

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. 11176
ORDER NO. R-10174-A

APPLICATION OF AMOCO PRODUCTION COMPANY TO AMEND DIVISION
ORDER NO. R-10174 TO INCLUDE PROVISIONS FOR AN UNORTHODOX
SURFACE GAS WELL LOCATION, SIMULTANEOUS DEDICATION, AND AN
EXCEPTION TO RULE 2(b) OF THE SPECIAL RULES GOVERNING THE
BLANCO-MESAVERDE POOL, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 16, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of July, 1995 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 in this matter, Amoco Production Company ("Amoco"), is the operator of a non-standard 327.11-acre gas spacing and proration unit ("GPU") in the Blanco-Mesaverde Pool comprising Lots 8, 9, 10, and 11 and the SE/4 (E/2 equivalent) of Section 6, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, which is currently simultaneously dedicated to the applicant's Florance "H" Well No. 37 (API No. 30-045-60189), located at a standard gas well location 1650 feet from the North line and 990 feet from the East line (Lot 11/Unit H) of said Section 6, and to its Florance "H" Well No. 37A (API No. 30-045-22274), located at a standard

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gas well location 1780 feet from the South line and 1495 feet from the East line (Unit J) of said Section.

(3) Said proration unit is located within the boundaries of the Blanco-Mesaverde Pool and is therefore subject to the Special Rules and Regulations for said pool and the General Rules for the Prorated Gas Pools of New Mexico, both contained within Division Order No. R-8170, as amended, which provides for standard 320-acre gas spacing and proration units ("GPU"), requires that the initial well drilled on a GPU be located no closer than 790 feet from the outer boundary of the quarter section on which the well is located and not closer than 130 feet from any quarter-quarter section line or subdivision inner boundary and that "the infill well" drilled on a GPU be located in the quarter section of the GPU, not containing a Mesaverde well and will be located with respect to the same set-back requirements as the initial well. Said special pool/proration rules are silent with regards as to a third well on an existing GPU and how such a well would be incorporated into the "prorating scheme", ie. deliverability testing and assignment and production of an allowable for the GPU.

(4) Division Order No. R-10174, issued in Case 11054 and dated August 25, 1994, authorized Amoco to locate its Florance "H" Well No. 37-R at a standard surface gas well location in the SE/4 of said Section 6, drill vertically to a depth of approximately 4650 feet, kick-off in a northerly direction with a medium radius curve hole, build to an angle of approximately 90 degrees and continue drilling horizontally in the Mesaverde formation a lateral distance of approximately 1600 feet. Said Order No. R-10174 also contained provisions whereby no portion of the horizontal displacement of said well's producing interval be no closer than 790 feet from the outer boundary of the subject GPU and that the operator of the subject GPU be permitted to include production from said Florance "H" Well No. 37, thereby permitting the simultaneous dedication of all three wells, (the Florance "H" Well Nos. 37, 37A, and 37-R), to the subject 327.11-acre GPU, provided however, the operator of the subject GPU abide by all applicable Special Rules and Regulations for the Blanco-Mesaverde Pool and the General Rules for the Prorated Gas Pools of New Mexico, both contained within Division Order No. R-8170, as amended, and to any related Division policies covering such simultaneous dedication.

(5) At this time the applicant seeks to amend said Order No. R-10174 to change the proposed surface location of its Florance "H" Well No. 37-R to an unorthodox surface gas well location 465 feet from the South line and 1660 feet from the East line (Unit O) of said Section 6, it is the applicant's intent to only change the surface location of this well and still meet the set-back requirements established in the previous order as to the horizontal lateral and producing portions of the wellbore. The applicant further seeks an exception to Rule 2(b) of said Special Rules and Regulations for the Blanco-Mesaverde Pool and the General Rules for the Prorated Gas Pools of New Mexico allowing for a third well to be drilled and completed on said 327.11-acre GPU and for the gas production from all three of the subject wells to be simultaneously dedicated thereon.

