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OIL CONSERVATION DIVISION
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Douglas A. Echols
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Tommy Roberts
Haskell D. Rosebrough
Robin D. Strother
Karen L. Townsend

Case 10833

Mailing Address:
P. O. Box 1020
Farmington, N.M. 87499

August 31, 1993

State of New Mexico
Energy, Minerals and Natural
Resources Department
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501-2088

Attn: William J. Lemay, Director

Re: Application of Giant Exploration & Production Company for Authority to Drill Infill Well and for Unorthodox Coal Gas Well Location
Frank Foster No. 2 Well
San Juan County, New Mexico

Gentlemen:

By letter dated August 20, 1993, a request was made on behalf of Giant Exploration & Production Company that the above-referenced application be placed on the September 23, 1993 Examiner Hearing docket.

The purpose of this letter is to request that the hearing on this application be continued to the October 7, 1993 Examiner Hearing docket.

Please advise should you require any additional information.

Sincerely,

Tommy Roberts
Tommy Roberts, Attorney for
Giant Exploration & Production Company

TR:mkc

cc: Supervisor, District III Office
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Charles Orin Foster, Vice President
Giant Exploration & Production Company
P.O. Box 2810
Farmington, New Mexico 87499

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SEP 30 1993 8 41

Mailing Address:
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September 30, 1993

State of New Mexico
Energy, Minerals and Natural
Resources Department
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501-2088

Attn: William J. Lemay, Director

Re: Application of Giant Exploration & Production Company for an Unorthodox Infill Coal
Gas Well Location, San Juan County, New Mexico
Case No. 10833

Dear Mr. Lemay:

Enclosed please find Applicant's Pre-hearing Statement in the above-referenced matter.

Sincerely,



Tommy Roberts

TR:mkc
Encl.

cc: Charles O. Foster, Landman
Giant Exploration & Production Company
P.O. Box 2810
Farmington, New Mexico 87499

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. 10833

APPLICATION OF GIANT EXPLORATION
& PRODUCTION COMPANY FOR AN
UNORTHODOX INFILL COAL GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This prehearing statement is submitted by Giant Exploration & Production Company
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Giant Exploration & Production Co.

Tommy Roberts

P.O. Box 2810

P.O. Box 1020

Farmington, New Mexico 87499

Farmington, New Mexico 87499

Attn: Charles O. Foster

505/325-1801

505/326-3325

OPPOSITION OR OTHER PARTY

ATTORNEY

Unknown

Unknown

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with the application and the reasons therefore.)

During September, 1992, Applicant drilled its Frank Foster No. 2 Well at what it thought to be a standard coal gas well location in the NE/4 of Section 32, Township 25 North, Range 12 West, N.M.P.M., San Juan County, New Mexico. Completion operations on the well, which were initiated in November, 1992, were suspended in February, 1993 when it was discovered that the physical location of the well was actually in the SE/4 of Section 29, Township 25 North, Range 12 West, N.M.P.M., San Juan County, New Mexico. The well is currently shut-in, waiting on the resumption of completion operations.

Subsequent to the drilling of the Frank Foster No. 2 Well, but prior to the discovery that it was located in Section 29 instead of Section 32, Applicant drilled and completed its Bisti Coal 29 Com No. 1 Well at a standard coal gas well location in the NE/4 of Section 29. The E/2 of Section 29 was established as the spacing and proration unit for the Bisti Coal 29 Com No. 1 Well. The Bisti Coal 29 Com No. 1 Well is connected to a pipeline and is currently producing.

In addition, Applicant has previously drilled and completed its Bisti Coal 29 Com No. 2 Well at a standard coal gas well location in the SW/4 of Section 29. The W/2 of Section 29 was dedicated to this well.

Applicant owns a leasehold operating rights interest in the NE/4 of Section 29, but does not own such an interest in the SE/4 of Section 29. It has now proposed the drilling of its Frank Foster No. 2 Well pursuant to the terms of an existing Operating Agreement covering the E/2 of Section 29 under which it has been designated as the Operator by all owners of leasehold operating rights.

As a result of the foregoing, two wells have been drilled in the E/2 of Section 29 whose objective is the Basin-Fruitland Coal (Gas) formation. Consequently, Applicant seeks an exception to the requirements of the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool to allow the drilling of its Frank Foster No. 2 Well as an infill well in the E/2 of Section 29, Township 25 North, Range 12 West, N.M.P.M., San Juan County, New Mexico. Applicant believes that this application is supported by available geologic and engineering data and that the granting of this application will result in the prevention of

economic waste and will be in the best interests of conservation.

