.

12           We would ask that this case be consolidated with  
13   Case Number 12,644. The exhibits and testimony for each  
14   case would be identical, and so in the interest of saving  
15   time I would ask that they be consolidated and presented in  
16   a single presentation.

17           EXAMINER STOGNER: At this time I'll also call  
18   Case Number 12,644, which is the Application of Richardson  
19   Production Company for Compulsory Pooling. Other than the  
20   Applicant, are there any appearances in both or either case  
21   at this time?

22           There being none, these two cases will be  
23   consolidated for purposes of testimony and the perhaps  
24   issuance of a single order or two orders, whatever is  
25   applicable in this matter.

1 Will the witnesses please stand to be sworn? How  
2 many witnesses do you have, Mr. Feldewert?

3 MR. FELDEWERT: Two, Mr. Examiner.

4 EXAMINER STOGNER: Thank you.

5 (Thereupon, the witnesses were sworn.)

6 CATHLEEN COLBY,

7 the witness herein, after having been first duly sworn upon  
8 her oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. FELDEWERT:

11 Q. Ms. Colby, would you please state your full name  
12 for the record, as well as your address?

13 A. Cathleen Colby, Denver, Colorado.

14 Q. And by whom are you employed and in what  
15 capacity?

16 A. I'm employed by Richardson Operating Company as  
17 the land manager.

18 Q. And have you previously testified before this  
19 Division and had your credentials as an expert in petroleum  
20 land matters accepted and made a matter of record?

21 A. Yes, I have.

22 Q. And are you familiar with the Applications that  
23 have been filed in Division Cases 12,643 and 12,644?

24 A. I am.

25 Q. And are you familiar with the status of the lands

1 in the area which is the subject of these Applications?

2 A. Yes, sir.

3 MR. FELDEWERT: Mr. Examiner, are the witness's  
4 qualifications acceptable?

5 EXAMINER STOGNER: They are.

6 Q. (By Mr. Feldewert) Would you please briefly  
7 state what Richardson seeks in each of these Applications?

8 A. In Case Number 12,643 we are seeking an order  
9 pooling all minerals from the surface to the base of the  
10 Pictured Cliffs formation in the south half of Section 8,  
11 Township 29 North, Range 14 West; the south half for all  
12 formations and/or pools developed on 320-acre spacing,  
13 which includes the Basin-Fruitland Coal Gas Pool; and the  
14 southwest quarter for all formations and/or pools developed  
15 on 160-acre spacing, which includes the Twin Mounds-  
16 Fruitland Sand-Pictured Cliffs Pool, to be dedicated to the  
17 ROPCO Well Number 8-3, to be drilled at a standard location  
18 in the southwest quarter of Section 8.

19 Case Number 12,644, we are we are seeking an  
20 order pooling the minerals from the surface to the base of  
21 the Pictured Cliffs formation under the southeast quarter  
22 of Section 8, the same township and range, for all  
23 formations and/or pools developed on 160-acre spacing,  
24 which includes the Twin Mounds-Fruitland Sand-Pictured  
25 Cliffs Pool. This will be dedicated to the ROPCO Well

1 Number 8-4, to be drilled at a standard location in the  
2 southeast quarter of Section 8.

3 Q. And what is the status of the acreage in the  
4 south half of Section 8?

5 A. All of the acreage is fee.

6 Q. Okay. Would you identify for the Examiner and  
7 review Richardson Exhibit Number 1?

8 A. Exhibit Number 1 is a plat of the south half of  
9 -- There's a typographical error here. It says Section 9;  
10 that should read Section 8.

11 Q. At the top, you mean?

12 A. Yes --

13 Q. Okay.

14 A. -- in the heading.

15 The three spacing units are shown in blue.

16 The solid line block -- one is in the southwest  
17 quarter, the other is in the southeast quarter -- depicts  
18 the spacing unit for the Pictured Cliffs formation.

19 The dashed line that goes around the entire south  
20 half is the spacing unit for the Fruitland Coal formation.

21 And our two proposed wells are spotted. The  
22 ROPCO 8-3 is in the southwest quarter, and the ROPCO 8-4 is  
23 in the southeast quarter.

