

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

CASE 9881
CASE 9819
CASE 9882

CASE 9884

CASE 9885

EXAMINER HEARING

CONTINUED AND DISMISSED CASES

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

March 7, 1990

ORIGINAL

CUMBRE COURT REPORTING
(505) 984-2244

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 EXAMINER CATANACH: Call this hearing to
2 order this morning for Docket No. 7-90. First off
3 we'll call the continuances and dismissals.

4 Call Case 9881.

5 MR. STOVALL: Application of Richmond
6 Petroleum, Inc., for an unorthodox coal gas well
7 location Rio Arriba County, New Mexico.

8 This case will be continued and
9 readvertised for March 21, 1990.

10 EXAMINER CATANACH: Case 9881 is hereby
11 continued to the March 21st docket.

12 * * * * *

13 EXAMINER CATANACH: Call Case 9819.

14 MR. STOVALL: Application of Blackwood and
15 Nichols, Ltd., for compulsory pooling and an
16 unorthodox gas well location, San Juan and Rio Arriba
17 Counties, New Mexico.

18 Applicant requests this case be dismissed.

19 EXAMINER CATANACH: Case 9819 is hereby
20 dismissed.

21 * * * * *

22 EXAMINER CATANACH: Call Case 9882.

23 MR. STOVALL: Application of Controlled
24 Recovery, Inc., for an oil treating plant permit and
25 for surface waste disposal, Lea County, New Mexico.

1 Applicant requests this case be continued
2 and readvertised to March 21, 1990.

3 EXAMINER CATANACH: Case 9882 is hereby
4 continued to the March 21st docket.

5 * * * * *

6 EXAMINER CATANACH: Call Case 9884.

7 MR. STOVALL: Application of OXY USA, Inc.,
8 for compulsory pooling, a nonstandard gas proration
9 unit and simultaneous dedication, Lea County, New
10 Mexico.

11 Applicant requests this case be continued
12 to March 21st.

13 EXAMINER CATANACH: Case 9884 is hereby
14 continued to the March 21st docket.

15 * * * * *

16 EXAMINER CATANACH: Call Case 9885.

17 MR. STOVALL: Application of Doyle Hartman
18 for compulsory pooling, a nonstandard gas proration
19 unit and simultaneous dedication, Lea County, New
20 Mexico.

21 Applicant has now requested that this case
22 be continued to March 21, 1990.

23 EXAMINER CATANACH: Case 9885 is hereby
24 continued to the March 21st docket.

25

1 CERTIFICATE OF REPORTER

2 STATE OF NEW MEXICO)

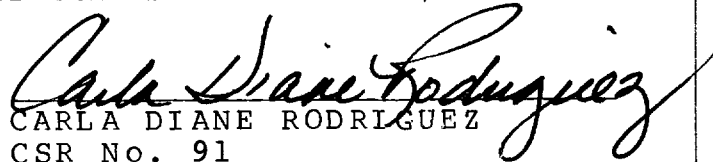
3) ss.

4 COUNTY OF SANTA FE)

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

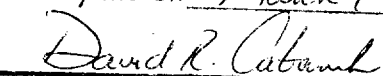
12 I FURTHER CERTIFY that I am not a relative
13 or employee of any of the parties or attorneys
14 involved in this matter and that I have no personal
15 interest in the final disposition of this matter.

16 WITNESS MY HAND AND SEAL March 8, 1990.

17 
18 CARLA DIANE RODRIGUEZ
19 CSR No. 91

20 My commission expires: May 25, 1991

21
22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Ex parte hearing of Case No. 9819,
heard by me on March 7 19 90.

25 , Examiner
Oil Conservation Division

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

CASE 9882, CASE 9888, CASE 9889, CASE 9892
CASE 9893, CASE 9881, CASE 9894, CASE 9895
CASE 9897, CASE 9898, CASE 9884, CASE 9885

EXAMINER HEARING

IN THE MATTER OF:

CONTINUED AND DISMISSED CASES

TRANSCRIPT OF PROCEEDINGS

BEFORE: MICHAEL E. STOGNER, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

March 21, 1990

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 EXAMINER STOGNER: This hearing will come
2 to order for Docket 9-90. Today is March 21, 1990.
3 I'm Michael E. Stogner, appointed hearing officer for
4 today's cases. I call all the continued and dismissed
5 cases at this time. First I'll call Case No. 9882.

6 MR. STOVALL: Application of Controlled
7 Recovery, Inc., for an oil treating plant permit, for
8 surface water disposal, and an exception to Order No.
9 R-3221, Lea County, New Mexico.

10 Applicant requests this case be continued
11 to April 4, 1990.

12 EXAMINER STOGNER: Case No. 9882 will be so
13 continued.

14 * * * * *

15 EXAMINER STOGNER: Call next case, No.
16 9888.

17 MR. STOVALL: Application of Conoco, Inc.,
18 for compulsory pooling, Lea County, New Mexico.

19 Applicant requests this case be continued
20 to April 4, 1990.

21 EXAMINER STOGNER: Case No. 9888 will be so
22 continued.

23 * * * * *

24 EXAMINER STOGNER: Call next case, No.
25 9889.

1 MR. STOVALL: Application of Meridian Oil,
2 Inc., for temporary well testing allowable for certain
3 wells in the Parkway-Delaware Pool, Eddy County, New
4 Mexico.

5 Applicant requests this case be continued
6 to April 18, 1990.

7 EXAMINER STOGNER: Case No. 9889 will be so
8 continued.

9 * * * * *

10 EXAMINER STOGNER: Second page. I'll call
11 Case No. 9892.

12 MR. STOVALL: Application of Pacific
13 Enterprises Oil Company (USA) for compulsory pooling,
14 Eddy County, New Mexico.

15 Applicant requests this case be dismissed.

16 EXAMINER STOGNER: Case No. 9892 will be
17 dismissed.

18 * * * * *

19 EXAMINER STOGNER: Call next case, No.
20 9893.

21 MR. STOVALL: Application of Pacific
22 Enterprises Oil Company (USA) for compulsory pooling,
23 Eddy County, New Mexico.

24 Applicant requests this case be continued
25 to April 4, 1990.

1 EXAMINER STOGNER: Case No. 9893 will be so
2 continued.

3 * * * * *

4 EXAMINER STOGNER: Call next case, No.
5 9881.

6 MR. STOVALL: Application of Richmond
7 Petroleum, Inc., for compulsory pooling, unorthodox
8 coal gas well location, and a non-standard gas spacing
9 and proration unit, San Juan and Rio Arriba Counties,
10 New Mexico.

11 Applicant requests this case be continued
12 to April 4, 1990.

13 EXAMINER STOGNER: Case No. 9881 will be so
14 continued.

15 * * * * *

16 EXAMINER STOGNER: Call next case, No.
17 9894.

18 MR. STOVALL: Application of Richmond
19 Petroleum, Inc., for compulsory pooling, unorthodox
20 coal gas well location, and a non-standard gas spacing
21 and proration unit, San Juan and Rio Arriba Counties,
22 New Mexico.

