

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. 9680
Order No. R-8958

APPLICATION OF MERIDIAN OIL, INC.
FOR AN UNORTHODOX COAL GAS WELL
LOCATION AND AN EXCEPTION TO
GENERAL RULE 104.C.II (SIMULTANEOUS
DEDICATION) RIO ARRIBA COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 24, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of June, 1989, 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., seeks approval of an unorthodox coal gas well location for its San Juan 30-6 Unit Well No. 406R to be drilled 2560 feet from the North line and 2610 feet from the West line (Unit F) of Section 15, Township 30 North, Range 7 West, NMPM, Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.

(3) The applicant further seeks an exception to General Rule 104.C.II by allowing the simultaneous dedication of a standard 320-acre gas spacing and proration unit consisting of the W/2 of said Section 15 to the above described well and to the existing San Juan 30-6 Unit Well No. 402 located at a standard coal gas well location 1455 feet from the South and West lines (Unit K) of said Section 15.

(4) There currently exists one additional Basin-Fruitland Coal Gas Well in the W/2 of said Section 15, the San Juan 30-6 Unit Well No. 406 located at a previously approved unorthodox coal gas well location 2105 feet from the North line and 2390 feet from the West line (Unit F) of said Section 15.

(5) Testimony indicates that the applicant intends to plug and abandon the San Juan 30-6 Unit Well No. 406 (as described above) due to mechanical problems and possible formation damage which has sharply reduced the producing capability of said well.

(6) At the time of the hearing, the applicant testified that due to similar mechanical problems and possible formation damage, it did not intend to continue producing the San Juan 30-6 Unit Well No. 402, but rather planned to utilize said well solely as a pressure observation well at such time as commercial production is established in the proposed well.

(7) The portion of this case requesting the simultaneous dedication of the W/2 of said Section 15 to the proposed well and to the existing San Juan 30-6 Unit Well No. 402 should be dismissed.

(8) Evidence indicates that the applicant seeks to locate the proposed well as near as practicable to the San Juan 30-6 Unit Well No. 406 due to the high production rates initially encountered in said well.

(9) The applicant further presented evidence and testimony which indicates that the proposed unorthodox location is necessitated by severe topographical conditions and Bureau of Land Management restrictions.

(10) All of said Section 15 is located within the applicant's San Juan 30-6 Unit and all of said Section 15 is also located within the Fruitland participating area within said unit, and as such, the proposed location will not violate correlative rights.

(11) No offset operator objected to the proposed unorthodox location.

(12) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will 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 will otherwise prevent waste and protect correlative rights.

(13) At its present proposed surface location, the subject well is located 30 feet from the eastern boundary of the proposed proration unit.

(14) Due to the well location's close proximity to the outer boundary of the proration unit and natural wellbore drift, the possibility exists that the bottomhole location may actually be located in the E/2 of said Section 15.

(15) Upon completion of drilling operations, the applicant should be required to determine the subject well's bottomhole location by conducting a multishot directional survey from the surface to total depth.

(16) Subsequent to conducting said directional survey, should it be determined that the subject well's bottomhole location is located in the E/2 of said Section 15, the applicant should be required to obtain any further applicable Division approvals.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to drill its San Juan 30-6 Unit Well No. 406R at an unorthodox coal gas well location 2560 feet from the North line and 2610 feet from the West line (Unit F) of

Section 15, Township 30 North, Range 7 West, NMPM,
Basin-Fruitland Coal Gas Pool, Rio Arriba County, New
Mexico.

(2) The W/2 of said Section 15 shall be dedicated to
the above-described well forming a standard 320-acre gas
spacing and proration unit for said pool.

(3) Upon completion of drilling operations, the
applicant shall conduct a multishot directional survey from
the surface to total depth in order to determine the
subsurface well location.

(4) The applicant shall notify the supervisor of the
Aztec district office of the Division of the date and time
of conducting said directional survey in order that said
operation may be witnessed.

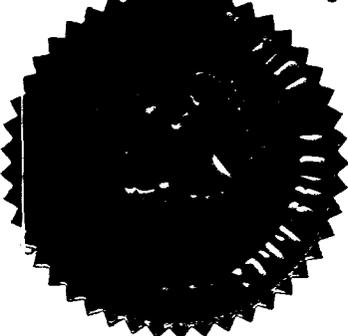
(5) Upon completion of conducting said directional
survey, the applicant shall submit copies of said survey to
the Santa Fe and Aztec offices of the Division.

(6) Should it be determined from said directional
survey that the subject well's bottomhole location is
located in the E/2 of said Section 15, the applicant shall
be required to obtain any subsequent applicable Division
approvals.

(7) The portion of this case requesting the
simultaneous dedication of the W/2 of said Section 15 to the
proposed well and to the existing San Juan 30-6 Unit Well
No. 402 is hereby dismissed.

(8) 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
hereinafter designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
William J. Lemay
WILLIAM J. LEMAY, Director