24 The formations are also noted. The ROPCO 8-3  
25 would be a downhole commingle Fruitland Coal and Pictured

1 Cliffs well, where the ROPCO 8-4 would be a Pictured Cliffs  
2 well.

3 Q. What are the highlighted units of property on  
4 this exhibit?

5 A. The highlighted tracts are the ones that we are  
6 seeking to pool into these wells. The balance of the south  
7 half of Section 8 that has been left white is under lease  
8 to Richardson Production Company.

9 Q. Okay. Why don't you identify for the Examiner  
10 and review Richardson Exhibit Number 2?

11 A. Exhibit Number 2 is a tabulation of the tracts  
12 that are highlighted in yellow. On this exhibit we see the  
13 net acres, the spacing unit for the three different  
14 formations that we are proposing to develop, the percentage  
15 of the spacing unit and the mineral owner.

16 As I mentioned, there are three sheets here. The  
17 first one tabulates the entire south half for the Fruitland  
18 Coal formation. The next one is the Pictured Cliffs  
19 formation under the southwest quarter, and the third one is  
20 the Pictured Cliffs formation under the southeast quarter.

21 Q. What's the approximate uncommitted interest in  
22 each spacing unit, in terms of percentage?

23 A. The uncommitted interest is approximately two  
24 percent.

25 Q. Okay. Are there any of the owners that you have



1 listed on here that you have been unable to locate?

2 A. Yes, and if we can refer to Exhibit 3, I have  
3 tabulated each owner and the status of our contact.

4 Q. Just for the record, Exhibit 3 comprises the  
5 entire clipped package; is that right?

6 A. Yes.

7 Q. Okay.

8 A. With the first page being a summary sheet,  
9 followed by copies of our correspondence and well  
10 proposals.

11 Q. Okay.

12 A. We basically have two major groups of people, one  
13 group where the mail is unclaimed, another group where they  
14 received the mail but I was not able to get a telephone  
15 number and follow up with personal contact.

16 Q. And can you just briefly identify for the  
17 Examiner the parties that you were unable to locate?

18 A. Okay, most of those are located up in the  
19 grouping of tracts that are right at the upper middle of  
20 the south half of the section, which is the Paramount  
21 subdivision. Tracts I, II, V, VI and VIII all did not  
22 claim their mail.

23 Q. Okay. And does Exhibit Number 3 identify the  
24 entities, then, based on a tract basis, as to who didn't  
25 claim their mail and you've been unable to locate and those

1     you've been able to contact?

2             A.     Yes, that is all noted on the summary sheet.

3             Q.     And does Exhibit Number 3 also indicate your  
4     efforts to find these individuals?

5             A.     Yes.

6             Q.     Okay. And do the letters that comprise part of  
7     Exhibit Number 3 reflect your efforts to obtain voluntary  
8     joinder of the interest owners you've been unable -- or  
9     that you were able to locate?

10            A.     Yes, it does.

11            Q.     Okay. When did you first propose this well?

12            A.     We actually started our leasing efforts in this  
13     area years ago. When we finally got down to the final  
14     group of people that we had been unable to lease in January  
15     of 2001, we sent out a proposal proposing the well,  
16     offering to take a lease or also giving them the  
17     opportunity to participate in the well or sell their  
18     mineral interest.

19            Q.     And did you do that for both the ROPCO 8-3 well  
20     as well as the ROPCO 8-4 well?

21            A.     Yes, we did.

22            Q.     Okay.

23            A.     Some owners, because of where their mineral  
24     interest is located, got two well proposals.

25            Q.     Okay, and does Exhibit Number 3, the first couple

1 pages, does it discuss the current status of your efforts  
2 to obtain voluntary joinder by these interest owners?

3 A. Yes, it does.

4 Q. Okay. And just to be clear, at present today,  
5 are all of the mineral interest owners that are set forth  
6 in Richardson Exhibit Number 2 subject to this pooling  
7 Application?

8 A. Yes.

9 Q. Okay. And in your opinion, have you made a good-  
10 faith effort to locate all individuals and obtain their  
11 voluntary joinder?

