

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. 10040
ORDER NO. R-9323

APPLICATION OF MERIDIAN OIL, INC.
FOR AN UNORTHODOX COAL GAS WELL
LOCATION, RIO ARRIBA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 5, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of October, 1990, 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) At the time of the hearing, this case was consolidated with Division Case No. 10039 for purpose of testimony.

(3) The applicant, Meridian Oil, Inc., as sub-operator of the Rosa Unit seeks approval of an unorthodox coal gas well location for its Rosa Unit Well No. 201 drilled at an unorthodox coal gas well location 1640 feet from the North line and 420 feet from the East line (Unit H) of Section 22, Township 31 North, Range 6 West, NMPM, to test the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico, with the E/2 of said Section 22 to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) Applicant further seeks to correct all previous well records which had the subject well at a standard coal gas well location 1230 feet from the North line and 1330 feet from the East line (Unit B) of said Section 22 based upon an original survey made for Northwest Pipeline Corporation.

(5) In 1988, Northwest Pipeline Corporation (NWPC) as operator of the Rosa Unit proposed the drilling of the Rosa Unit Well No. 201 at a standard coal gas well location within the NE/4 of said Section 22. Further, NWPC contracted with a registered land surveyor to stake a temporary location for the subject well at that time.

(6) An on-site inspection for this location was conducted by a NWPC representative with the appropriate federal surface management agency officials for a final determination of the well site, after which final approval was given.

(7) This location was then officially surveyed and staked at its actual location 1640 feet from the North line and 420 feet from the East line of said Section 22, but as a result of a surveying error was erroneously reported on the Division Form C-102, dated October 31, 1988, as being 1230 feet from the North line and 1330 feet from the East line of said Section 22.

(8) Thereafter, Northwest Pipeline Corporation entered into a Farmout Agreement and designated Meridian Oil, Inc. as the sub-operator for Fruitland Coal Gas development in the Rosa Unit.

(9) Meridian inadvertently drilled the Rosa Unit Well No. 201 at the unorthodox location in reliance upon the erroneous Division Form C-102 dated October 31, 1988 and Bureau of Land Management (BLM) Form 3160-3 dated December 19, 1988.

(10) After completion of the Rosa Unit Well No. 201 and during the course of surveying in the pipeline to take production from the subject well it was determined by another surveyor contracted by Meridian Oil, Inc. that:

- (a) the Rosa Unit Well No. 201 in fact had been drilled at an unorthodox well location; and
- (b) the Division Form C-102 dated October 31, 1988 and filed by NWPC showed an incorrect location for the well.

(11) While the Rosa Unit Well No. 201 is at an unorthodox coal gas well location, it encroaches only towards other acreage within the Rosa Unit and therefore does not adversely affect correlative rights.

(12) No interested party appeared at the hearing in objection to this unorthodox coal gas well location.

(13) The use of the surface where the well is actually located was approved by the appropriate federal surface management agencies prior to the well being drilled.

(14) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the gas from the subject pool, will prevent the economic loss caused by the drilling of a replacement well at a standard coal gas well location, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil, Inc. for an unorthodox coal gas well location for the Basin-Fruitland Coal Gas Pool is hereby approved for its Rosa Unit Well No. 201 drilled at a point 1640 feet from the North line and 420 feet from the East line (Unit H) of Section 22, Township 31 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(2) The E/2 of said Section 22 shall be dedicated to the above-described well forming a 320-acre gas spacing and proration unit for said pool.

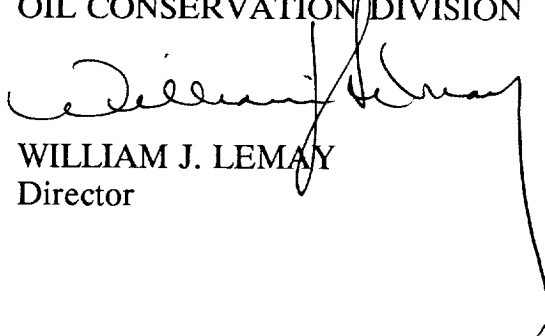
(3) All previous well records which had the subject well at an erroneous location 1230 feet from the North line and 1330 feet from the East line (Unit B) of said Section 22 shall be corrected to reflect the actual location set forth in Decretory Paragraph No. (1) above.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10040
Order No. R-9323
Page No. 4

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director

S E A L