

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

EXAMINER HEARING

IN THE MATTER OF:

Application of Richmond Case 9744
Petroleum, Inc., for compulsory
pooling and an unorthodox
coal gas well location,
San Juan County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

October 4, 1989

ORIGINAL

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Divison
State Land Office Building
Santa Fe, New Mexico

1 HEARING EXAMINER: This hearing will come
2 to order. I'll call the next case, No. 9744,
3 application of Richmond Petroleum, Inc., for
4 compulsory pooling and an unorthodox coal gas well
5 location, San Juan County, New Mexico.

6 Call for appearances.

7 MR. LOPEZ: Mr. Examiner, my name is Owen
8 Lopez with the Hinkle law firm in Santa Fe, New
9 Mexico.

10 This case was readvertised to show the
11 location of the unorthodox well but only for that
12 purpose. The evidence in the case was presented at
13 the September 6 hearing, and I have nothing further to
14 add.

15 HEARING EXAMINER: The well in question is
16 1,450 feet from the north line and 1,815 feet from the
17 west line; is that correct, Mr. Lopez?

18 MR. LOPEZ: That's correct. And we
19 presented that evidence at the September 6 hearing.

20 HEARING EXAMINER: And the proration unit
21 will essentially be the west half? There was no
22 change?

23 MR. LOPEZ: No change in that. We already
24 put on evidence as to the nonconsent parties, and none
25 of that has changed since September 6.

1 HEARING EXAMINER: Are there any other
2 appearances or comments at this point?

3 MR. KELLAHIN: Mr. Examiner, I'm Tom
4 Kellahin. I'm appearing on behalf of Meridian Oil,
5 Inc.

6 Pursuant to our stipulated settlement with
7 various cases and the applicant in this case, we
8 withdraw our opposition to the application in 9744.

9 HEARING EXAMINER: Thank you, Mr. Kellahin.
10 The record will so reflect.

11 If there's nothing further in Case No.
12 9744, this case will be taken under advisement.

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1 CERTIFICATE OF REPORTER

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3 STATE OF NEW MEXICO)
4 COUNTY OF SANTA FE) ss.


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6 I, Deborah O'Bine, Certified Shorthand
7 Reporter and Notary Public, HEREBY CERTIFY that the
8 foregoing transcript of proceedings before the Oil
9 Conservation Division was reported by me; that I
10 caused my notes to be transcribed under my personal
11 supervision; and that the foregoing is a true and
12 accurate record of the proceedings.

13 I FURTHER CERTIFY that I am not a relative
14 or employee of any of the parties or attorneys
15 involved in this matter and that I have no personal
16 interest in the final disposition of this matter.

17 WITNESS MY HAND AND SEAL November 1, 1989.

18


DEBORAH O'BINE
CSR No. 127

19

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21 My commission expires: August 10, 1990

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 4744,
heard by me on 4 Oct. 1989.


_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I caused my notes to be transcribed under my personal supervision; and that the foregoing is a true and accurate record of the proceedings.

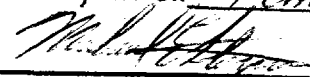
I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 1, 1989.


DEBORAH O'BINE
CSR No. 127

My commission expires: August 10, 1990

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9744, heard by me on 4 October 1989.


_____, Examiner
Oil Conservation Division

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. 9744

Order No. R-_____

APPLICATION OF RICHMOND
PETROLEUM, INC. FOR COMPULSORY
POOLING AND AN UNORTHODOX WELL
LOCATION, SAN JUAN COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 4, 1989
at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of October, 1989, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS THAT:

(1) Due public notice having been given as required by law,
the Division has jurisdiction of this cause and the subject matter
thereof.

(2) The applicant, Richmond Petroleum, Inc., seeks approval
of an unorthodox well location 1450 feet from the north line and
1815 feet from the west line (Unit F) of Section 10, T.32N, R.6W,
N.M.P.M., Basin-Fruitland Coal Gas Pool, San Juan County, New

Mexico. The W/2 of Section 10 is to be dedicated to the subject well forming a standard 279 acre gas spacing and proration unit for said pool.