12 A. Yes, we have. There's two tracts where the  
13 minerals are severed from the surface, and we were unable  
14 to locate an address where to make a proposal. One of them  
15 is a defunct corporation, and the other one we tried  
16 obtaining an address through looking in the county court  
17 records and probate, looked for phone numbers and were not  
18 able to come up with anything. So we do have two tracts  
19 where we were not able to send a proposal out by mail.

20 Q. And those are reflected on Exhibit Number 3?

21 A. Yes, they are.

22 Q. Okay. Would you then identify Richardson Exhibit  
23 Number 4 and review that for the Examiner, please?

24 A. Exhibit Number 4, there are two pages, the first  
25 one being the AFE for the ROPCO 8-3 well, the second one is

1 the AFE for the ROPCO 8-4.

2 Q. And are these the AFEs that were sent with your  
3 proposal letters?

4 A. Yes, the only difference is on the AFE that went  
5 with the proposal, we have a bottom section that shows what  
6 the particular person's interest in each formation would  
7 be, and their proportionate share of costs.

8 Q. Okay, and what are the dryhole costs and the  
9 completed well costs on these AFEs?

10 A. Okay, on the 8-3, which is our commingled well,  
11 the dryhole cost we estimate to be \$65,299 and completed  
12 well cost \$213,819.

13 On the ROPCO 8-4, which is a straight PC well, we  
14 estimate dryhole costs to be \$65,707 and completed well  
15 costs, \$176,004.

16 Q. Has Richardson drilled similar wells in the  
17 immediate area?

18 A. Yes, we have.

19 Q. And are these costs in line with what has been  
20 charged by Richardson and other operators in the area for  
21 similar wells?

22 A. They are.

23 Q. And have you made an estimate of overhead and  
24 administrative costs while drilling this well and also  
25 while producing this well if it is successful?

1 A. We have.

2 Q. And what are those estimates?

3 A. A \$5000-a-month drilling rate and a \$500-per-  
4 month producing rate.

5 Q. And are these rates consistent with what  
6 Richardson has charged for other wells in the area?

7 A. Yes, they are, and I have Exhibit 5 where I've  
8 taken a sample of various operating agreements that we've  
9 entered into over the course from May of 1998 through June  
10 of 2000 with various industry people, and these are the  
11 same rates we're using.

12 Q. Okay. And do you recommend that these figures,  
13 then, be incorporated into any order that results from this  
14 hearing?

15 A. Yes, I do.

16 Q. Has Richardson drafted and signed a JOA for this  
17 property?

18 A. Yes, we have.

19 Q. And are there COPAS guidelines that are attached  
20 to that JOA?

21 A. Yes.

22 Q. And does Richardson request that the overhead  
23 figures approved by the Division be subject to adjustment  
24 in accordance with the COPAS guidelines that are attached  
25 to the JOA for this property?

1           A.    Yes, we do.

2           Q.    Is Richardson Exhibits Numbers 6 and 7 affidavits  
3 with attached letters giving notice of this hearing?

4           A.    Yes.

5           Q.    Now, we are missing a number of return receipts  
6 for the parties. Can you identify just briefly your  
7 efforts and confirm for the Examiner whether these are the  
8 addresses that are most current for these individuals?

9           A.    They were the most current addresses that we were  
10 able to obtain. And there is a direct correlation between  
11 the people that did not claim their well proposal letters  
12 with the ones that did not claim their notice of hearing.

13          Q.    Where did you get these addresses?

14          A.    We generally started with the address carried by  
15 the County Assessor.

16          Q.    Okay. And are these individuals all located in  
17 the same general area?

18          A.    They are. Many of them, it appears from looking  
19 at the address, actually live within the Paramount  
20 subdivision. I believe this is a trailer court where some  
21 of the tracts are still open, and then some of them  
22 actually have trailers where people are living.

23          Q.    Were you able to find any telephone numbers for  
24 these individuals?

25          A.    No, generally with the mail claims I was not.

1 Sometimes I would find a person that had the same last name  
2 would have an unlisted phone number. But I did not find  
3 phone numbers where I was able to actually call and talk to  
4 people.

