

**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. 10593
Order No. R-9767**

**APPLICATION OF AMOCO PRODUCTION
COMPANY FOR ACREAGE REDEDICATION
AND AN UNORTHODOX 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 November 5, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of November, 1992, 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, Amoco Production Company, seeks approval to drill its proposed Fields "A" Well No. 21-R at an unorthodox coal gas well location 820 feet from the North line and 1820 feet from the West line (Unit C) of Section 25, Township 32 North, Range 11 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(3) The subject well is proposed to be a replacement well for the Fields "A" Well No. 21 which is located at a standard coal gas well location 1330 feet from the South line and 1150 feet from the West line (Unit L) of Section 25.

(4) The S/2 of Section 25 is currently dedicated to the Fields "A" Well No. 21 in the Basin-Fruitland Coal Gas Pool.

(5) The applicant further seeks authority to realign its existing proration unit so as to dedicate the W/2 of Section 25, forming a standard 320-acre gas spacing and proration unit, to the proposed Fields "A" Well No. 21-R.

(6) The proposed well is located within the Basin-Fruitland Coal Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which requires that wells be located in either the NE/4 or SW/4 of a single governmental section no closer than 790 feet from any outer boundary of the proration unit nor closer than 130 feet from any quarter section line nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.

(7) The location of the proposed Fields "A" Well No. 21-R is standard with respect to the setback requirements but is unorthodox with respect to the quarter section location.

(8) The applicant also currently operates the Fields "A" Well No. 20 which is located in the NE/4 of Section 25 and which currently has dedicated thereto the N/2 of said section.

(9) The Fields "A" Well No. 21 was drilled in June, 1990, and was completed in the Basin-Fruitland Coal Gas Pool at an initial producing rate of 140 MCF gas per day. The Fields "A" Well No. 21 is currently capable of producing approximately 83 MCF gas per day.

(10) The applicant attributes the low producing rate of the Fields "A" Well No. 21 to low permeability within the coal seams in this area, and further contends that within Section 25 there exists a permeability transition zone within the coal seams.

(11) Although the applicant's geologic evidence does not conclusively establish the existence of a permeability transition zone, further evidence presented does indicate that wells generally to the north and east of the Fields "A" Well No. 21 exhibit substantially greater producing rates.

(12) The offsetting wells located in the SW/4 of Section 24 and the NE/4 of Section 25 currently produce at rates of approximately 7.0 MMCF and 1.0 MMCF of gas per day, respectively.

(13) Applicant's evidence and testimony indicates that its gas reserves underlying the W/2 of Section 25, which it has estimated to be 12.3 BCF, are currently being drained and will continue to be drained by offsetting wells if its application is not approved.

(14) Applicant estimates that the Fields "A" Well No. 21 will ultimately recover only 340 MMCF of gas from the subject proration unit or only 3.0 percent of the original gas in place.

(15) The evidence in this case does demonstrate that the applicant cannot recover its just and equitable share of the gas reserves underlying the W/2 of Section 25 by producing its Fields "A" Well No. 21.

(16) All of the acreage offsetting the W/2 of Section 25 has been drilled, and so approval of the application will not serve to disrupt on-pattern development in the Basin-Fruitland Coal Gas Pool.

(17) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(18) The proposed acreage re-dedication should have no adverse affect on any interest owner inasmuch as the working and royalty interest ownership is common throughout Section 25.

(19) At the hearing, the applicant testified that if its application is approved, it proposes to utilize the Fields "A" Well No. 21 as an observation well in the Basin-Fruitland Coal Gas Pool.

(20) In order to allow the applicant the opportunity to produce its just and equitable share of the gas reserves in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 25, thereby protecting its correlative rights, the application for an unorthodox coal gas well location and acreage rededication should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to drill its Fields "A" Well No. 21-R at an unorthodox coal gas well location 820 feet from the North line and 1820 feet from the West line (Unit C) of Section 25, Township 32 North, Range 11 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

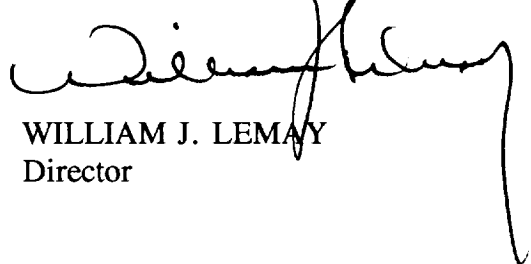
(2) The W/2 of Section 25 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) Subsequent to the drilling and completing of the Fields "A" Well No. 21-R and if such well is determined to be a commercial producer, the applicant shall not utilize the Fields "A" Well No. 21 as a producing well in the Basin-Fruitland Coal Gas Pool.

(4) 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



WILLIAM J. LEMAY
Director

S E A L