

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: ) CASE NO. 12,835  
 )  
 APPLICATION OF RICHARDSON PRODUCTION )  
 COMPANY FOR COMPULSORY POOLING, SAN JUAN )  
 COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Hearing Examiner

March 21st, 2002

Santa Fe, New Mexico

02 APR -6 PM 13:33

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Hearing Examiner, on Thursday, March 21st, 2002, 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.

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## I N D E X

March 21st, 2002  
 Examiner Hearing  
 CASE NO. 12,835

	PAGE
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>REBECCA E. VAN BLARICOM</u> (Landman)	
Direct Examination by Mr. Kellahin	4
Examination by Examiner Brooks	9
<u>DAVID B. RICHARDSON</u> (Geologist/President, Richardson Operating Company)	
Direct Examination by Mr. Kellahin	11
Examination by Examiner Brooks	15
REPORTER'S CERTIFICATE	17

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	9
Exhibit 2	7	9
Exhibit 3	7	9
Exhibit 4	8	9
Exhibit 5	8	9
Exhibit 6	12	15
Exhibit 7	-	15
Exhibit 8	12	15
Exhibit 9	9	9

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## A P P E A R A N C E S

## FOR THE DIVISION:

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Energy, Minerals and Natural Resources Department  
Assistant General Counsel  
1220 South St. Francis Drive  
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## FOR THE APPLICANT:

KELLAHIN & KELLAHIN  
117 N. Guadalupe  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

## ALSO PRESENT:

MICHAEL E. STOGNER  
Hearing Examiner  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:55 a.m.:

3           EXAMINER BROOKS: Case Number 12,835, Application  
4   of Richardson Production Company for compulsory pooling,  
5   San Juan County, New Mexico.

6           Call for appearances.

7           MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin  
8   appearing on behalf of the Applicant. I have two witnesses  
9   that are already sworn. I would like them to continue  
10   under oath and are qualified in this case.

11          EXAMINER BROOKS: The witnesses are still under  
12   oath.

13                   REBECCA E. VAN BLARICOM,  
14   the witness herein, having been previously duly sworn upon  
15   her oath, was examined and testified as follows:

16                   DIRECT EXAMINATION

17   BY MR. KELLAHIN:

18           Q.   Ms. Van Blaricom --

19           A.   Yes.

20           Q.   -- have you continued to work on this case as you  
21   did on the other case?

22           A.   Yes, I have.

23           Q.   And as part of your responsibilities and duties  
24   as land manager for Richardson, have you satisfied yourself  
25   about the ownership involved in this case?

1 A. Yes, I have.

2 Q. And has it been your responsibility to contact  
3 those individuals?

4 A. It has been my responsibility.

5 Q. Let's turn to Exhibit Number 1. Identify for us  
6 what you're showing on Exhibit 1.

7 A. Exhibit 1 is a plat of the proposed Pictured  
8 Cliff formation spacing unit, which is in the northeast  
9 quarter of Section 20, 29 North, 13 West, for the Eaton  
10 White Number 2 well.

11 Q. As in the last case, are the parties that you're  
12 attempting to pool confined to the northeast quarter?

13 A. Yes, all parties we're attempting to pool are  
14 confined to the northeast quarter.

15 Q. And in this instance, the well will -- the  
16 Pictured Cliff well, in fact, will be in this 160 acres?

17 A. Yes, it will.

18 Q. As opposed to the last case where it was in the  
19 opposite 160?

20 A. Yes.

21 Q. The well spot for the Eaton Number -- the White  
22 Number 2 well is shown on this display?

23 A. Yes, it is.

24 Q. What is the significance of the identification of  
25 Tracts 1, 2 and 3?

1           A.    1, 2 and 3 denote the unleased mineral interest,  
2           and Tract 4 is what is 100-percent Richardson.

3           Q.    Can you show us a tabulation of the interest  
4           owners?

5           A.    Yes, behind Exhibit 1, the second page, lists the  
6           tracts. And then once again, below is a summary of the  
7           percentages in the 160 acres for the Pictured Cliffs.