(3) The subject well is located within the Basin-Fruitland Coal Gas Pool, which is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-8768 which require 320 acre spacing and proration units with wells to be located in the NE/4 or the SW/4 of a single governmental section and no closer than 790 feet to any outer boundary of the proration unit nor closer than 130 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(4) The applicant presented topographic evidence and testimony which indicates that a well drilled at an orthodox location in the SW/4 of said Section 10 would be located within the lake bed of the Navajo Dam and would not be economically feasible.

(5) The evidence further indicates that the affected offset acreage being the E/2 of said Section 10 and the E/2 of Section 9 is owned by the same interest owners participating either actively or by virtue of farm-out agreements.

(6) No other offset operator or interest owner appeared and objected to the proposed unorthodox location.

(7) The applicant further seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4, the S/2 NW/4 and the SW/4 (W/2 equivalent) of Section 10,

T.32N, R.6W, forming a standard 279 acre spacing and proration unit for said pool.

(8) The applicant has the right to drill and proposes to drill a well at an unorthodox well location as set forth hereinabove.

(9) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(10) The applicant should be designated the operator of the subject well unit.

(11) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable costs out of production.

(12) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional _____% thereof as a reasonable charge for the risk involved in the drilling of the well.

(13) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs. The actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(14) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should

receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(15) \$_____ per month well while drilling and \$_____ per month well while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operation of the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(16) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow to be paid to the true owner thereon upon demand and proof of ownership.

(17) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(19) Approval of these applications for an unorthodox well location and forced pooling of all mineral interests in the Basin-Fruitland Coal Gas formation within the W/2 of said Section 10 unit will afford the applicant the opportunity to produce its just and

equitable share of the gas in the subject pool, will afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from the order, and will otherwise will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Richmond Petroleum, Inc., is hereby authorized to drill the well at an unorthodox well location 1450 feet from the north line and 1815 feet from the west line (Unit F) of Section 10, T.32N, R.62, N.M.P.M., Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(2) The W/2 of said Section 10 shall be dedicated to the above-described well forming a standard 279 gas spacing and proration unit for said pool.

(3) All mineral interests, whatever they may be, from the surface to the base of the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4, S/2 NW/4, and the SW/4 (W/2 equivalent) of said Section 10, T.32N, R.6W, N.M.P.M., San Juan County, New Mexico, are hereby pooled forming a standard 279 acre gas spacing and proration unit for said Basin-Fruitland Coal Gas Pool. Said unit shall be dedicated to a well to be drilled at unorthodox gas well location 1450 feet from the north line and 1850 feet from the west line (Unit F) of said Section 10.

(4) Richmond Petroleum, Inc. is hereby designated the operator of the subject well and unit.

(5) After the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(6) Within thirty (30) days from the date that the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within ninety (90) days following completion of the well; if actual well cost is received by the Division and the Division does not object within forty-five (45) days following receipt of said schedule, the actual well costs shall be reasonable well costs; provided, however, if there is objection to actual well costs within said forty-five (45) day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within sixty (60) days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above, shall pay to the operator his fair share of the amount that reasonable well costs exceed estimated well costs and

shall receive from the operator his prorata share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The prorata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within thirty (30) days from the date the schedule of estimated well costs is furnished to him; and

(B) As a charge for the risk involved in drilling of the well, _____% of the prorata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within thirty (30) days from the date the schedule of estimated well costs is furnished to him.

(10) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) \$_____ per month for drilling and \$_____ per month for producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such a well, not in

excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unleased mineral interest shall be considered as seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production and no costs and charges shall be withheld from production attributable to royalty interest.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall be immediately placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within thirty (30) days from the date of the first deposit with said escrow agent.

(15) Should all parties to this forced pooling order reach voluntary agreement subsequent to the entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(17) Jurisdiction of this cause is retained for the entry of such orders the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director