(6) According to the record in this matter following the entry of Division Order No. R-10174 in Case 11054, Amoco was required to move the surface location of its proposed Florance "H" Well No. 37-R due to "topographical conditions" and the presence of pipelines in the area that Amoco evidently was not aware existed. New notice was provided to affected operators and, as a result of this notification, Conoco, Inc. ("Conoco"), a working interest owner in the E/2 equivalent of said Section 6 submitted an objection to the issuance of said Order No. R-10174 and to its proposed amendment. Conoco stated in their "Pre-Hearing Statement" to the Division that:

(a) Amoco had obtained Division Order No. R-10174 in Case 11054, which did not conform to the existing well spacing pattern for the Blanco-Mesaverde Pool, which essentially limits that pattern to one well on each of the two 160 acres, more or less, within a single 320-acre, more or less, spacing and proration unit;

(b) Amoco in obtaining approval to drill the third well, its Florance "H" Well No. 37-R, failed to adequately notify Conoco therefore jeopardizing its correlative rights; and,

(c) Conoco contends that without full and complete disclosure to the Division of relevant information and without obtaining the consent of Conoco, Amoco has allowed the authorization of an unnecessary and unsubstantiated third well to be drilled without first obtaining a special exception to the existing Special Pool Rules.

(7) Case 11054 was filed by Amoco as an, "Application for a High Angle/Horizontal Directional Drilling Pilot Project and Special Operating Rules Therefor". The third well exception issue was requested by Amoco at the hearing in said original Case 11054, said request was then considered at that time and incorporated in the order without first re-advertising for such exception.

(8) Conoco's objection to said Order No. R-10174 having merit and to adequately address its concerns and to amend the surface location of the Florance "H" Well No. 37-R, the Division placed this matter on an Examiner's Hearing Docket and advertised it accordingly.

(9) No offset operator, interest owner, and/or interested party appeared at the hearing in opposition to the proposed amendments to said Order No. R-10174.

(10) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Blanco-Mesaverde Pool, will serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company to amend Division Order No. R-10174, issued in Case 11054 and dated August 25, 1994, is hereby approved.

(2) Decretory Paragraph No. (2) of said Order No. R-10174, being one in the same is hereby amended to read in its entirety as follows:

" (2) Amoco shall be permitted to drill its Florance "H" Well No. 37-R, as a replacement well for the existing Florance "H" Well No. 37 (API No. 30-045-60189), located at a standard gas well location 1650 feet from the North line and 990 feet from the East line (Lot 11/Unit H) of said Section 6, from a standard surface gas well location in the SE/4 an unorthodox surface gas well location 465 feet from the South line and 1660 feet from the East line (Unit O) of said Section 6 and in the following unconventional manner:

Drill vertically to a depth of approximately 4650 feet, set a long string of 5 1/2-inch casing, kick-off from underneath the casing shoe in a northerly direction with a medium radius curve hole, build to an angle of approximately 90 degrees so as to encounter the Blanco-Mesaverde Pool and continue drilling horizontally a distance of approximately 1600 feet.

PROVIDED HOWEVER THAT, no portion of the horizontal displacement of said well's producing interval be closer than 790 feet from the outer boundary of the subject proration unit."

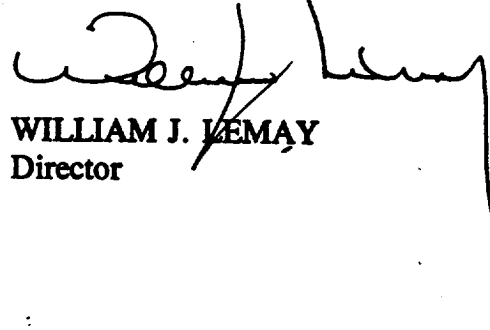
(3) All other provisions of said Order No. R-10174 shall remain in full force and effect until further notice.

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(4) Jurisdiction of this cause is retained for the entry of such further orders as 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

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive, with a long vertical line extending downwards from the end of the name.

WILLIAM J. LEMAY
Director

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