

**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
Order No. R-10005**

**APPLICATION OF GIANT EXPLORATION
& PRODUCTION COMPANY FOR AN
UNORTHODOX INFILL 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 October 7, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of October, 1993, 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, Giant Exploration & Production Company (Giant), seeks approval of an unorthodox coal gas well location for its Frank Foster Well No. 2 located 1850 feet from the South line and 790 feet from the East line (Unit I) of Section 29, Township 25 North, Range 12 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(3) The applicant further seeks an exception to the requirements of Rule No. (4) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool as promulgated by Division Order No. R-8768, as amended, to allow the drilling of a second well on a standard 320-acre gas spacing and proration unit comprising the E/2 of Section 29.

(4) Speerex Ltd. (Speerex), the leasehold owner of the SE/4 of Section 29, appeared at the hearing in opposition to the application. In addition, Meridian Oil Inc. (Meridian) and Amoco Production Company (Amoco) also appeared at the hearing in opposition to the application.

(5) Within Section 29 there are currently two wells producing from the Basin-Fruitland Coal Gas Pool, these being the Giant Exploration & Production Company Bisti Coal "29" Well No. 1 located 790 feet from the North and East lines (Unit A), currently dedicated to the E/2 of Section 29, and the Giant Exploration & Production Company Bisti Coal "29" Well No. 2 located 1020 feet from the South line and 1415 feet from the West line (Unit N), currently dedicated to the W/2 of Section 29.

(6) According to applicant's evidence and testimony, the Frank Foster Well No. 2 has already been drilled. The chronology of events and circumstances leading to the drilling of the subject well is as follows:

September, 1992--The applicant drilled the Frank Foster Well No. 2 at what it thought was a standard coal gas well location in the NE/4 of Section 32, Township 25 North, Range 12 West, NMPM;

October 30, 1992--Applicant spudded the Bisti Coal "29" Well No. 1. Drilling operations concluded during November, 1992;

November, 1992--Completion operations commenced on the Frank Foster Well No. 2;

February, 1993--Completion operations on the Frank Foster Well No. 2 suspended when it was discovered that the physical location of the well was actually within the SE/4 of Section 29.

(7) The drilling of the Frank Foster Well No. 2 within the SE/4 of Section 29 was, according to applicant's testimony, the result of a survey error.

This well was not drilled to gather additional data to support infill drilling or to recover reserves that would not otherwise be left in the ground.

(8) The applicant presented geologic evidence and testimony which show that there may be three coal stringers within the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 29. Applicant has identified these as Upper, Middle and Lower Coal intervals.

(9) Applicant contends that only the Upper and Middle Coal intervals are present in the Bisti Coal "29" Well No. 1. Applicant further contends that the Upper, Middle and Lower Coal intervals are present in the Frank Foster Well No. 2.

(10) Applicant further contends that since the Lower Coal interval is not present in the Bisti Coal "29" Well No. 1 the Frank Foster Well No. 2 is necessary to efficiently drain and develop the Lower Coal interval within the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 29.

(11) The applicant's geologic evidence does not conclusively demonstrate that the Middle and Lower Coal intervals should be classified as distinct and separate coal intervals. Applicant's own testimony indicates that the Middle and Lower Coal intervals may be interpreted to be the same interval.

(12) The applicant presented no engineering evidence or testimony which would indicate that the Bisti Coal "29" Well No. 1 will not effectively and efficiently drain and develop the E/2 of Section 29 within the Basin-Fruitland Coal Gas Pool.

(13) A portion of Finding No. (10) of Division Order No. R-8768-A states that "there may be certain areas within the basin where reservoir parameters such as porosity, permeability, coal thickness, pressure, gas content, sorption isotherm and initial gas/water saturation may exist in certain combinations such that infill drilling may be required to increase gas recovery".

(14) The applicant presented no data regarding porosity, permeability, gas content, sorption isotherm and initial gas/water saturation within the Basin-Fruitland Coal Gas Pool.

(15) The applicant presented no engineering evidence which would indicate that a combination of reservoir parameters exist within the E/2 of Section 29 such that the drainage area of the Bisti Coal "29" Well No. 1 or the Frank Foster Well No. 2 is less than 320 acres.

(16) Infill drilling within the Basin-Fruitland Coal Gas Pool has thus far not been approved in any area of the San Juan Basin.

(17) The geologic and engineering evidence currently available does not justify an exception to Rule No. (4) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool within the E/2 of Section 29.

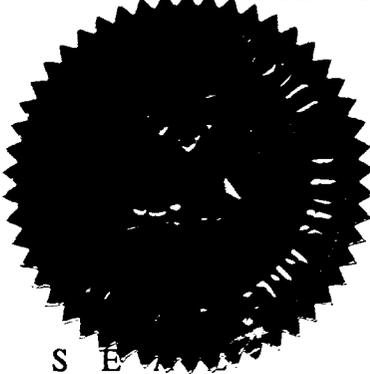
(18) The application should be denied.

IT IS THEREFORE ORDERED THAT:

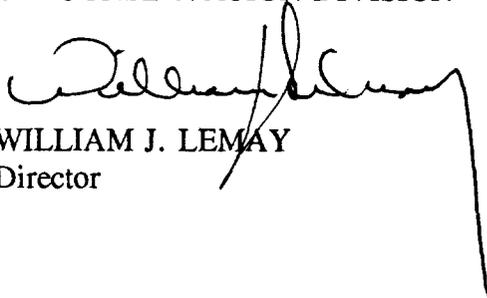
(1) The application of Giant Exploration & Production Company for approval of an unorthodox coal gas well location for its Frank Foster Well No. 2 located 1850 feet from the South line and 790 feet from the East line (Unit I) of Section 29, Township 25 North, Range 12 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico, and for an exception to the requirements of Rule No. (4) of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool as promulgated by Division Order No. R-8768, as amended, to allow the drilling of a second well on a standard 320-acre gas spacing and proration unit comprising the E/2 of Section 29, is hereby denied.

(2) Jurisdiction of this cause 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