23 Applicant requests this case be continued
24 to April 4, 1990.

25 EXAMINER STOGNER: Case No. 9894 will be so

1 continued.

2 * * * * *

3 EXAMINER STOGNER: Call next case, No.
4 9895.

5 MR. STOVALL: Application of Richmond
6 Petroleum, Inc., for compulsory pooling and an
7 unorthodox coal gas well location, San Juan and Rio
8 Arriba Counties, New Mexico.

9 Applicant requests this case be continued
10 to April 4, 1990.

11 EXAMINER STOGNER: Case No. 9895 will be so
12 continued.

13 * * * * *

14 EXAMINER STOGNER: Call next case, No.
15 9897.

16 MR. STOVALL: Application of Siete Oil &
17 Gas Corporation for a waterflood project, Eddy County,
18 New Mexico.

19 Applicant requests this case be continued
20 to April 4, 1990.

21 EXAMINER STOGNER: Case No. 9897 will be so
22 continued.

23 * * * * *

24 EXAMINER STOGNER: Call next case, No.
25 9898.

1 MR. STOVALL: Application of Doyle Hartman
2 for compulsory pooling, a non-standard gas proration
3 unit and simultaneous dedication, Lea County, New
4 Mexico.

5 Applicant requests this case be continued
6 to April 4, 1990.

7 EXAMINER STOGNER: Case No. 9898 will be so
8 continued.

9 * * * * *

10 EXAMINER STOGNER: Call next case, No.
11 9884.

12 MR. STOVALL: Application of OXY USA, Inc.,
13 for compulsory pooling, non-standard gas proration
14 unit and simultaneous dedication, Lea County, New
15 Mexico.

16 Applicant requests this case be dismissed.

17 EXAMINER STOGNER: Case 9884 will be
18 dismissed.

19 * * * * *

20 EXAMINER STOGNER: Call next case, No.
21 9885.

22 MR. STOVALL: Application of Doyle Hartman
23 for compulsory pooling, a non-standard gas proration
24 unit and simultaneous dedication, Lea County, New
25 Mexico.

1 Applicant requests this case be continued
2 to April 4, 1990.

3 EXAMINER STOGNER: Case No. 9885 will be so
4 continued.

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CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)

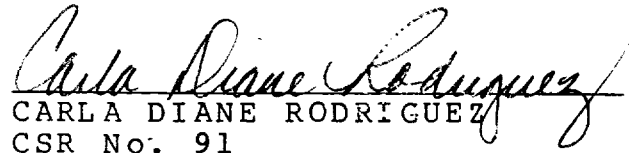
) ss.

COUNTY OF SANTA FE)

I, Carla Diane Rodriguez, 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.

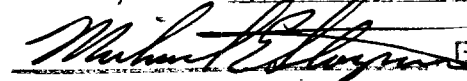
I FURTHER CERTIFY that I am not a relative
or employee of any of the parties or attorneys
involved in this matter and that I have no personal
interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 21, 1990.


CARLA DIANE RODRIGUEZ
CSR No. 91

My commission expires: May 25, 1991

I do hereby certify that the foregoing is
a complete and true transcript of the proceedings in
the Exemptive Hearing of Case No. 9881,
heard by me on 21 March 1990.


Michael E. Stoyan, Examiner
Oil Conservation Division

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CASES 9881, 9894, 9895, CONSOLIDATED

EXAMINER HEARING

IN THE MATTER OF:

Application of Richmond Petroleum, Inc., for
unorthodox coal gas well location, Rio Arriba
County, New Mexico; Application of Richmond
Petroleum, Inc., for compulsory pooling,
unorthodox coal gas well location, and a non-
standard gas spacing and proration unit, San Juan
and Rio Arriba Counties, New Mexico; Application
of Richmond Petroleum, Inc., for compulsory
pooling and an unorthodox coal gas well location,
San Juan and Rio Arriba Counties, New Mexico

TRANSCRIPT OF PROCEEDINGS

ORIGINAL

BEFORE: DAVID R. CATANACH, EXAMINER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

APRIL 4, 1990

A P P E A R A N C E S

FOR THE DIVISION:

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

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
Attorneys at Law
By: OWEN M. LOPEZ
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico
87504-2068

* * *

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25		

1 WHEREUPON, the following proceedings were had
2 at 10:50 a.m.:

3 EXAMINER CATANACH: Call case 9881.

4 MR. STOVALL: Application of Richmond
5 Petroleum, Inc., for an unorthodox coal gas location,
6 Rio Arriba County, New Mexico.

7 Are there appearances in this case?

8 MR. LOPEZ: Yes, Mr. Examiner. My name is
9 Owen Lopez, with the Hinkle Law Firm in Santa Fe, New
10 Mexico, appearing on behalf of the Applicant, and I
11 would request that Case 9881 be consolidated with Cases
12 9894 and 9895.

13 EXAMINER CATANACH: Okay, at this time we'll
14 call Case 9894 and 9895.

15 MR. STOVALL: 9894 is the Application of
16 Richmond Petroleum, Inc., for compulsory pooling,
17 unorthodox coal gas well location, and a nonstandard
18 gas spacing and proration unit, San Juan and Rio Arriba
19 Counties, New Mexico.

20 Case 9895, the Application of Richmond
21 Petroleum, Inc., for compulsory pooling and an
22 unorthodox coal gas well location, San Juan and Rio
23 Arriba Counties, New Mexico.

24 EXAMINER CATANACH: Are there any other
25 appearances in either -- any of these cases?

1 You may proceed, Mr. Lopez.

2 MR. LOPEZ: Mr. Examiner, I have three
3 witnesses to be sworn.

4 EXAMINER CATANACH: Okay.

5 STEVE ROCHE,
6 the witness herein, after having been first duly sworn
7 upon his oath, was examined and testified as follows:

8 EXAMINATION

9 BY MR. LOPEZ:

10 Q. Would you please state your name and where
11 you reside?

12 A. My name is Steve Roche, and I reside in
13 Albuquerque, New Mexico.

14 Q. Are you employed by Richmond Petroleum as a
15 landman?

16 A. I'm a consulting landman for Richmond, yes.

17 Q. Have you previously testified for Richmond
18 and had your qualifications as a petroleum landman
19 accepted as a matter of record?

20 A. Yes, I have.

21 Q. Are you familiar with the Application in Case
22 Number 9881?

23 A. Yes, I am.

24 MR. LOPEZ: Is the witness considered
25 qualified?

1 EXAMINER CATANACH: Yes, sir.

2 Q. (By Mr. Lopez) Mr. Roche, I refer you to
3 what has been marked Exhibit Number 1 and ask you to
4 identify and discuss it.

