

**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. 12478
ORDER NO. R-11457**

**APPLICATION OF RICHARDSON OPERATING COMPANY FOR AN
UNORTHODOX GAS WELL LOCATION, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 7, 2000, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this 15th day of September, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Richardson Operating Company ("Richardson"), seeks approval of an unorthodox Fruitland Sand/Pictured Cliffs gas well location for its W. F. Federal "3" Well No. 2 (**API No. 30-045-30168**) located 2495 feet from the South line and 1290 feet from the West line (Unit L) of Section 3, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico.

(3) The SW/4 of Section 3 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool.

(4) The W. F. Federal "3" Well No. 2 is located within one mile of the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool. This pool is currently governed by Division Rule 104.C.(3), which requires standard 160-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the unit nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary

(5) Testimony presented by the applicant demonstrates that:

- (a) the W. F. Federal "3" Well No. 2 was originally permitted as a Basin-Fruitland Coal Gas Pool well in March, 2000. The well is located at a standard gas well location for the Basin-Fruitland Coal Gas Pool pursuant to the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*" as established by Division Order No. R-8768, as amended;
- (b) at the time the well was staked, Richardson did not take into consideration the well location requirements for the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool, nor was any attempt made to locate the well at a location standard for both the Basin-Fruitland Coal and Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pools; and
- (c) Richardson has drilled the W. F. Federal "3" Well No. 2 and proposes, if the application is approved, to downhole commingle the Basin-Fruitland Coal and Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pools within the wellbore.

(6) Richardson filed an administrative application for approval of the proposed unorthodox gas well location on July 14, 2000. By letter dated July 21, 2000, the Division advised Richardson that the application did not qualify for administrative approval and that the application would be set for hearing before a Division examiner.

(7) Within the NW/4 of Section 3, Richardson currently operates the W. F. Federal "3" Well No. 1 (**API No. 30-045-30202**) located at a standard gas well location 1265 feet from the North line and 1095 feet from the West line (Unit D). This well is currently completed in and producing from the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool.

(8) Both the W. F. Federal "3" Well No. 1 and 2 are located on Federal Lease No. NMSF-079968.

(9) The interest ownership between the NW/4 and SW/4 of Section 3 is identical with one exception. Dugan Production Corporation owns an interest in the W.

F. Federal "3" Well No. 2, but does not own an interest in the W. F. Federal "3" Well No. 1.

(10) There are no other affected offset operators or interest owners.

(11) Richardson expects to obtain marginal gas production only from the Fruitland Sand/Pictured Cliffs formation within the W. F. Federal "3" Well No. 2.

(12) It is uneconomic to directionally drill the W. F. Federal "3" Well No. 2 to a standard location within the Fruitland Sand/Pictured Cliffs formation.

(13) A well at the proposed unorthodox gas well location should efficiently drain the gas reserves within the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool underlying the SW/4 of Section 3.

(14) The evidence in this case demonstrates that the proposed unorthodox gas well location can be approved on the basis that such approval will not cause waste or violate correlative rights.

(15) Richardson, as a prudent operator, should take all necessary steps to locate its future wells at standard gas well locations, where possible, and should be more cognizant of well location requirements for different producing horizons in the San Juan Basin.

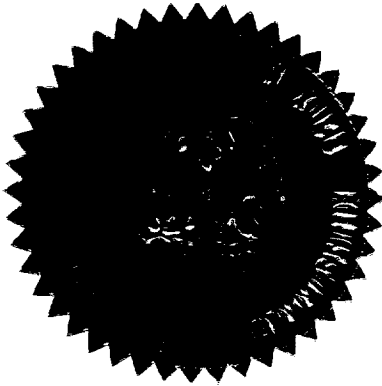
IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Richardson Operating Company, an unorthodox gas well location is hereby approved for the W. F. Federal "3" Well No. 2 (**API No. 30-045-30168**) located 2495 feet from the South line and 1290 feet from the West line (Unit L) of Section 3, Township 29 North, Range 14 West, NMPM, Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool, San Juan County, New Mexico.

(2) The SW/4 of Section 3 shall be dedicated to the well forming a standard 160-acre gas spacing and proration unit for the Twin Mounds Fruitland Sand-Pictured Cliffs Gas Pool.

(3) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director