5 Q. Okay.

6 A. On one of the cases I did confirm with a realtor  
7 that was familiar with a woman that she actually lives out  
8 there, and that she just didn't pick up her mail.

9 Q. And is that reflected on Exhibit Number 3?

10 A. Yes.

11 Q. And which woman is that?

12 A. Callie Renfro.

13 Q. Okay. Who does Richardson request that the  
14 Division designate as the operator of these proposed wells?

15 A. Richardson Operating Company.

16 Q. And is that the entity that was advertised as the  
17 proposed operator of these wells?

18 A. Yes.

19 Q. Okay. Were Exhibits 1 through 7 prepared by you  
20 or compiled under your direction and supervision?

21 A. Yes, they were.

22 MR. FELDEWERT: Mr. Examiner, I would move, then,  
23 into evidence Richardson Exhibits 1 through 7.

24 EXAMINER STOGNER: Exhibits 1 through 7 will be  
25 admitted into evidence.

1 MR. FELDEWERT: And that concludes my examination  
2 of this witness.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. Ms. -- It's Colby, isn't it?

6 A. Yes.

7 Q. Ms. Colby, when did Richardson first propose  
8 these two wells and then trying to get all the land work  
9 going, and when did you actually start attempting to  
10 contact either by phone or send out notifications to  
11 everybody that has an interest in this half section or  
12 quarter section, whatever the case may be?

13 A. Our proposals went out on January 11th. It was  
14 our first round using the addresses that we had from the  
15 Assessor's Office. And we had quite a number of people  
16 that we contacted on January 11th, and I would say a  
17 significant number we were able to obtain a lease at that  
18 time.

19 Q. Okay, let me -- I'm referring to Exhibit Number  
20 1.

21 A. Okay.

22 Q. Now, you have it marked for me in yellow, the  
23 different subtracts or subdivisions, or these are actual  
24 house tracts or mobile home parking areas; is that correct?

25 A. Yes.



1 Q. Okay. Now, there's a lot of others in here that  
2 are white.

3 A. Yes.

4 Q. Am I to assume that each subdivision I look at is  
5 a separate mineral lessee in all of the white areas?

6 A. No, it is not that way in all of these tracts.  
7 Sometimes the minerals were severed prior to the  
8 subdivision being created. And in other cases -- I know  
9 more specifically, down in the Yucca subdivision, those  
10 minerals were not severed. So in that area I took  
11 individual leases that relate to the subdivided tract.

12 The portion that I didn't have to do quite as  
13 much work in the northeast quarter, that particular  
14 subdivision, I was able to lease as one tract. And I would  
15 say most of the rest of the map, the minerals and the  
16 surface ownership correspond closely.

17 Q. Okay. Now, I show your tract number Roman  
18 numeral XIII, Yucca, Incorporated.

19 A. Yes.

20 Q. Okay. When I find Roman numeral -- the yellow  
21 area, Roman numeral XIII that's in the southeast quarter of  
22 Section 8, I can go west along the roadside there, and I  
23 see Yucca, Incorporated, listed a couple of times in the  
24 white.

25 A. Right, because this is called the Yucca,

1 Incorporated, Industrial Subdivision, and --

2 Q. Okay, how does that differ, then, from Tract  
3 XIII?

4 A. The defunct corporation, Yucca, Incorporated,  
5 subdivided this area, sold off the tracts and did not  
6 retain mineral rights except for in Tract XIII. They don't  
7 own the surface in Tract XIII, but they do own the mineral  
8 rights, or a half-interest in the mineral rights there.

9 Q. Okay. So this whole Yucca, Incorporated,  
10 Industrial Subdivision is -- all of the little  
11 subdivisions, is that --

12 A. Yes --

13 Q. -- a separate mineral owner?

14 A. -- those are separately -- Yes.

15 Q. No kidding?

16 A. Well, there might be a case where one person owns  
17 three of the lots. There are several of those type cases.

18 Q. And you first contacted them in January --

19 A. No.

20 Q. No.

21 A. I have been leasing this area for probably two or  
22 three years.

23 Q. Okay, that's --

24 A. In January we got to the point where we were  
25 ready to propose a well.

1           Q.    Okay, yes, okay.  But let me go back to whenever  
2 you first started trying to obtain leases.  Let's talk  
3 about the history on that.