5 A. Okay. We prepared the application for
6 administrative approval all on written form and tried
7 to hit every single topic of the new regs, starting
8 with kind of a summary on the first page.

9 You get a little narrative there at the
10 bottom stating when we had the staking done, when we
11 had the on-site inspection done with the Forest
12 Service. The archeological was on September 19th, as
13 you can see, and the surveying of the restaked location
14 on the 22nd of September.

15 Q. These dates should reflect 1989; is that
16 correct? Instead of 1990?

17 A. That's right.

18 Page 2 is a copy of my letter to Meridian for
19 their landman, Miss Donahue, in Farmington where she
20 has authority over this area. Meridian is the lessor
21 to the south. We're going to be unorthodox to the
22 south, so we had to get their permission.

23 And as you can see, they have signed at the
24 bottom of this and also include a letter on page 3
25 there from Allen Alexander, the senior land advisor,

1 stating basically that they had no objection to the
2 unorthodox location.

3 The reason why we're unorthodox is that we're
4 617 from the south line, and if you look at page 4
5 there, the next page, I think your regulations call for
6 a topographical map showing roads and location and
7 archeological sites.

8 As you can see, the terrain is super-rough
9 out there. Our site is located in the solid dot there,
10 and those four squares represent where the
11 archeological people found reasons for not locating our
12 location in a standard location.

13 The next page is the land plat that you guys
14 request, showing essentially that Richmond has both
15 halves of 32. We're going to do stand-up 320's, let
16 them produce stand-up 320's, and that gives you a
17 little bit better idea about the topography at the
18 smaller scale there.

19 Essentially what they tried to do was get off
20 of that mountaintop because of the archeological stuff
21 and then get down into this little saddle. And if you
22 refer back to a previous page, that shows you how close
23 they are to the road. And obviously you guys are aware
24 that the Forest Surface always wants a minimal surface
25 damage.

1 So for two reasons we're moving it: The
2 Forest Service wanted minimal damage to the surface,
3 and the archeological and topography reasons because of
4 that hill there.

5 The next page, as per your request, is a
6 C-102 form for this particular well, showing the 617
7 location from the south line, followed by the APD.

8 We went ahead and included all the technical
9 drilling stuff, which is on the following page,
10 following two pages, three pages.

11 Following that is a surface use and
12 operations plan. And I guess the one key thing there
13 is the access road, based on -- You guys know that when
14 you have an on-site with the Forest Service or any land
15 owner they want you at a minimal surface damage, and
16 that's why we put that in there, talks about that,
17 existing roads.

18 That goes on for several pages there, page 4,
19 page 5. Page 6 in that is the certification which your
20 regs also require. Our operator is Meridian Oil and
21 Gas in Farmington. Steve Dunn has made the
22 certification that you guys require in your new regs.
23 That's page 6.

24 The next page is another topographical map
25 showing where the location is and where the new road is

1 proposed, coming off the old road. And you can see
2 that's kind of minimal damage to the surface.

3 The next page is a regional map of the whole
4 area, with proposed access route for the proposed well.

5 And three pages past that is the
6 archeological survey done for Richmond for these sites
7 in Section 32, and that's also required by your new
8 regs.

9 So I think everything that's covered -- I
10 mean that's required under the new submittal guidelines
11 is included in this packet, with the exception of
12 number 8, which is the directional drilling statement.

13 MR. LOPEZ: And we have a witness that will
14 address that, a petroleum engineer, as to why it's
15 unfeasible to directionally drill at the location.

16 Q. (By Mr. Lopez) In your opinion, will the
17 granting of this application be in the interest of
18 prevention of waste and protection of correlative
19 rights?

20 A. Yes, it will.

21 Q. Was Exhibit 1 prepared by you?

22 A. Yes, it was.

23 MR. LOPEZ: I would offer Exhibit Number 1
24 and tender the witness.

25 EXAMINER CATANACH: I'm sorry?

1 MR. LOPEZ: I'd like to offer Exhibit Number
2 1, and I tender the witness.

3 EXAMINER CATANACH: Exhibit Number 1 will be
4 admitted as evidence.

5 MR. STOVALL: Mr. Examiner, I would like to
6 address one thing before we go too much further on
7 this.

8 MR. STOVALL: I assume -- You've referred to
9 our regs, new regs and requirements, and I'm assuming
10 you're referring to the memorandum which was put out
11 with today's docket, the guidelines therein; is that
12 correct?

13 MR. LOPEZ: Yes, that's correct.

14 MR. STOVALL: Appreciate your compliance with
15 that, but I do want to point out that that is not a
16 regulation of the Division. It is a -- It is
17 guidelines for administrative approval of unorthodox
18 locations, and we -- So I want you to understand that
19 it is not a regulatory requirement.

20 But we certainly do appreciate your following
21 that because that certainly makes processing the
22 application, whether at hearing or administratively,
23 much -- much more efficient and easier for us.

24 THE WITNESS: Like I say, I think the only
25 thing we're missing off of this is number 8 on page 2.

1 MR. STOVALL: That's fine, and doing that by
2 testimony in the hearing setting is perfectly
3 acceptable. There's no problem with that.

4 THE WITNESS: Okay.

5 MR. LOPEZ: I also understand, Mr. Stovall,
6 that any location within 660 of an outer perimeter
7 needs to go to hearing. Is that correct under the
8 rules?

9 MR. STOVALL: Not under the general rules.
10 That is, within specific pools there are some
11 provisions that do that. But not under the general
12 rules.

13 MR. LOPEZ: Okay.

14 EXAMINATION

15 BY MR. STOVALL:

16 Q. Mr. Roche, looking at the enlarged topo,
17 which I think is your fourth sheet under Exhibit 1, do
18 you know approximately -- You've identified the four
19 sites, the archeological sites with the squares there.

20 Approximately what are the distances there?
21 Do you have an idea since it's no longer at scale since
22 you've enlarged the --

23 A. Yes, I'm not sure exactly what it is, Mr.
24 Stovall. It's probably in the archeological report at
25 the end.

1 I do know, after talking to the surveyor and
2 the on-site people, they tried to make the location as
3 close to a standard -- I mean orthodox location, as
4 possible, and still get off the side of that hill.

5 You can't see that hill so much on that one,
6 but look at the next one. It's pretty dramatic out
7 there. And as you can see, there's kind of little
8 saddle right there. And so they've tried to stay as
9 far north as they could and still get off that
10 hillside.

11 And essentially I guess that hillside was
12 just kind of covered in pottery shards and stuff. And
13 it was really tough -- Even if it wasn't archeological
14 problems, just getting up to it because of the
15 sandstone cliffs was pretty tough. That's why the
16 Forest Service wanted the location changed also.

17 Q. I'll use this opportunity to point out one
18 thing that we also have asked for in these things which
19 is helpful, is to draw in a standard-location window so
20 we can relate these archeological sites.

21 I'm not going to ask you to do that this time
22 because we don't have the scale, probably don't have
23 the equipment to do so.

