

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:

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OIL CON. DIV.
DIST. 2

CASE NO. 12232
ORDER NO. R-11253

APPLICATION OF ELM RIDGE RESOURCES, INC. FOR ACREAGE
REDEDICATION, THE FORMATION OF TWO NON-STANDARD GAS SPACING
AND PRORATION UNITS, AND AN UNORTHODOX COAL GAS WELL
LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 2, 1999 at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 30th day of September, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Within the Basin-Fruitland Coal Gas Pool, the applicant, Elm Ridge Resources, Inc. ("Elm Ridge"), seeks to:

(i) rededicate acreage dedicated to its G. H. Callow Well No. 6 (API No. 30-045-20733), located at an unorthodox coal gas well location (approved by Division Administrative Order NSL-477-A, dated June 7, 1996) 2340 feet from the North line and 2420 feet from the East line (Unit G) of Section 28, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, from a standard stand-up 320-acre gas spacing and proration unit that comprises the E/2 of Section 28 to a standard lay-down 320-acre gas spacing and proration unit that comprises the N/2 of Section 28; and

(ii) rededicate acreage dedicated to its G. H. Callow Well No. 2 (API No. 30-045-07740), located at a standard coal gas well location 890 feet from the

North line and 1750 feet from the East line (Unit B) of Section 33, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, from a standard lay-down 320-acre gas spacing and proration unit that comprises the N/2 of Section 33 to a non-standard 320-acre gas spacing and proration unit that comprises the SE/4 of Section 28 and the NE/4 of Section 33.

(3) The applicant further seeks to establish a second non-standard 320-acre gas spacing and proration unit within the Basin-Fruitland Coal Gas Pool that comprises the SW/4 of Section 28 and the NW/4 of Section 33, to which the coal gas production from the existing G.H. Callow Well No. 7 (API No. 30-045-29520), located at an off-pattern unorthodox coal gas well location 850 feet from the North line and 1780 feet from the West line (Unit C), is to be dedicated.

(4) Pursuant to Division Order No. R-8768, issued in Case No. 9420, dated October 17, 1988 and made effective November 1, 1988, and Division Order No. R-8768-A, dated July 16, 1991, the Division adopted special pool rules for the Basin-Fruitland Coal Gas Pool, including provisions for 320-acre gas spacing and proration units and designated well locations.

(5) Under Division Order No. R-8768, as amended, each well completed or recompleted in the Basin-Fruitland Coal Gas Pool shall be located on a standard unit containing 320-acres, more or less, comprising any two contiguous quarter sections of a single governmental section.

(6) Under Division Order No. R-8768, as amended, the first well drilled or recompleted on every standard or non-standard unit in the Basin-Fruitland Coal Gas Pool shall be located in the NE/4 or SW/4 of a single governmental section and shall be located 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.

(7) The G.H. Callow Well No. 7 is currently shut-in.

(8) Elm Ridge presented testimony which indicates that Section 28 and the N/2 of Section 33 are all one federal lease (Lease No. NM468126) in which Elm Ridge is the leasehold operator.

(9) Engineering evidence presented by Elm Ridge indicates that the G.H. Callow Well No. 7 was drilled in early 1999 to test the Pictured Cliffs formation. The well was not productive in the Pictured Cliffs formation, but is capable of producing from the Basin-Fruitland Coal Gas Pool.

(10) Additional engineering evidence presented by Elm Ridge indicates that the G.H. Callow Well No. 2, G.H. Callow Well No. 6 and G.H. Callow Well No. 7 are each capable of draining an area of between 80 and 112 acres.

(11) Notification was given pursuant to Division Order No. R-8768, as amended, and no offset operator and/or interest owner appeared at the hearing in opposition to this application.

(12) Because the subject lands are within a single federal lease with common ownership in the Basin-Fruitland Coal Gas Pool, and because the engineering data presented indicated that wells in this area will not drain offsetting acreage, the following portions of the application will have no adverse effect upon any interest owner and should be approved:

(i) the reoriented 320-acre gas spacing and proration units for the G.H. Callow Well No. 6 and G.H. Callow Well No. 2,

(ii) the 320-acre non-standard gas spacing units for the G.H. Callow Well No. 2 and G.H. Callow Well No. 7, and

(iii) the off-pattern unorthodox coal gas location for the G.H. Callow Well No. 7, which was originally drilled as a Pictured Cliffs formation test.

(13) Approval of this application is in the best interest of conservation, will serve to prevent waste, will afford the applicant the continued opportunity to produce its just and equitable share of the production in the subject reservoir and will otherwise serve to prevent the drilling of unnecessary wells and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 320-acre gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising the SE/4 of Section 28 and the NE/4 of Section 33, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico is hereby approved. It is to be dedicated to Elm Ridge's G.H. Callow Well No. 2 (API No. 30-045-07740), located at a standard coal gas well location 890 feet from the North line and 1750 feet from the East line (Unit B) of Section 33.

(2) A non-standard 320-acre gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising the SW/4 of Section 28 and the NW/4 of Section 33 is hereby

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approved. It is to be dedicated to Elm Ridge's G.H. Callow Well No. 7 (API No. 30-045-29520), located at an off-pattern unorthodox coal gas well location 850 feet from the North line and 1780 feet from the West line (Unit C) of Section 33.

(3) The off-pattern unorthodox gas well location in the Basin-Fruitland Coal Gas Pool for the G.H. Callow Well No. 7 located 850 feet from the North line and 1780 feet from the West line in the NW/4 of Section 33 is hereby approved.

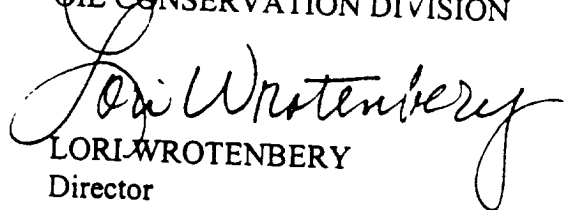
(4) The re-orientation of the spacing and proration unit for the G. H. Callow Well No. 6 (API No. 30-045-20733), located at an unorthodox coal gas well location (approved by Division Administrative Order NSL-477-A, dated June 7, 1996) 2340 feet from the North line and 2420 feet from the East line (Unit G) of Section 28, from a standard stand-up 320-acre gas spacing and proration unit that comprises the E/2 of Section 28 to a standard lay-down 320-acre gas spacing and proration unit that comprises the N/2 of Section 28 is hereby approved.

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(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERG
Director

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