4           A.    Okay.

5           Q.    About three years ago, you say?

6           A.    Yes.

7           Q.    And that was the first time you submitted to  
8 everybody the leases, and it took you three years up to  
9 this point, or --

10          A.    Easily.

11          Q.    -- what percentages were leased over the last  
12 three years?

13          A.    Oh, let's see.  That's a difficult question to  
14 answer.  I think up until January when we were ready to  
15 make the well proposal, I had gotten it down to a list --  
16 if I have 13, say 15 -- I probably was at a list of 45  
17 unleased tracts, and from January to current I've got about  
18 30 of those leased, and this is the final group that I have  
19 not been able to tie up.

20          Q.    Okay.  Let's see, this area is west of Farmington  
21 along Highway 5- -- No, where actually is this area?

22          A.    We're real close to Kirtland.

23          Q.    Kirtland, which is just west of Farmington; is  
24 that correct?

25          A.    Yes.

1 Q. How far north of the river is this 320-acre  
2 tract?

3 A. Well, if you look further into packet, on Exhibit  
4 8 --

5 Q. Exhibit 8. Ah, yes.

6 A. -- you can see the San Juan River is indicated by  
7 the hached line toward the bottom, and we're in Section 8.

8 Q. Does Richardson have Section 16, 17 and 18?

9 A. We own some mineral interest throughout there --

10 Q. Uh-huh.

11 A. -- or leases.

12 Q. That whole river boundary has a whole different  
13 issue, doesn't it?

14 A. It does.

15 Q. That's why I wanted to know how far away from the  
16 river you were.

17 Tract Number XII, this is the Jessie C. and  
18 Archie Lee Crowe. Now, you show that to be several mineral  
19 interests?

20 A. Yes.

21 Q. Therefore no address listed for the County  
22 Assessor?

23 A. Right.

24 Q. Is Jessie C. and Archie Crowe the mineral  
25 interest owners?

1 A. Yes.

2 Q. Oh, they are, okay.

3 A. Yes.

4 EXAMINER STOGNER: Okay, I have no other  
5 questions of Ms. Colby. You may be excused. Thank you,  
6 ma'am.

7 THE WITNESS: Thank you.

8 DAVID B. RICHARDSON,

9 the witness herein, after having been first duly sworn upon  
10 his oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. FELDEWERT:

13 Q. Mr. Richardson, would you please state your full  
14 name for the record, as well as your place of residence?

15 A. David B. Richardson, I live in Denver.

16 Q. And by whom are you employed and in what  
17 capacity?

18 A. Richardson Operating Company. I'm president.

19 Q. And have you previously testified before this  
20 Division as a petroleum geologist and had your credentials  
21 accepted and made a matter of record?

22 A. Yes.

23 Q. And are you familiar with the two Applications  
24 that have been filed in these consolidated cases?

25 A. Yes.

1           Q.    Have you made a technical study of the area for  
2 the Examiner which is the subject of these Applications?

3           A.    Yes, I have.

4           Q.    And are you prepared to share the results of your  
5 work?

6           A.    Yes.

7           MR. FELDEWERT:  Are the witness's qualifications  
8 acceptable?

9           EXAMINER STOGNER:  They are.

10          Q.    (By Mr. Feldewert)  Would you please inform the  
11 Examiner of the primary target for the ROPCO Well 8-3 as  
12 well as the ROPCO Well 8-4?

13          A.    Okay, the ROPCO 8-3 is Fruitland Coal and  
14 Pictured Cliffs, and the 8-4 is a Pictured Cliffs only.

15          Q.    Has Richardson drilled similar wells in or around  
16 the area that is the subject of these consolidated  
17 Applications?

18          A.    Yes.

19          Q.    And are you prepared to make a recommendation to  
20 the Examiner as to the risk penalty that should be assessed  
21 against nonconsenting interest owners?