24 But am I safe in interpreting that these
25 archeological sites occupy substantial portion of an

1 orthodox location?

2 A. Uh-huh.

3 Q. And to the north, it appears that to the north
4 of those archeological sites -- again looking at your
5 sheet number 4 --

6 A. Uh-huh.

7 Q. That there may be some room which could avoid
8 archeological sites and still stay within an orthodox
9 window; is that correct?

10 A. And still make the Forest Service happy with
11 surface --

12 Q. No, I wasn't asking about that part. I'm just
13 talking about the archeological sites themselves.

14 A. That could be possible, Mr. Stovall. Pleasing
15 all the people is the location where we have it. It
16 might be possible to get inside the standard north of
17 this location. But as you can see, you're going to
18 have to cut about a quarter-of-a-mile road through some
19 rough, rough stuff.

20 Q. If I go back to the next sheet, your scale
21 quadrangle map, topo map --

22 A. Uh-huh.

23 Q. Am I -- It appears to me that that -- what
24 you're talking about there is that there's a hill there
25 marked with a benchmark 7064; is that correct?

1 A. Right, right.

2 Q. And it's a fairly steep gradient coming off in
3 all directions?

4 A. You bet.

5 Q. And if I -- Again, interpreting the two
6 together, looking, there's a road coming along the
7 south, kind of the southeast side of that hill?

8 A. Southeast side, right. See, it kind of goes
9 through that saddle already.

10 Q. Correct, that's -- I understand that.

11 If you were to have to build a road, say, to
12 the north side of that hill, are you saying that that
13 would be at best a difficult proposition?

14 A. Very, because these are all sandstone cliffs;
15 they're just sheer-faced. I mean, it's pretty rugged
16 stuff. As you can see, that saddle kind of works its
17 way through the southeasterly side of the hillside
18 there, and then the road follows that saddle, so the
19 most obvious thing for the Forest Service to do is
20 suggest we stay in the saddle and go as far north as we
21 could and still stay off the archeological sites.

22 Q. Which forest is this in?

23 A. Carson.

24 Q. Which district?

25 A. The --

1 Q. Is it the Jicarilla? Do you know?

2 A. Yeah, I think it is.

3 Q. The Gobernador office is where you work out
4 of?

5 A. I believe so, yeah.

6 And since we didn't have any objection -- In
7 fact, we had an agreement with Meridian to the south --
8 it seemed like the most obvious way to go.

9 Q. Well, I can assure you we're well aware of
10 this problem, and know that Mr. Settles who's the
11 district ranger in that district has worked with us
12 frequently and --

13 A. Right.

14 Q. -- he understands our requirements as well as
15 his own, so --

16 A. Right.

17 MR. STOVALL: I have no further questions of
18 this witness.

19 EXAMINATION

20 BY EXAMINER CATANACH:

21 Q. Mr. Roche, in fact Meridian is the only
22 operator that's being encroached upon by this well; is
23 that correct?

24 A. Exactly.

25 Q. You testified that you -- that Richmond owns

1 the east half of this section?

2 A. Uh-huh.

3 EXAMINER CATANACH: I have no further
4 questions of the witness.

5 MR. STOVALL: I do -- Let me ask one
6 question. And Mr. Lopez, probably you -- This exhibit
7 is only in Case 9881 is that correct?

8 MR. LOPEZ: Correct.

9 MR. STOVALL: You have separate exhibits that
10 you're going to go through with the other --

11 MR. LOPEZ: Yes.

12 MR. STOVALL: Okay. I have nothing further
13 then.

14 MR. LOPEZ: I'd now like to call Mr.
15 Fullerton.

16 I'll just give you all the exhibits for now.

17 MR. STOVALL: Are you -- I guess my copies
18 aren't numbered. Are you numbering them individually
19 within the cases, or you've got the whole series
20 numbered?

21 MR. LOPEZ: I have the whole series, for the
22 whole set.

23 MR. STOVALL: Okay.

24

25

1 JIM FULLERTON,
2 the witness herein, after having been first duly sworn
3 upon his oath, was examined and testified as follows:

4 EXAMINATION

5 BY MR. LOPEZ:

6 Q. Would you please state your name and where
7 you reside?

8 A. My name is Jim Fullerton, and I live in
9 Denver. I'm an independent landman consulting for
10 Richmond Petroleum.

11 Q. Have you previously testified before the
12 Commission and had your credentials as an expert
13 landman accepted as a matter of record on behalf of
14 Richmond?

15 A. Yes, I have.

16 MR. LOPEZ: Do you consider the witness
17 qualified?

18 MR. CATANACH: Yes.

19 Q. (By Mr. Lopez) Mr. Fullerton, would you
20 refer to what's been marked Exhibit Number 2 and
21 identify and describe it?

22 A. This is a topo map of the area around the
23 Navajo Lake, Navajo Reservoir, which is the subject of
24 these two compulsory pooling hearings.

25 And the map shows basically the locations of

1 the wells, color-coded offset operators, and location
2 of the only actual producing well from this formation
3 within a mile or so of the property.

4 Q. Okay. And it also shows the location of the
5 Navajo Reservoir; is that right?

6 A. Yes, which is outlined in green.

7 Q. And the standard, orthodox location windows
8 are indicated and the location of the proposed wells?

9 A. Yes, they are.

10 Q. Okay. I would now refer you to what's been
11 marked Exhibit 3 and ask you to explain that exhibit.

12 A. Exhibit Number 3 is a letter -- actually an
13 outline of the names of the parties who have to date
14 refused or have not dedicated their interest to the
15 particular well to be drilled in the north half of
16 Section 11, and this is under Case Number 9894.

17 Q. Have you reached oral agreement with any of
18 the parties reflected on Exhibit 3?

19 A. Orally, as of yesterday, all of the parties
20 listed on Exhibit 3 have verbally committed to dedicate
21 their acreage either by farmout or joining in the
22 subject well.

23 Q. But they haven't signed any commutatization
24 or operating agreement at this point in time?

25 A. No. They do have operating agreements, AFE's

1 in hand, and I'm under the understanding that we'll be
2 -- order them a formal farmout agreement sometime next
3 week.

4 Q. All right. I now refer you to what's been
5 marked Exhibit Number 4.

6 A. Exhibit Number 4 is a plat prepared by me,
7 outlining the spacing unit for the Miller 11 Number 1
8 well. Again, we're referring to Case Number 9894.

9 The location of the well is plotted on the
10 plat. The color coding indicates the acreage in yellow
11 that is owned by Richmond Petroleum. And the acreage
12 in blue is the acreage owned by other parties.

13 Q. We've also requested in this case approval of
14 a nonstandard gas spacing and proration unit, have we
15 not?

16 A. Yes.

17 Q. What is the approximate acreage contained in
18 the spacing units?

19 A. The acreage contained in this north half of
20 Section 11 is 232.80 acres. The top tier is lots, and
21 this acreage bounds the Colorado state line to the
22 south.

