

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. 9499

Order No. R-8776

THE APPLICATION OF MERIDIAN OIL,
INC. FOR A HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT AND SPECIAL
OPERATING RULES THEREFOR, 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 12, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of October, 1988, 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) Division Case Nos. 9499 and 9498 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Meridian Oil, Inc. seeks authority to initiate a horizontal directional drilling pilot project in Lots 11, 12, 13, and 14 of irregular Section 11, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 154.74-acre gas spacing and proration unit in the Undesignated North Aztec-Fruitland Pool.

(4) The applicant proposes to drill its Sunray "H" Well No. 201 at an unorthodox surface location 660 feet from the South line and 270 feet from the West line (Unit M) of said Section 11 vertically from the surface through the Fruitland formation at a depth of approximately 3252 feet.

(5) The applicant further proposes to plug back to a depth of approximately 2683 feet, kick off from the vertical at this depth, and drill a medium radius curve in a northeasterly direction to an angle of approximately 89 degrees to a depth sufficient to encounter the top of the Fruitland Coal at which point the wellbore will be drilled an approximate lateral distance of 1554 feet within said formation.

(6) Inasmuch as the direction of the lateral portion of the wellbore is not known at this time, the applicant requested that they be allowed to drill said lateral portion anywhere within an area bounded by the following coordinates:

1177 feet from the South line and 790 feet from the West line to
1823 feet from the South line and 1439 feet from the West line to
1823 feet from the South line and 1839 feet from the West line to
1423 feet from the South line and 1839 feet from the West line to
912 feet from the South line and 790 feet from the West line and back to
1177 feet from the South line and 790 feet from the West line.

(7) Meridian Oil, Inc. is the owner and operator of all affected offset acreage, which should ensure the protection of correlative rights.

(8) The applicant further testified that this type of well completion, which has been successfully attempted in the applicant's San Juan 30-6 Unit Well No. 404, should result in the recovery of a substantially greater amount of gas from the Fruitland Coal than would normally be recovered by a conventional well completion, thereby preventing waste.

(9) In the interest of conservation, prevention of waste, and protection of correlative rights, the application of Meridian Oil, Inc. for a horizontal directional drilling pilot project should be approved, subject to the provisions contained in Finding Paragraph Nos. (10) through (13) below.

(10) The applicant should be required to conduct a directional survey on the well during or upon completion of the drilling of the vertical portion of the wellbore and should submit a copy of said survey to the Santa Fe and Aztec offices of the Division prior to initiating any directional drilling.

(11) Prior to kick-off from vertical, the applicant should notify the supervisor of the Aztec district office of

the Division of the direction of the deviated hole and of the date and time of commencement of directional drilling operations in order that the same may be witnessed.

(12) The proposed direction and extent of the lateral portion of the wellbore should be confined to the area described in detail in Finding No. (6) above.

(13) The applicant should be required to conduct a directional survey on the lateral portion of the wellbore during or after completion of drilling operations on the well and submit a copy to the Santa Fe and Aztec offices of the Division.

(14) Subsequent to the hearing, the Division, by Order No. R-8768, has promulgated special rules and regulations for the Basin Fruitland Coal Gas Pool, which encompasses said Section 11, including a provision for 320-acre spacing and proration units.

(15) Under the terms of said Order No. R-8768, the applicant should be allowed to administratively enlarge the project area for the subject well in order to form a standard spacing and proration unit in the Basin Fruitland Coal Gas Pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil, Inc. for a horizontal directional drilling pilot project in Lots 11, 12, 13, and 14 of irregular Section 11, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) The applicant is further authorized to drill its Sunray "H" Well No. 201 vertically at an unorthodox gas well surface location 660 feet from the South line and 270 feet from the West line (Unit M) of said Section 11 vertically from the surface through the Fruitland formation at a depth of approximately 3252, and to complete said well in the following unconventional manner:

Plug back said well to a depth of approximately 2683 feet, kick off from the vertical at this depth, and drill a medium radius curve in a northeasterly direction to a angle of approximately 89 degrees to a depth sufficient to encounter the top of the Fruitland Coal at which point the wellbore will be drilled an a approximate lateral distance of 1554 feet within said formation.

(3) Lots 11, 12, 13, and 14 of said irregular Section 11 shall be dedicated to the above described well forming a 154.74-acre spacing and proration unit.

(4) The applicant shall be required to conduct a directional survey on the well during or upon completion of the drilling of the vertical portion of the wellbore and shall submit a copy of said survey to the Santa Fe and Aztec offices of the Division prior to initiating any directional drilling.

(5) Prior to kick-off from vertical, the applicant shall notify the supervisor of the Aztec district office of the Division of the direction of the deviated hole and of the date and time of commencement of directional drilling operations in order that the same may be witnessed.

(6) The proposed direction and extent of the lateral portion of the wellbore shall be confined to an area bounded by the following coordinates in said Section 11:

1177 feet from the South line and 790 feet from the West line to
1823 feet from the South line and 1439 feet from the West line to
1823 feet from the South line and 1839 feet from the West line to
1423 feet from the South line and 1839 feet from the West line to
912 feet from the South line and 790 feet from the West line and back to
1177 feet from the South line and 790 feet from the West line.

(7) The applicant shall be required to conduct a directional survey on the lateral portion of the wellbore during or after completion of drilling operations on the well and submit a copy of said survey to the Santa Fe and Aztec offices of the Division.

(8) Under the terms of said Order No. R-8768, the applicant shall be allowed to administratively enlarge the project area for the subject well in order to form a 320-acre standard spacing and proration unit in the Basin Fruitland Coal Gas Pool.

(9) 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

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