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October 14, 1994

HAND DELIVERED

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87504

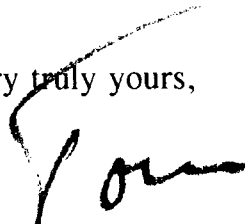
Re: Johnson POW Well No. 1  
Application of Meridian Oil Inc.  
for Approval of an Unorthodox  
Coal-Gas Well Location,  
San Juan County, New Mexico

Dear Mr. Stogner:

On behalf of Meridian Oil Inc., please find enclosed our proposed order for your consideration in this matter.

I have enclosed a copy of this draft order on the enclosed 3.5 diskette which is formatted to wordperfect 5.1

Very truly yours,



W. Thomas Kellahin

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SANTA FE, NM 87504

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. 11047  
ORDER NO. R-\_\_\_\_\_

APPLICATION OF MERIDIAN OIL INC.  
FOR AN UNORTHODOX COAL GAS WELL  
LOCATION, SAN JUAN COUNTY, NEW  
MEXICO.

**MERIDIAN OIL INC.'S**  
**PROPOSED**  
**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on August 4, 1994 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of October, 1994, 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.

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(2) The applicant, Meridian Oil Inc. ("Meridian"), seeks approval of an unorthodox coal-gas well location for its Johnson POW #1 Well to be drilled at an unorthodox coal-gas location 240 feet FSL and 340 feet FEL (Unit P) Section 21, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico in the Basin-Fruitland Coal Gas Pool and to be dedicated to a standard 320 acre coal-gas proration and spacing unit consisting of the E/2 of said Section 21.

(3) Meridian is the operator of the coal-gas wells in Sections 21, 22, 27 and 28 of T27N, R10W, N.M.P.M, San Juan County, New Mexico, which is to be the "Johnson-Fruitland Coal Gas Reservoir Study Project ("Project") to be conducted within an area referred to as the "Project Area" consisting of all of said Sections 21, 22, 27 and 28.

(4) The Basin-Fruitland Coal Gas Pool was created by Order R-8768 dated October 17, 1988 and was initially spaced on 320 acre spacing (Rule 4) with standard coal gas well locations to be not closer than 790 feet to any outer boundary of the spacing 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 (Rule 7).

(5) Division Order R-8768-A issued July 16, 1991 found among other things that "traditional engineering methods such as decline curve analysis, volumetric calculations and material balance which are usually utilized to determine drainage areas are inapplicable to the Basin-Fruitland Coal Gas Pool due to the unique producing characteristics of the coal seams."

(6) The Project is to be a reservoir study within a portion of the Basin-Fruitland Coal Gas Pool to obtain reservoir characterization data, to define Fruitland Coal-Gas Pool production characteristics, and to

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allow Meridian Oil Inc. an opportunity to refine it's Fruitland Coal-Gas reservoir simulation model.

(7) The unorthodox coal-gas well location for the Johnson POW #1 Well is needed in order to place the Johnson POW #1 Well at the approximate center of a group of 8 coal-gas wells all within the Project Area.

(8) An interference test will be conducted in the basal and upper coal zones within the Project Area by shutting-in the 8 coal gas wells and all of the Pictured Cliffs wells and producing the Johnson POW #1 Well with the nearest four coal-gas wells used as pressure observation wells. Upon completion of the Pilot Project, the Johnson POW #1 Well will be used as a pressure observation well and the other wells returned to production.

(9) The proposed well would be at unorthodox location because it is 240 feet from the south side and 340 feet from the east side of Section 21 rather than the required 790 feet and would require an exception to Rule 7 of the subject pool.

(10) The closest standard location would place the subject Johnson POW #1 Well too far to the north and west and may adversely affect the ability to obtain accurate pressure interference data.

(11) In order to avoid the impairment of correlative rights, Meridian Oil Inc. has designated a Project Area which consists entirely of federal oil & gas leases; will obtain the consent of all the Fruitland Coal-Gas working interest owners in the Project Area; and commits to pay each burden (royalty and overriding royalty) owner in each of the eight 320-acre coal gas spacing units in the Project Area as if the

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Johnson POW #1 Well was located in that spacing unit with each such burden owner therefore being paid their proportionate share of the revenue derived solely from sale proceeds of the Johnson POW #1 Well's production.

(12) Approval of the application will afford the applicant and all working interest owners in the Project Area the opportunity to produce to gather uninterpreted reservoir data concerning this pool, to obtain uninterpreted reservoir characterization data, to define Fruitland Coal-Gas Pool production characteristics, and to allow Meridian Oil Inc. an opportunity to refine it's Fruitland Coal-Gas reservoir simulation model.

(13) Amoco Production Company entered its appearance but did not raise any objection to the granting of this application.

(14) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(15) The application should be approved.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Meridian Oil Inc., is hereby authorized to drill its Johnson POW #1 Well at an unorthodox coal-gas location 240 feet FSL and 340 feet FEL (Unit P) Section 21, Township 27 North, Range 10 West, NMPM, for production from the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(2) The E/2 of said Section 21, being a standard 320-acre coal-gas spacing unit for said pool, shall be dedicated to said well.

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(3) Jurisdiction is hereby 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

WILLIAM J. LEMAY  
Director

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