23 Q. To the north.

24 A. To the north, excuse me.

25 Q. Okay. I now ask you to refer to what's been

1 marked Exhibit Number 5 and explain what that shows.

2 A. Exhibit Number 5 is, again, a tabulation in
3 letter form stating the parties as of this date who
4 have not executed formal agreements to dedicate their
5 acreage or otherwise participate in the drilling of the
6 Carnes Number 1 well, Case Number 9895.

7 Q. Have any of these parties shown on the
8 exhibit orally agreed or committed to join in the well?

9 A. Yes.

10 Q. Would you identify those who have and those
11 who haven't?

12 A. As of today -- As of yesterday, verbal
13 commitments have been received from Amoco, Southland
14 Royalty Company -- Let me backtrack. That's a semi-
15 commitment, Southland Royalty. J. Glenn Turner, Jr.;
16 Fred E. Turner; John L. Turner; Elizabeth Callaway;
17 Ameritrust -- Ameritrust, N.A.; Frank A. Schultz;
18 Benson-Montin-Greer; and William Webb. And those are
19 verbal commitments as of yesterday.

20 Q. So the only ones as of this date that have
21 not agreed to either farm out or join the well are
22 Minatome, Brookhaven, Manuel Rodriguez and the Durans?

23 A. And Richard Clark.

24 Q. Oh, and Richard Clark, yeah.

25 A. And that would be it. Again, Southland is

1 semi-verbal.

2 Q. I guess I won't ask what that means.

3 MR. STOVALL: I will if you don't.

4 THE DEPONENT: I'm not sure if it was verbal
5 or written -- or either.

6 Q. (By Mr. Lopez) But do you expect them to
7 join?

8 A. Yes, I do expect them to join.

9 Q. Now I'd like you to refer to what's been
10 marked Exhibit Number 6 and ask you to explain what it
11 shows.

12 A. Exhibit Number 6 is again a color-coded map,
13 again dealing with the Carnes 11 Number 1 under Case
14 Number 9895, showing the location of the well and the
15 color coding of the acreage owned by the various
16 parties.

17 The yellow outline is -- Excuse me, the
18 yellow and the green outline are interests, either
19 fully owned or partially owned by Richmond Petroleum.
20 And the blue is interests of the other parties.

21 Let me backtrack. The green also includes
22 certain parties that have not agreed to dedicate their
23 interest as of this date.

24 Q. I'd refer you back to what's been marked as
25 Exhibit Number 2 and ask you to explain why Richmond is

1 seeking unorthodox well locations at this time and who
2 the offset operators are to the unorthodox locations.

3 A. Okay, the map here is a copy from -- actually
4 from a topographical map. The outline in green is the
5 Navajo Reservoir. And the lands which we intend to
6 develop are at least partially underwater, and the only
7 feasible locations for both the Carnes and the Miller,
8 for the Miller being in the northwest quarter of
9 Section 11 and the Carnes being in the southwest
10 quarter of Section 11 and virtually the only locations
11 that were accessible or not underwater.

12 Q. And the operator directly to the west of the
13 proposed locations is Benson-Montin-Greer; is that
14 correct?

15 A. The operator directly to the west is Benson-
16 Montin-Greer, along with J. Glenn Turner, et al., and
17 other parties.

18 And these parties have also verbally
19 committed to the terms of a farmout with Richmond
20 covering the east half of Section 10. And thus, if
21 finalized, Richmond would be also the operator under
22 the blue shaded area in the east half of Section 10,
23 directly to the west of the two locations.

24 MR. LOPEZ: Mr. Examiner, I might call your
25 attention to a 20-acre parcel that's shown uncolored in

1 the northeast portion of the offsetting Section 10 and
2 would advise you that that is unleased federal acreage.

3 But I have talked to the solicitor and to the
4 staff geologists, and they're apprised of our request
5 here and have no objection to it. And we have
6 requested that it be put up for lease, and hopefully
7 we'll be able to lease it ourselves.

8 But in any event, the -- U.S. has advised us
9 that they would lease it subject to the terms of the
10 forced pooling order and order approving the unorthodox
11 locations.

12 Q. (By Mr. Lopez) Now, Mr. Fullerton, I would
13 refer you to what's been marked as Exhibits Number 7
14 and 8, and ask you to -- Well, are these the letters
15 you sent all interested parties and the return
16 receipts? I think 7 is with respect to the north half
17 of Section 11.

18 A. Exhibit Number 7 is reference to both
19 locations.

20 Q. Both locations.

21 A. And our copies of return receipts as well as
22 the letters notifying the parties of our intent to
23 drill or apply for nonstandard locations, and some of
24 these -- this correspondence -- also deals with
25 operating agreements that were sent out to the parties

1 within the proposed spacing units.

2 Q. Okay. And that includes all the parties
3 affected?

4 A. Yes.

5 Q. And now I'd refer you to what has been marked
6 as Exhibit Number 8 and ask you what this is.

7 A. Exhibit Number 8 is copies of letters
8 involving -- correspondence involving the south half of
9 Section 11, the Carnes Number 1 well. Again, this is
10 Case 9895.

11 The letters reference not only our request
12 for nonstandard locations, but also various letters
13 reference our request that these parties lease their
14 interest. Actual leases have been attached to these
15 letters, as well as certain other letters requesting
16 that actual leaseholders within the spacing units join
17 in participation -- and participate in the subject
18 well.

19 Q. In your opinion, will the granting of the
20 Application be in the interest of prevention of waste
21 and protection of correlative rights?

22 A. Yes.

23 Q. Were Exhibits 2 through 8 prepared by you or
24 under your supervision?

25 A. Yes, they were.

1 MR. LOPEZ: That concludes our testimony of
2 this witness, Mr. Examiner.

3 EXAMINER CATANACH: Seven, 8 and 9, Mr. --

4 MR. LOPEZ: Two through 8.

5 EXAMINER CATANACH: Exhibits 2 through 8 will
6 be admitted as evidence.

7 EXAMINATION

8 BY MR. STOVALL:

9 Q. Mr. Fullerton, did you do whatever title work
10 was necessary to determine all the parties entitled to
11 notice in this case?

12 A. Yes, I did.

13 Q. Did you happen to examine any of the title on
14 the Colorado side of the line?

15 A. In general terms, but not in detail.

16 Q. And did you notify anybody in Colorado?

17 A. Notified Amoco Production Company.

18 Q. Are they the operator to the north?

19 A. That appears to be the case, yes.

20 Q. I'm not sure that's required, but I think
21 we've tended to do that in state-line cases.

22 Who is the surface-management authority in --
23 agency in this area?

24 A. Bureau of Reclamation.

25 Q. Have you been involved in any discussions

1 with Bureau of Reclamation regarding these locations?