8           Q.    When we look at the top portion of the display in  
9           Tract 1, there are certain parties to be pooled that have  
10          an interest in Tract 1?

11          A.    Yes, there are.

12          Q.    And then in Tracts 2 and 3 you picked up  
13          additional parties?

14          A.    Yes, I do.

15          Q.    And then Richardson owns 100 percent of Tract 4?

16          A.    Yes, correct.

17          Q.    Is Tract 4 also extending into the northwest  
18          quarter of the section?

19          A.    Yes, it will. It will extend for the Fruitland  
20          Coal formation.

21          Q.    Okay. So when we look at the tabulation of  
22          interest owners for the northeast quarter, you have them  
23          shown on this display, and there are four different either  
24          individuals or entities?

25          A.    Yes, there are.

1 Q. When we look at the display for Exhibit 2 --

2 A. Yes.

3 Q. -- it shows the spreadsheet for the coal gas. If  
4 we turn to the second page, we're seeing the same parties?

5 A. The same parties. Their interest will just be 50  
6 percent of what it is in the Pictured Cliff.

7 Q. And that's the only difference we're seeing, is,  
8 you've apportioned the interest to a 320?

9 A. That's the only difference.

10 Q. Okay. Let's turn to Exhibit Number 3. What does  
11 Exhibit 3 represent?

12 A. It's a brief summary of my efforts to -- through  
13 mail, telephone conversations, to discuss the prospect of  
14 leasing, participating or selling the minerals to the four  
15 parties in question.

16 Q. At what point in the process did you send them a  
17 well proposal letter along with a proposed overhead -- I  
18 mean an AFE?

19 A. On January 29th, 2002, I sent out my first letter  
20 proposing the well.

21 Q. As of today, have you been able to consolidate  
22 any of these four individuals or entities into your well?

23 A. No, I have not.

24 Q. Have you talked to any of them?

25 A. I have talked to Dr. Hall -- No, this time I

1 didn't call the bank, because Dr. Hall informed me that his  
2 sister owns the trust and whatever he does, she does. So I  
3 did not call the bank this time.

4 Q. And at this point you've not been able to  
5 persuade him to execute a lease with you?

6 A. No, we have not.

7 Q. All right, turn to Exhibit 4 with me. Identify  
8 what's contained in this package of documents.

9 A. Exhibit 4 would be all my correspondence with the  
10 four parties.

11 Q. The AFE that you sent to these people --

12 A. Yes.

13 Q. -- do you have it separately marked as Exhibit  
14 Number 5?

15 A. Yes, I do.

16 Q. And was this prepared in the normal course of  
17 Richardson's business in preparing AFES?

18 A. Yes, it was.

19 Q. All right. At this point, do you believe you've  
20 exhausted all reasonable efforts to get these remaining  
21 parties to participate in the well?

22 A. Yes, I have.

23 Q. Is there anything else you can think of doing,  
24 short of compulsory pooling?

25 A. Not at this time.



1 Q. Do you have a recommendation to the Examiner for  
2 overhead rates --

3 A. Yes.

4 Q. -- to apply in the pooling Application?

5 A. Once again, it would be \$5000 for drilling and  
6 \$500 for operations.

7 Q. And that's consistent with Richardson's rates for  
8 dual completed wells in the Pictured Cliff and the  
9 Fruitland?

10 A. Yes, it is.

11 Q. Would you turn your attention to Exhibit 9 for  
12 me? It's behind the geologic displays. Have you satisfied  
13 yourself that the certificate is accurate insofar as we've  
14 identified the parties to be pooled and have the best known  
15 addresses?

16 A. Yes, it is.

17 MR. KELLAHIN: Okay. Mr. Examiner, that  
18 concludes my examination of this witness.

19 We move the introduction of her Exhibits 1  
20 through 5, plus Exhibit 9

21 EXAMINER BROOKS: Okay, Exhibits 1 through 5 and  
22 Exhibit 9 will be admitted.

23 EXAMINATION

24 BY EXAMINER BROOKS:

25 Q. Once again, are you asking the Division to

1 appoint Richardson Operating Company as the operator of  
2 this well?