22          A.    Yes, I am.

23          Q.    And what is that?

24          A.    That's the maximum for Fruitland Coal, 156  
25 percent.

1 Q. And briefly, upon what do you base this 156-  
2 percent recommendation?

3 A. It's the high risk factor for this area. This is  
4 on the far western edge of the San Juan Basin. It's in an  
5 area of historical low cumulative production. The coal is  
6 very shallow here. We're only about three miles from the  
7 outcrop on the western side of the Basin. It's high water  
8 production, at least initially, up to several hundred  
9 barrels a day, and a long dewatering process.

10 Q. Why don't you identify, then, for the Examiner  
11 and review Richardson Exhibit Number 8?

12 A. Okay, this is a cumulative production of the  
13 nine-section area. Highlighted in yellow are the  
14 production from the Pictured Cliffs and the Fruitland Coal.

15 Q. And what does this show you?

16 A. It shows the historical cumulative production is  
17 very low. In Section 8 there are two Pictured Cliffs wells  
18 that have been plugged and abandoned as of five years ago.  
19 One only made 40 million cubic feet of gas and the other  
20 one 114 million.

21 Q. What does Richardson consider to be economic?

22 A. In this area it would be approximately 200 to 250  
23 million for Pictured Cliffs and well over 300 for a Coal  
24 commingled well.

25 Q. Is there a lot of Fruitland Coal development in

1 this nine-section area?

2 A. No, there isn't. Recently we've drilled some  
3 wells, though.

4 Q. Why don't you identify, then, for the Examiner  
5 and review Richardson Exhibit Number 9?

6 A. Okay. This is a basal coal thickness isopach of  
7 the Fruitland Coal, showing it's a fairly uniform coal  
8 throughout the area. It's subjective. A lot of these are  
9 old logs that we've interpreted. But typically between 10  
10 and 16 feet of net coal thickness in the basal coal.

11 Q. What is generally needed to ensure a commercial  
12 well?

13 A. That's an unknown, but you can make a commercial  
14 coal well with 10 feet, sometimes less, but generally 15  
15 feet is what we look at.

16 Q. Okay. Would you then identify for the Examiner  
17 and review Richardson Exhibit Number 10?

18 A. Okay, this is a structure contour map on the  
19 Fruitland Coal formation. The structure has very little to  
20 do with the production out here. This just shows the  
21 general northeast dip into the San Juan Basin. Of  
22 significance to the contour is the coal outcrop to the west  
23 about three miles.

24 Q. Is there any significance with the river in the  
25 southern part of this nine-section area?



1           A.    Yes, there is.  Where the coal outcrops, about  
2   three miles west of here, it disects the San Juan River,  
3   and the risk here is water recharge.  After we've dewatered  
4   it once, we hope it doesn't recharge again.

5           Q.    Would you identify and review for the Examiner  
6   Richardson Exhibit Number 11?

7           A.    Yes, I will.  These are two engineering runs that  
8   we made, one on a -- Exhibit 11 is a Fruitland Coal-  
9   Pictured Cliffs commingled well, estimating gross  
10   production with drilling cost, and showing that with a  
11   gross production of 362 million cubic feet of gas it's less  
12   than a 10-percent rate of return.

13          Q.    Would this be for your ROPCO 8-3 well?

14          A.    Yes, it would be.

15          Q.    Okay.  And would you then identify for the  
16   Examiner and review Exhibit Number 12?

17          A.    Exhibit 12 is a Pictured Cliffs completion.  We  
18   gave that 212 million cubic feet in reserves.  That has a  
19   very low rate of return, less than five percent.

20          Q.    And this would be for your ROPCO 8-4; is that  
21   correct?

22          A.    8-4, yes.

23          Q.    Okay.  Do you believe that there's a chance that  
24   you could drill either of these proposed wells and they  
25   would not be a commercial success?

1 A. Yes.

2 Q. In your opinion are the geologic risk and the  
3 criteria in the geologic exhibits that you just identified  
4 for your proposed Fruitland Coal completion the same as  
5 they would be for any similar well drilled in this nine-  
6 section area?

7 Q. And in your opinion, would your geologic analysis  
8 and your exhibits you've identified for your proposed  
9 Pictured Cliffs completion be the same for any similar  
10 Pictured Cliffs well drilled in this nine-section area?