2 A. In general terms. I might add that the
3 actual locations are actually on fee surface. In other
4 words, the Bureau of Reclamation controls most of the
5 surrounding lands, but in both cases, particularly in
6 the southwest -- actually the northwest quarter of
7 Section 11, is virtually all fee ownership of surface.

8 Southwest quarter, there's small portions
9 that are fee surface ownership, and that in fact is
10 where the well is located.

11 Q. So you -- Does that mean that you have not
12 actually had to obtain specific approval from BOR?

13 A. Yes, that's true.

14 Q. They are aware of your location and --

15 A. I would assume so, Mr. Stovall. I haven't
16 personally talked to them individually, but I believe
17 there has been some correspondence or discussion with
18 them.

19 Q. Do you have any knowledge about the elevation
20 of these locations in comparison to the lake?

21 A. Somewhat, as far as the elevations are
22 concerned. You mean exactly what the --

23 Q. Roughly, not exactly. I don't need an
24 exact --

25 A. I believe that it's around 6100 to 6200 feet.

1 Q. And do you know what the surface of the
2 lake -- the elevation of the surface is?

3 A. I believe it's right around 6000.

4 Q. So to the best of your knowledge, it's about
5 a hundred foot --

6 A. Yes.

7 Q. -- hundred foot above the lake?

8 A. Yes.

9 Q. Is that a high-water point or average level
10 or --

11 A. Well, I think 6000 is high-water point. I
12 believe it actually is maybe closer to 5800 most of the
13 year.

14 MR. STOVALL: I have no further questions at
15 this time.

16 EXAMINATION

17 BY EXAMINER CATANACH:

18 Q. Were the -- You did say that the operators
19 within Section 10 were notified of the unorthodox
20 locations?

21 A. Yes, they were. I might add that the west
22 half of Section 10 is -- Richmond Petroleum is
23 operator, including the Bloomfield 32-6 Number 10 well
24 outlined.

25 The east half of 10 which is directly west of

1 the proposed locations is the Benson-Montin-Greer
2 group, and I believe I -- I think I stated that we have
3 a verbal agreement with them to farm out that east half
4 of 10 for a well to be actually operated by Richmond.

5 The blue outline below is again the same
6 parties, Benson-Montin-Greer, J. Glenn Turner group.
7 The only parties affected by the locations as far as
8 within a mile of the locations is either Richmond
9 Petroleum or this same Benson-Montin-Greer/Turner
10 group.

11 Q. Okay. You've had no objections from anybody
12 in that east half of 10 --

13 A. No.

14 Q. -- to the location -- to either location?

15 A. No, we haven't.

16 (Off the record)

17 FURTHER EXAMINATION

18 BY MR. STOVALL:

19 Q. Mr. Fullerton, were you the person
20 responsible for sending notice to the parties --

21 A. Yes, I was.

22 Q. -- of this hearing?

23 A. Yes.

24 Q. And I'm looking at -- Is Exhibit 7 that
25 notice? Is that what that was? Do I understand you

1 correctly?

2 MR. LOPEZ: Yes, Exhibit 7 is notification to
3 offset operators on -- for both the north half and the
4 south half. Exhibit 8 is just notification to interest
5 owners in the south half.

6 So yes, you're correct.

7 And Amoco is the offset operator to the
8 north, in Colorado. And yesterday the Benson-
9 Mountain-Greer group waived any objection to our
10 Application, in fact approved it.

11 EXAMINER CATANACH: For the locations?

12 MR. LOPEZ: The locations and -- Well, the
13 fact is that they're -- They've agreed to farm out
14 their acreage in the east half, which causes them to
15 waive any objections.

16 THE DEPONENT: The east half of 10 could
17 conceivably be colored yellow, based upon the verbal
18 agreement yesterday with the parties.

19 Q. (By Mr. Stovall) As I look at this I'm a
20 little bit concerned about this notice, as I'm reading
21 these things.

22 For example, I'm looking at the Amoco notice.
23 Your letter was dated March 26th, Exhibit 7?

24 A. That's the notice in Colorado, yes.

25 Q. Okay. What about the other -- Have you

1 received a return receipt card back from Amoco, do you
2 know?

3 A. There should be --

4 MR. LOPEZ: Right there on top.

5 THE WITNESS: On top here, there's -- The
6 March 26th letter on top should be the return receipt.

7 Q. (By Mr. Stovall) I have the certificate of
8 mailing. The receipt for certified mail, I don't have
9 the return receipt.

10 A. It should be in the -- probably in the
11 original copies.

12 Q. If I go to the next one, it looks like you
13 used express mail. You sent a letter to Ameritrust.

14 A. Yes.

15 Q. I haven't read the content. Just summarizing
16 the letter, it looks like you just -- I don't see that
17 it's necess- -- that there really is a notice of the
18 Application.

19 A. There were -- Actually, the notice was
20 originally sent -- The records in San Juan County
21 reflect the interest in blue, if you want to refer back
22 to the map.

23 Q. Looking at Exhibit 2?

24 A. Yes.

25 Q. Okay.

1 A. The acreage outlined in blue -- San Juan
2 County records actually reflect the interest is owned
3 by -- The first five parties on there have been
4 included based upon their information provided to us.
5 The San Juan County records indicate that the J. Glenn
6 Turner Estate had owned that interest, and therefore
7 one letter was sent to the J. Glenn Turner Estate,
8 notifying them of the nonstandard locations.

9 There was also a letter sent to Frank A.
10 Schultz and Benson-Montin-Greer. So you probably would
11 not see a letter in there to Ameritrust, because we
12 weren't apprised of this change in ownership until
13 recently.

14 MR. LOPEZ: I might point out, Mr. Stovall,
15 though, that the representatives of Ameritrust have met
16 with Richmond personally in their offices in Dallas and
17 discussed this, and the next witness is an officer of
18 Richmond who will testify to that.

19 THE WITNESS: Mr. Stovall, I cannot locate at
20 this time that receipt from Amoco. However, I have
21 talked to Mr. Hashe on the phone since the letter was
22 sent.

23 Q. (By Mr. Stovall) There could be some
24 question raised as to whether the interest owners in
25 another state are entitled to notice or not. We as a

1 practice like to have that done.

2 I have a little problem with the record that
3 is created by these exhibits as to whether notice is
4 satisfactory. What I would like to do -- We'll let you
5 continue with the case at this point.

6 But if possibly you could summarize -- You've
7 got essentially three applications. You've got an
8 unorthodox location, you've got a nonstandard proration
9 unit, and you've got a forced pooling --

10 A. Uh-huh.

11 Q. -- which -- Probably the unorthodox
12 location -- I'd have to look exactly, but I would say
13 the unorthodox location and the nonstandard proration
14 unit are probably similar if not the same notice
15 requirements in terms of the people affected, the
16 parties affected.

