

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. 11116
ORDER NO. R-10252*

**APPLICATION OF SOUTHLAND ROYALTY COMPANY FOR COMPULSORY
POOLING, UNORTHODOX COAL GAS WELL LOCATION, AND A NON-STANDARD
GAS PRORATION UNIT, 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 13, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 21st day of November, 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.

(2) The applicant, Southland Royalty Company (Southland), originally sought an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying all of Irregular Section 10, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico, forming a non-standard 355.60-acre, more or less, gas spacing and proration unit for said pool. Said unit is to be dedicated to a well to be drilled at an unorthodox coal gas well location 1905 feet from the South line and 1210 feet from the East line (Lot No. 2/Unit J) of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well.

(3) At the time of the hearing Southland requested that the compulsory pooling portion of the application be dismissed because the parties involved have signed an operating agreement. This leaves only the non-standard unit and the unorthodox location to be considered.

(4) The proposed well is the Maddox Com Well No. 100.

(5) Pool rules for the Basin-Fruitland Coal Gas Pool are included in Division Order No. R-8768. The rules provide for standard gas proration units of 320-acres and authorize the Supervisor of the Aztec district office to approve non-standard units without notice and hearing when the unorthodox size or shape is due to a survey variation and is not less than 75% nor more than 125% of a standard gas proration unit. The requested non-standard unit qualifies for such approval and should therefore be authorized.

(6) Pool rules also require that wells 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, nor closer than 130 feet to any quarter section line, nor closer than 10 feet to any quarter-quarter section line. The proposed well is standard as to distances but because of survey classification procedures, the irregular section is considered to be made up of a SE/4 and a SW/4 section. The section is a short (approximately one-half) section; its northern boundary corresponds with the New Mexico/Colorado state line.

(7) Southland presented geological and engineering evidence to show that the proposed location is superior to the standard locations available in the SW/4 of Section 10. The evidence included an isopach map, a mud weight density map to show overpressured Fruitland Coal areas, a daily production rate contour map, and a cross-section.

(8) Data submitted by the applicant indicates there are 355.6 acres in Section 10. Division files and available survey data shows 335.6 acres. Unless Southland submits certified survey information showing that 335.6 acres is incorrect, the Division will continue to use 335.6 acres as the correct acreage.

(9) The evidence presented indicates that a well at the proposed location will allow the applicant access to the reserves underlying Section 10 and that the application should be approved.

(10) No interest owner or offset operator appeared at the hearing in opposition to the application.

IT IS THEREFORE ORDERED THAT:

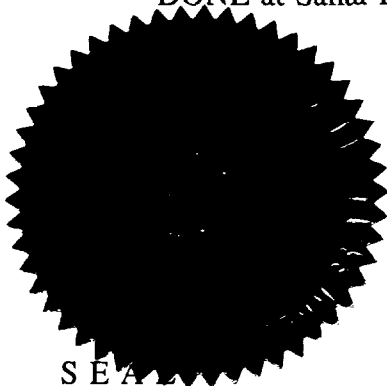
(1) The application of Southland Royalty Company to drill its Maddox Com Well No. 100 at an unorthodox Basin-Fruitland Coal (Gas) pool location 1905 feet from the South line and 1210 feet from the East line (Lot No. 2/Unit J) of Section 10, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico is hereby approved.

(2) All of said Section 10 shall be dedicated to the Maddox Com Well No. 100 to form a non-standard 335.6-acre gas spacing and proration unit for said pool. Said non-standard spacing and proration unit is hereby approved.

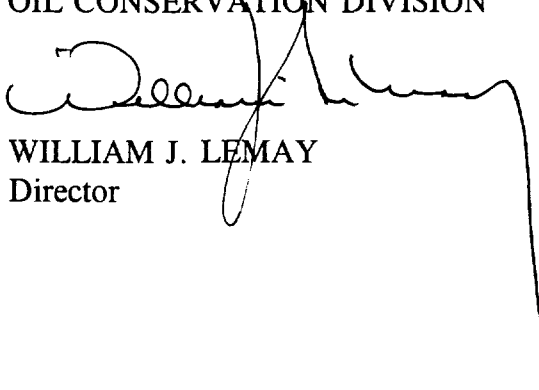
(3) The compulsory pooling portion of this case is hereby dismissed.

(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


WILLIAM J. LEMAY
Director