

**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. 12884
ORDER NO. R-11802**

**APPLICATION OF FOUR STAR OIL & GAS 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 June 27, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of July, 2002, 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, Four Star Oil & Gas Company ("Four Star"), seeks approval of an unorthodox coal gas well location within the Basin-Fruitland Coal Gas Pool for its existing New Mexico State "32" Well No. 2 (API No. 30-045-30666) located 905 feet from the North line and 1830 feet from the West line (Unit C) of Section 32, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico.

(3) The W/2 of Section 32 is to be dedicated to the well forming a standard 321.32-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool.

(4) The New Mexico State "32" Well No. 2 is located within the Basin-Fruitland Coal Gas Pool. This pool is currently governed by the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as contained within Division Order No. R-8768, as amended, which require that the wells be located within the NE/4 or SW/4 of a single governmental section no closer than 660 feet to any outer boundary of

the proration unit nor closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.

(5) The New Mexico State "32" Well No. 2 is standard with respect to the setback requirements, but is unorthodox with respect to the quarter section location requirements.

(6) The applicant presented evidence that demonstrates:

- (a) Division Form C-101 (Application to Drill) for the New Mexico State "32" Well No. 2 was submitted by Four Star to the Aztec District Office of the Division on May 10, 2001;
- (b) the Form C-101 was approved by the Division on May 10, 2001, with the stipulation that Form C-104 (Request for Allowable and Authorization to Transport) would not be approved until such time as an unorthodox location was approved by the Division for the well;
- (c) the well was spudded on June 21, 2001;
- (d) the well was put on production in the Basin-Fruitland Coal Gas Pool in March, 2002; and
- (e) on or about April 17, 2002, the Aztec District Office of the Division ordered Four Star to shut the well in until such time as unorthodox location approval is obtained for the well.

(7) The applicant presented testimony to the effect that the well appears to have been inadvertently drilled within the wrong quarter-section; however the applicant's witness further testified that due to steep terrain and certain U. S. Bureau of Land Management (USBLM) policies regarding road construction, it would have been difficult and impractical to build a location within the SW/4 of Section 32.

(8) The applicant notified all offset operators and interest owners of its application in this case. No party appeared at the hearing in opposition to the application.

(9) As a prudent operator, Four Star should take all necessary action in the future to ensure that it is aware of the rules and regulations governing development of the

Basin-Fruitland Coal Gas Pool, and that any request for an exception to these rules is filed in a timely fashion.

(10) Approval of the subject application will afford Four Star the opportunity to produce the hydrocarbons in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 32, and will not violate correlative rights.

(11) The application should be approved.

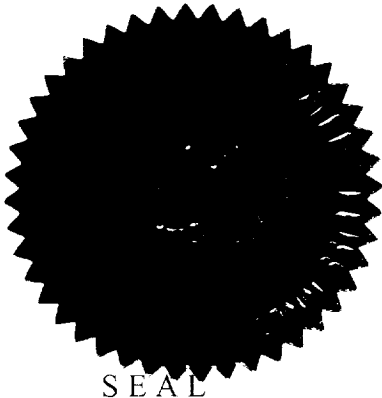
IT IS THEREFORE ORDERED THAT:

(1) The application of Four Star Oil & Gas Company for an unorthodox gas well location in the Basin-Fruitland Coal Gas Pool for its existing New Mexico State "32" Well No. 2 (API No. 30-045-30666) located 905 feet from the North line and 1830 feet from the West line (Unit C) of Section 32, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico, is hereby approved.

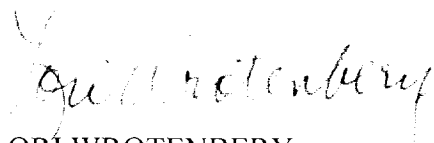
(2) The W/2 of Section 32 shall be dedicated to the well forming a standard 321.32-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool.

(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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director