17 A. Uh-huh.

18 Q. And of course the forced pooling is somewhat
19 different. It may be the same parties, but it's
20 coincidental.

21 What I would like to do is, after you are
22 excused as a witness, is go back and summarize -- and
23 perhaps using your Exhibits 3 -- I guess it's 3 and
24 5 --

25 A. Uh-huh.

1 Q. -- and any other information you've got as to
2 who is entitled to notice in each case, in each part of
3 the cases, and note when they received the notice.
4 Kind of summarize what effect Exhibits -- is it 6 and 7
5 -- are telling us?

6 MR. LOPEZ: Correct. Seven and 8.

7 THE WITNESS: I might add one thing on the --
8 Again, referring back to the map, there are actually no
9 offset -- Assuming the verbal commitment as of
10 yesterday, there would not be any offset operation
11 other than Richmond, except for the blue area to the
12 southwest, and that includes the same parties as the
13 east half of Section 10 who have verbally committed to
14 a farmout and a change of operatorship to Richmond.

15 Q. (By Mr. Stovall) What I would need to have
16 you demonstrate is that with respect to the forced
17 pooling in each of the cases, that the parties that you
18 are seeking to force-pool, whether or not it's a
19 contingent force-pooling or a -- you know, a definite
20 no or a definite maybe -- If you seek to force-pool
21 them, we need some evidence that they have either been
22 notified in the proper time frame of this Application,
23 or that they have waived any requirement of notice.

24 And I don't think -- see anything that
25 constitutes a waiver of that notice. So if you go back

1 with that forced pooling, identify the parties you are
2 seeking to pool by this order and show us that they do
3 have, that they did receive notice, that is, you mailed
4 them notice at least 20 days prior to this hearing.

5 And then similarly with the unorthodox --
6 Unless you have a waiver of objection in the file from
7 a party entitled to notice on the unorthodox locations,
8 I'd like that similar information.

9 The problem I have is looking at the exhibits
10 that you provided. I'm going to look at those dates
11 and see a March 26th notice date and say that's
12 inadequate notice. And what I'm asking you to do is
13 show me that in fact that party was not entitled to
14 notice or that they have waived any deficiency in the
15 notice.

16 And if you can do that today, I think it
17 would certainly serve Richmond's best interest, to get
18 that done today.

19 MR. LOPEZ: Sure.

20 MR. STOVALL: It may be that the information
21 is here. But as I look at these exhibits I am
22 uncertain as to that, and where I'm uncertain I'm going
23 to require that the notice be corrected.

24 THE WITNESS: Okay.

25 MR. STOVALL: So after you've concluded, Mr.

1 Lopez, what we can do is this afternoon -- We'll leave
2 the case open till this afternoon to give Mr. Fullerton
3 a chance to consolidate that information.

4 MR. LOPEZ: I think we can satisfy you, Mr.
5 Stovall.

6 Okay, I'd like to call our next -- Are there
7 any further questions of this witness?

8 EXAMINER CATANACH: No further questions.

9 MR. LOPEZ: I'd like to call Mr. Adams.

10 JAMES L. ADAMS,
11 the witness herein, after having been first duly sworn
12 upon his oath, was examined and testified as follows:

13 EXAMINATION

14 BY MR. LOPEZ:

15 Q. Could you please state your name and where
16 you reside?

17 A. James L. Adams. I live in Dallas, Texas.

18 Q. By whom are you employed and in what
19 capacity?

20 A. I'm employed by Richmond Petroleum. I am an
21 engineer.

22 Q. Mr. Adams, have you previously testified
23 before the Commission as an expert petroleum engineer
24 on behalf of Richmond and had your qualifications
25 accepted as a matter of record?

1 A. Yes, I have.

2 Q. I would now like to refer you to what's been
3 marked Exhibit Number 9 and ask you if that is an AFE
4 on the Miller 32-6-11 well in the north half of Section
5 11.

6 A. Yes, it is.

7 Q. Are these costs that are shown on the well
8 based on Richmond's experience drilling improvement
9 wells in the San Juan Basin?

10 A. Yes, they are.

11 Q I now refer you to what's been marked Exhibit
12 Number 10 and ask you if that's the AFE for the Carnes
13 32-6-11 well in the south half of Section 11.

14 A. Yes, it is.

15 Q. And it also reflects the costs of drilling a
16 well that you've experienced?

17 A. Yes.

18 Q. Mr. Adams, can you tell the Examiner what
19 kind of costs Richmond would incur if they were
20 required to drill a directional well?

21 A. I have not brought an AFE that does such, but
22 it costs about -- Our estimate is that it will cost
23 about \$765,000 to directionally drill a well to a
24 location that would be a standard location underneath
25 the lake.

1 Q. And would that -- If you were to incur those
2 costs, would that justify drilling such wells?

3 A. No, sir. It would be about a \$400,000 to
4 \$450,000 increment on the drilling and completion cost
5 of the well. Our internal economics show that the
6 present worth of these wells are in about the \$430,000
7 range, so it would essentially render them uneconomical
8 if we drilled these wells in a directional fashion.

9 Q. With respect to those parties that Richmond
10 is seeking to force-pool in Section 11, do you have a
11 recommendation for the Examiner as to what an
12 appropriate risk penalty would be for nonconsenting
13 working-interest owners?

14 A. Yes, sir. I would request the 200 percent
15 penalty, the maximum that the state allows.

16 Q. And what is your basis for requesting such a
17 penalty?

18 A. It's twofold. One, there is some coal-bed
19 reservoir heterogeneity in this vicinity. Once we
20 start getting towards this area, according to published
21 maps and our own mappings, the coal is starting to thin
22 rapidly.

23 And we have -- The second part of that would
24 be some mechanical problems. We did drill the well in
25 the west half of Section 10, that being the Bloomfield

1 well, and ran into some significant mechanical
2 difficulties that caused us to abandon our first
3 attempt and move over and drill a separate well from
4 the first one that we started, and it's primarily due
5 to the occurrence of boulders and difficult drilling
6 processes in this immediate vicinity.

7 Q. What is the -- I understand Richmond proposes
8 to be the operator of both wells?

9 A. Yes, sir.

10 Q. And do you have a recommendation as to what
11 Richmond should be reimbursed for the cost of drilling
12 the well and for supervising it once it's put into
13 production?

14 A. Yes, sir. We are requesting \$4500 per well-
15 month for the well drilling and \$450 per month for GNA
16 in a producing capacity.

17 Q. Were exhibits 9 and 10 prepared by you or
18 under your supervision?

19 A. Yes, they were.

20 MR. LOPEZ: Mr. Examiner, I tender Richmond's
21 Exhibits 9 and 10.

22 EXAMINER CATANACH: Exhibits 9 and 10 will be
23 admitted as evidence.

24 Q. (By Mr. Lopez) In your opinion, will the
25 granting of this Application be in the interests of

1 prevention of waste and protection of correlative
2 rights?