3 A. Yes, we are.

4 Q. Because this well is located in the tract, or the  
5 quarter section with divided ownership, this pooling  
6 Application will extend from the surface to the base of the  
7 Pictured Cliffs; is that correct?

8 A. This time, yes, it's correct.

9 MR. KELLAHIN: Our information is, it's the West  
10 Kutz-Pictured Cliff.

11 Q. (By Examiner Brooks) West -- how is that  
12 spelled?

13 A. K-u-t-z.

14 Q. Kutz-Pictured Cliffs, and it's Basin-Fruitland  
15 Coal. So we'll be pooling the north half of Section 20,  
16 Township 29 North, Range 13 West, from the surface to the  
17 base of the Pictured Cliffs, northeast quarter for 160 and  
18 the north half for 320 --

19 A. Yes.

20 Q. -- correct?

21 And this again is a standard location?

22 A. Yes, it is.

23 Q. And do you have the footages?

24 A. 1250 feet from the north line and 1428 feet from  
25 the east line.

1 EXAMINER BROOKS: Okay, I believe that's all that  
2 I have of this witness.

3 EXAMINER STOGNER: I have no questions.

4 THE WITNESS: Thank you.

5 DAVID B. RICHARDSON,

6 the witness herein, having been previously duly sworn upon  
7 his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. KELLAHIN:

10 Q. Mr. Richardson, let me ask you as a geologist and  
11 as president of Richardson Oil Company, have you formed an  
12 opinion as to the risk associated with the Pictured Cliff  
13 and the Fruitland Coal for this particular well?

14 A. Yes, I have.

15 Q. This well is farther east than the outcrop well  
16 that we were talking about just a few minutes ago?

17 A. Yes, it is.

18 Q. Do you see any justification to having a risk  
19 factor other than the standard Division risk factor of 156  
20 percent for the Fruitland Coal?

21 A. Yes, I do.

22 Q. Do you see a difference here --

23 A. Yes.

24 Q. -- that would justify an exception so that you  
25 would have the maximum penalty?

1           A.    Yes, I would.

2           Q.    Let's talk about your reasons for that  
3 difference.

4           A.    Okay, the Fruitland Coal -- If you go to Exhibit  
5 Number 6, this is the cumulative production of the nine-  
6 section area surrounding the Eaton White Number 2 proposed  
7 location. There is only one Fruitland Coal well -- that  
8 would be a mile to the southeast in Section 28 -- that has  
9 produced out of the coal. It's cumulative production is  
10 160 million cubic feet of gas, and that's the only  
11 Fruitland producer.

12          Q.    Okay. Describe for us where you are in the coal  
13 in terms of thickness. Do you have a display that shows  
14 that?

15          A.    Okay, this would be Exhibit Number 8. This is a  
16 localized general thinning of the coal. We're anticipating  
17 a basal thickness of eight feet, as compared to other areas  
18 where it can be up to 30 or 40 feet.

19               EXAMINER STOGNER: Let's go back. What exhibit  
20 are we looking at?

21               MR. KELLAHIN: I'm looking at Exhibit 8, is the  
22 one I have. It shows basal coal thickness. Is that the  
23 one --

24               EXAMINER STOGNER: Mr. Richardson, what are you  
25 looking at?

1 THE WITNESS: Exhibit 8.

2 MR. KELLAHIN: Are yours marked differently,  
3 Mr. --

4 EXAMINER STOGNER: Well, on our Exhibit 7 I show  
5 your contour lines, and Exhibit 8 doesn't have any  
6 indication of one.

7 THE WITNESS: This is not contour.

8 EXAMINER STOGNER: Oh, you're looking at the  
9 thicknesses, as opposed to -- My mistake, my mistake.  
10 Okay, my mistake, I'm sorry.