11 A. Yes.

12 Q. Would your exhibits change at all if you were  
13 moving from Section 8 to Section 7?

14 A. No.

15 Q. Have you used these exhibits before?

16 A. Yes.

17 Q. For which area?

18 A. Section 9.

19 Q. Okay, the economic analysis that's reflected in  
20 Exhibits Numbers 11 and 12, would they change for any of  
21 this nine-section area?

22 A. No, other than if a well is a little bit  
23 shallower or deeper, that's all that will change, is our  
24 total well cost.

25 Q. I assume that the well cost goes up, that has a

1 negative impact on your economic analysis; is that right?

2 A. Yes.

3 Q. In your opinion, should a 156-percent risk  
4 penalty apply to any nonconsenting interest owner in a  
5 proposed Fruitland Coal or Pictured Cliffs completion in  
6 this nine-section area?

7 A. Yes.

8 Q. So would your testimony be the same as you  
9 presented to the Division today for any proposed Pictured  
10 Cliffs or Fruitland well in this nine-section area?

11 A. Yes.

12 Q. Okay. In your opinion, will the granting of  
13 these two Applications and any similar future applications  
14 for this area be in the best interests of conservation, the  
15 prevention of waste and the protection of correlative  
16 rights?

17 A. Yes.

18 Q. Were Exhibits 8 through 12 prepared and compiled  
19 under your supervision and direction?

20 A. Yes.

21 MR. FELDEWERT: Mr. Examiner, I would then move  
22 the admission into evidence of Richardson Exhibits Numbers  
23 8 through 12.

24 EXAMINER STOGNER: Exhibits 8 through 12 will be  
25 admitted into evidence.

1 MR. FELDEWERT: And that concludes my examination  
2 of this witness.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. Mr. Richardson, just a few questions. This may  
6 not seem appropriate at this time, but it is a public forum  
7 and I think it is appropriate in light of concerns from the  
8 public that the OCD has participated in as wells are  
9 drilled closer to populated areas.

10 What precautions, what does ROPCO propose to how  
11 these wells are to be drilled? Once they're put into  
12 operation, what facilities are out there or will be  
13 installed with this in mind, being close to residential  
14 areas?

15 A. Well, the wells are drilled initially only during  
16 the day. The drilling rig that we use are such shallow  
17 wells it shuts down when it's dark. So it's not an around-  
18 the-clock operation. Very shallow wells, so it doesn't  
19 take very long to drill and complete it.

20 Once the well is completed, initially we will  
21 have to pump the wells, but everything is fenced off with  
22 barbed wire on top so people can't break in there, very  
23 easily anyway. We try and use low-profile tanks. Most of  
24 the time we don't even put tanks out there because we run  
25 our own water system and pipeline the water out of there.

1 And compression is not on site most of the time.

2 Q. Compression is the gas piped somewhere and then  
3 compressed --

4 A. Right.

5 Q. -- going into the pipeline?

6 A. Right, it's a low-pressure gathering system.

7 EXAMINER STOGNER: Okay, I don't have anything  
8 further in this case, nor of this witness. You may be  
9 excused.

10 THE WITNESS: Thank you.

11 EXAMINER STOGNER: Since there's nothing further,  
12 Cases 12,643 and 12,644 will be taken under advisement at  
13 this time.

14 Let's take a 20-minute recess.

15 (Thereupon, these proceedings were concluded at  
16 10:30 a.m.)

17 \* \* \*

18  
19  
20 I do hereby certify that the foregoing is  
21 a complete report of the proceedings  
22 the Examiner hearing of Cases No. 12643 and 12644  
23 heard by me on April 11, 2004  
24 Matthew R. Stogner Examiner  
25 Off Conservation Division

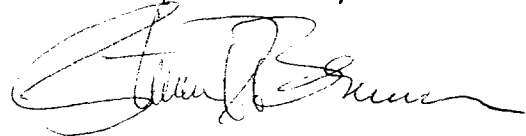
CERTIFICATE OF REPORTER

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 April 25th, 2001.




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STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002