3 A. Yes, sir.

4 MR. LOPEZ: I have no further questions.

5 EXAMINATION

6 BY EXAMINER CATANACH:

7 Q. Mr. Adams, what literature are you referring
8 to that shows the coal to be thinning in this area?

9 A. What I call the Old Testament of the coal-bed
10 methane, that being this Rocky Mountain Association of
11 Geologists Blue Book that is, as I'm sure you're aware,
12 the most voluminous and authoritative compilation of
13 public information that's available on the coal-bed
14 methane in the San Juan Basin to date.

15 Q. To what degree is -- do you interpret the
16 thinning to be occurring in this area?

17 A. We're probably dropping from near 40-foot
18 coal to near 20-foot coal.

19 Q. Are there any coal wells in this specific
20 area here?

21 A. Yes, sir, we have drilled one well on Section
22 10, which is shown on the colored map, and Meridian has
23 drilled several wells to the west of that in what's
24 called their Ellison unit.

25 Q. I'm sorry, regionally, is this thinning -- Is

1 this coal thinning to the east?

2 A. Yes, sir.

3 Q. Are there wells located to the east of your
4 proposed wells in Section 11?

5 A. Not at this time, no, sir.

6 Q. What's the capability of the well in Section
7 10?

8 A. We do not have a formal test on it as of yet.
9 We've just very, very recently completed it, and we
10 haven't put it on pump yet, so we do not have formal
11 test on it.

12 I am suspecting, from the completion
13 information, that we may be looking at 100 MCF a day.

14 Q. How does that compare with maybe wells that
15 are west of your --

16 A. Very similar to what Meridian has encountered
17 in Meridian's Ellison unit wells directly to the west
18 of this. They have potential of anywhere from zero to
19 300 MCF a day.

20 Q. Mr. Adams, how are your overhead rates
21 determined or --

22 A. They're -- Well, that's the operating
23 agreement that we have signed with numerous other
24 people in the San Juan Basin, but those overhead rates
25 are about midrange of the Ernst-Whinney compilation for

1 the area.

2 EXAMINER CATANACH: Okay, I believe that's
3 all I have of the witness, Mr. Lopez.

4 MR. LOPEZ: That concludes our testimony.

5 EXAMINER CATANACH: Okay, at this time --

6 MR. LOPEZ: I guess we're leaving the record
7 to open to show that proper notice --

8 EXAMINER CATANACH: Right.

9 MR. LOPEZ: -- has been given to those that
10 we're seeking to force-pool.

11 EXAMINER CATANACH: Right, we'll leave the
12 record open till this afternoon, and if you guys could
13 get that and maybe talk with Mr. Stovall.

14 MR. LOPEZ: We'll be glad to.

15 EXAMINER CATANACH: Okay, we'll just do that
16 then.

17 (Thereupon, proceedings in Case Numbers 9981,
18 9494 and 9895, Consolidated, were recessed at
19 11:40 a.m.

20 (The following proceedings were had at 3:00
21 p.m.):

22 EXAMINER CATANACH: At this time we'll take
23 Case 9881 under advisement, and Mr. Stovall is going to
24 make some comments on Cases 9894 and 9895.

25 MR. STOVALL: Mr. Examiner, I've reviewed the

1 notices sent out by Richmond Petroleum which they
2 previously entered in the record as exhibits in these
3 two cases, and it appears from reviewing those notices
4 that with respect to the unorthodox location and the
5 nonstandard proration units they have properly and
6 timely notified those parties entitled to notice. And
7 in fact, they are in the process of acquiring those
8 interests.

9 So it appears that at this time an order
10 could be entered with respect to the unorthodox and the
11 nonstandard locations.

12 With respect to the compulsory pooling, the
13 evidence in the record indicates that the notice is
14 deficient with respect to certain parties which need to
15 be compulsory pooled. And Richmond is going to have to
16 either obtain leases from or give notice to the parties
17 which have been identified in their exhibits, requiring
18 notice.

19 The problem is that they notified them that
20 they wanted to do something, but they never
21 specifically notified them of the hearing. Richmond is
22 aware of this, they will be addressing this matter,
23 will provide notice, but the compulsory pooling portion
24 of the case is going to have to be continued to May
25 2nd.

1 Richmond is faced with the problem of a May
2 1st drilling deadline under their farmout agreement.
3 I've indicated that I would discuss with you entering
4 an interim order authorizing the unorthodox location to
5 enable them to commence drilling, and request that the
6 cases be continued to May 2nd before the compulsory
7 pooling -- further orders regarding the compulsory
8 pooling can be entered.

9 Also, Richmond has been advised that they
10 need to speak with the Bureau of Reclamation. There
11 seems to be some confusion between conversations with
12 our office and the Bureau of Reclamation regarding what
13 lands are controlled by BOR, and they are definitely
14 going to either have to affirm with BOR that there is
15 no problem with respect to that location, but that
16 doesn't affect our order, because if it is BOR land,
17 they're going to have Bureau of Reclamation permission
18 before they can drill, even if we authorize the
19 location.

20 I have nothing further in these cases at this
21 time.

22 (Off the record)

23 EXAMINER CATANACH: Conversing with my
24 attorney here, we've decided to go ahead and continue
25 Case 9894 and 9895 to the May 2nd docket to allow

1 Richmond sufficient time to provide notice on the
2 compulsory pooling part of the cases.

3 MR. STOVALL: I'm going to ask, before we
4 take this case or before we conclude this case at this
5 time that, Richmond, would you please keep in contact
6 with me? With respect to this interim order, we have
7 got some discussions that need to be conducted.

8 If you are able to get leases, get some of
9 the other matters resolved, we may be in a better
10 position to deal with this. So if you would contact me
11 sometime next week, let me know the status of your
12 discussions.

13 We're again faced with a rather awkward
14 situation. You're faced with a drilling deadline, and
15 we're faced with inadequate notice, and that puts us in
16 a very awkward position. I will expect extensive
17 cooperation to get this resolved, to enable you to
18 protect your farmout and still protect all the rights
19 of parties entitled to protection.

20 EXAMINER CATANACH: So that will take care of
21 those two?

22 MR. STOVALL: I think so. These cases are
23 continued; is that correct?

24 EXAMINER CATANACH: Yes, these cases are
25 continued to May 2nd.

1 (Thereupon, these proceedings were concluded
2 at 3:05 p.m.)
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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
the Examiner hearing of Case No. 9881, 9884, 9885-
16 heard by me on April 4 19 90.

17 David R. Catanz, Examiner
Oil Conservation Division
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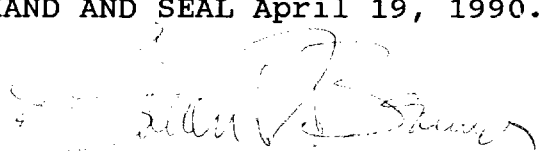
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, 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 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 19, 1990.


STEVEN T. BRENNER
CSR No. 106

My commission expires: October 14, 1990