11 THE WITNESS: I chose not to draw contour lines  
12 because they're all so similar there.

13 EXAMINER STOGNER: And they're also confusing,  
14 obviously, to me, so...

15 Q. (By Mr. Kellahin) Let's go to the exhibit that  
16 shows the cumulative production, Mr. Richardson.

17 A. Okay.

18 EXAMINER BROOKS: And that is Number 6, correct?

19 MR. KELLAHIN: That's the one I have as Number 6.

20 EXAMINER BROOKS: Right.

21 Q. (By Mr. Kellahin) Let's talk about the Pictured  
22 Cliff for a moment. You have a tabulation of wells that  
23 have produced from the Pictured Cliff?

24 A. Yes.

25 Q. What's your expectation in this area for this

1 well about the Pictured Cliff?

2 A. We're anticipating the total cumulative  
3 production over the life of the well could be up to .6 BCF.

4 Q. Okay. What is the well cost associated with this  
5 well?

6 A. For a commingled or a single well?

7 Q. A commingled well.

8 A. \$250,000.

9 Q. What kind of initial rates might you expect in  
10 the Pictured Cliff formation?

11 A. Approximately 100 MCF per day, inclining to 300  
12 MCF per day.

13 Q. Okay. Still substantial risk associated with the  
14 Pictured Cliff in this area?

15 A. Yes, there is.

16 Q. Let's talk about the Fruitland Coal. Is this an  
17 area that you have to dewater the coal?

18 A. Yes, it is.

19 Q. What kind of water rates do you anticipate  
20 initially at this type of location?

21 A. Probably less than on the far western side, but  
22 up to 100, 150 barrels per day.

23 Q. What kind of initial rate would you expect on gas  
24 production once you dewater the well?

25 A. 300 MCF per day.

1 Q. Okay. Summarize for me your reasons that support  
2 your opinion about the Coal at this location justifying a  
3 200-percent risk, as opposed to what the Division more  
4 conventionally uses as 156 percent.

5 A. Okay, the lack of production in the area in the  
6 coal, and also the localized general thinning of the coal.

7 MR. KELLAHIN: That concludes my examination of  
8 Mr. Richardson.

9 We move the introduction of his Exhibits 6, 7 and  
10 8.

11 EXAMINER BROOKS: Exhibits 6, 7 and 8 are  
12 admitted.

13 EXAMINATION

14 BY EXAMINER BROOKS:

15 Q. Mr. Richardson, in the event the Division were to  
16 decide to follow its usual policy with regard to the  
17 Fruitland Coal production and allow only 156-percent  
18 penalty for Fruitland Coal, how would you propose to  
19 allocate the costs of this well between the Fruitland Coal  
20 and the Pictured Cliffs?

21 A. We would allocate the cost 50-50 to drill the  
22 well the additional depth to the Pictured Cliffs,  
23 approximately 150 feet, we would allocate that 100 percent  
24 to the Pictured Cliffs.

25 Q. And completion costs, of course, would be

1 separate --

2 A. Yes.

3 Q. -- except for surface equipment?

4 A. Yes.

5 Q. Which -- Would you allocate that 50-50 also --

6 A. Yes, we would.

7 Q. -- the surface equipment?

8 And once again, you are not at this time asking  
9 the Division to address the issues of downhole commingling?

10 A. That's correct.

11 Q. That would not be done until authorized by a  
12 separate order?

13 A. Yes.

14 EXAMINER BROOKS: Mr. Stogner?

15 EXAMINER STOGNER: I have no questions at this  
16 time.

17 THE WITNESS: Thank you.

18 EXAMINER BROOKS: Very good.

19 MR. KELLAHIN: That concludes our presentation,  
20 Mr. Brooks. Thank you.

21 EXAMINER BROOKS: Okay, Case Number 12,835 will  
22 be taken under advisement.

23 (Thereupon, these proceedings were concluded at  
24 9:10 a.m.)

25

\* \* \*



## 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 March 24th, 2002.



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STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002