

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. 11565
Order No. R-10638

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 5th day of August, 1996, 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, Meridian Oil, Inc. ("Meridian"), seeks authorization for an "off-pattern" unorthodox coal gas well location in the Basin-Fruitland Coal (Gas) Pool for its San Juan "29-7" Unit Well No. 505-R to be drilled 1850 feet from the South line and 940 feet from the East line (Unit I) of Section 5, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

(3) Meridian is the operator of the San Juan "29-7" Unit Well No. 505 (API No. 30-039-24325), located at a standard coal gas well location 1050 feet from the North line and 1690 feet from the East line (Lot 6/Unit B) of said Section 5, which is currently dedicated to Lots 5 and 6, the S/2 NE/4, and SE/4 (E/2 equivalent) of said Section 5 thereby forming a standard 315.94-acre gas spacing and proration unit for said pool. Said Well No. 505 was drilled in 1988 and completed within the Basin-Fruitland Coal (Gas)

Pool through perforations in the 7-inch production casing string from approximately 2,793 feet to 2,906 feet.

(4) The subject unit is located within the Basin Fruitland Coal (Gas) Pool, which is governed by special rules and regulations as promulgated by Division Order No. R-8768, as amended, which require standard 320-acre gas spacing and proration units with wells to be located within either the NE/4 or SW/4 of the section and not closer than 790 feet from any outer boundary of the spacing unit nor closer than 130 feet from any quarter section line nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary. Further, since the Basin-Fruitland Coal (Gas) Pool is a "non-prorated" gas pool, Division General Rule 104.D(3) applies, which limits gas spacing units to only one producing well therein.

(5) In support of its request to drill the proposed San Juan "29-7" Unit Well No. 505-R, the applicant presented geologic and petroleum engineering evidence and testimony which demonstrates that:

(a) an off-pattern well location in the SE/4 of this section is requested in order to be in closer proximity to the fracture trend in the coal-gas formation in this area;

(b) the contouring of the coal-gas daily gas production rates for coal-gas wells in the immediate vicinity indicate a fracture trend oriented northeast to southwest across adjoining Section 4, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico and including the southeastern quarter of said Section 5;

(c) the original well in this spacing unit, the above-described San Juan "29-7" Unit Well 505, located at a standard coal gas well location within the NE/4 equivalent of said Section 5, is a poor producer and appears to be within a low permeability area;

(d) the proposed unorthodox location for the replacement well will serve to afford the applicant an opportunity to be in closer proximity to a fracture trend which is indicative of higher permeability and therefore potentially better production from this 315.94-acre gas spacing unit;

(e) the proposed San Juan "29-7" Unit Well No. 505-R is to be completed in an open-hole fashion with gas production flowing into the wellbore through a pre-perforated free hanging 5-1/2 inch liner;

(f) the sections offsetting said Section 5 have nearly been fully developed in the Basin-Fruitland Coal (Gas) Pool, therefore, approval of the proposed off-pattern well location will not serve to disrupt the normal spacing pattern within the Basin-Fruitland Coal (Gas) Pool in the immediate area.

(6) At such time as the proposed San Juan "29-7" Unit Well No. 505-R is completed and capable of coal gas production the original San Juan "29-7" Unit Well No. 505 is to be rendered incapable of producing from the Basin-Fruitland Coal (Gas) Pool.

(7) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, better enable the applicant to produce the gas underlying the subject 315.94-acre gas spacing and proration unit, prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil, Inc. ("Meridian") for an "off-pattern" unorthodox coal gas well location in the Basin-Fruitland Coal (Gas) Pool for its proposed San Juan "29-7" Unit Well No. 505-R to be drilled 1850 feet from the South line and 940 feet from the East line (Unit I) of Section 5, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico, is hereby approved.

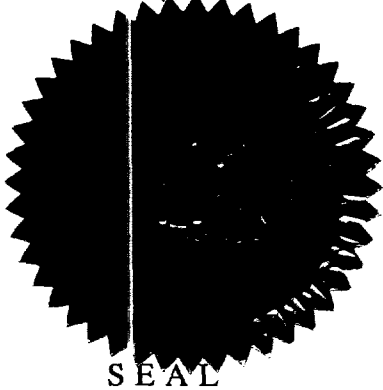
(2) The existing 315.94-acre gas spacing and proration unit comprising Lots 5 and 6, the S/2 NE/4, and SE/4 (E/2 equivalent) of said Section 5 is to be dedicated to said well.

PROVIDED HOWEVER THAT:

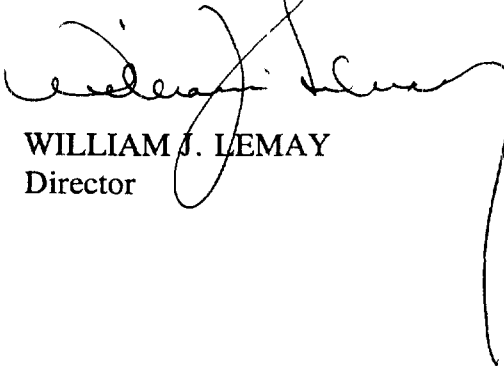
(3) At such time as the above-described San Juan "29-7" Unit Well No. 505-R is completed and capable of coal gas production the original San Juan "29-7" Unit Well No. 505 (API No. 30-039-24325), located at a standard coal gas well location 1050 feet from the North line and 1690 feet from the East line (Lot 6/Unit B) of said Section 5, is to be rendered incapable of producing from the Basin-Fruitland Coal (Gas) Pool.

(4) 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