As an additional matter, Applicant is uncertain as to whether the Frank Foster No. 2 Well will be deemed to have been drilled at a standard coal gas well location. It is Applicant's belief that, under these circumstances, the Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool do not provide clear guidance. Consequently, in the event it is determined that the Frank Foster No. 2 Well has been drilled as a non-standard coal gas well location, then Applicant requests approval for that location.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

NOT APPLICABLE

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Alan P. Emmendorfer - Petroleum Geologist	30 min.	- Location Plat - Depositional Model - Cross-Section - Fruitland Coal Geology Maps
Charles O. Foster - Petroleum Landman	10 min.	- Lease Ownership and Well Operator Plat - Proof of Notice

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

NOT APPLICABLE

PROCEDURAL MATTERS
(Please identify any procedural matters which
need to be resolved prior to the hearing)

NONE



TOMMY ROBERTS, Attorney for
Giant Exploration & Production Company

DATED: September 30, 1993



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 29, 1993

TANSEY, ROSEBROUGH, GERDING
& STORTHER
Attorneys at Law
P. O. Box 1020
Farmington, New Mexico 87499

RE: CASE NO. 10833
ORDER NO. R-10005

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Martinez
Sally Martinez
Administrative Secretary

cc: Aztec OCD Office
BLM Farmington Office
Tom Kellahin
William Carr



Amoco Production Company

Southern Rockies Business Unit
Amoco Building
1670 Broadway
Post Office Box 800
Denver, Colorado 80201
303-830-4040

October 4, 1993

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

*CASE FILE
10833
JWC*

File: CAW-267-986.511

NMOCD Case 10833
Application of Giant Exploration and Production
Company for Unorthodox Infill Coal Gas Well
Basin Fruitland Coal Gas Pool
San Juan County, New Mexico

Amoco Production Company hereby requests to be made a party of record in the above captioned case set for hearing on the NMOCD October 7, 1993 docket. Due to the potentially precedent setting nature of this case and as an operator in the Basin Fruitland Coal Gas Pool, Amoco may potentially be affected by the outcome of this hearing.

Amoco participated on the Fruitland Coalbed Methane Committee and assisted in the evaluation and recommendation of Special Pool Rules for the Basin Fruitland Coal Gas Pool in Order R-8768-A. We support the committee studies and the findings in Order R-8768-A which provide the applicable methodology and reservoir parameters which are necessary to properly evaluate the drainage characteristics in coal seam reservoirs. We encourage the NMOCD to require that these methods are utilized to evaluate and justify the need for infill drilling in this case and any future application of this nature.

Sincerely,

J. W. Hawkins
(SKB)

J. W. Hawkins

JWH:skb

AMOCO RECOMMENDATION:

- **Amend the General Rules for Prorated Gas Pools (Order R-8170-H) and Rules of Procedure for Northwest New Mexico (Order R-333-I) by revising the average monthly production volume required for exemption from deliverability testing to the pools current (April-September) monthly allocate factor, F1, times the GPU Acreage Factor, A.**
- **Adopt this new procedure for the 1994 testing period.**

**BACKGROUND ON EXEMPTION FROM
DELIVERABILITY TESTING RULES**

- April, 1953 - Order R-333, Gas Well Testing Rules and Procedures for San Juan Basin Area, provides for annual deliverability testing.
- March, 1973 - Order R-333-F-1 provides for biennial deliverability testing and first criteria for exemptions from deliverability tests at 12,000 MCF/year for Pictured Cliffs and 24,000 MCF/year for deeper formations.
- October, 1989 - Order R-333-F-2A provides revised criteria for exemptions from deliverability tests for wells with at least 3 months production history and failed to produce an average of 1,000 MCF/month for Pictured Cliffs and 2,000 MCF/month for deeper formations during month produced within the preceding 12-month period. Also provides exemption criteria for gas wells on multiple well proration units.
- November, 1983 - Order R-1670X and R-333-F-2-B reclassified all Pictured Cliffs wells producing 250/month as non-marginal and provided revised criteria for exemptions from deliverability tests at average of 250 MCF/month for Pictured Cliffs wells.
- September, 1987 - Order R-333-I superseded all previous orders and created current "Rules of Procedures for Northwest New Mexico".