

MERIDIAN OIL

OIL CONSERVATION DIVISION
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August 29, 1990

New Mexico Oil Conservation Division
Attn: Mr. Michael E. Stogner
P.O. Box 2088
Santa Fe, New Mexico 87504

RE: Huerfanito Unit #38
1150' FSL, 1520' FEL (Unit 0)
Section 28, T27N, R09W
Basin Fruitland Coal Gas Pool
San Juan County, New Mexico
Unorthodox Coal Gas Well Location

Dear Mr. Stogner:

At the time Meridian Oil submitted the above-referenced unorthodox coal gas well location for your approval, we were aware that two Ballard Pictured Cliffs gas wells were located in the E/2 320-acre coal dedication. Therefore, in response to your letter dated August 20, 1990 regarding the subject well, the following is submitted:

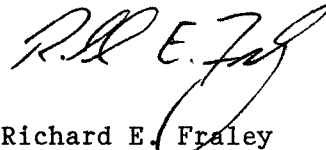
The primary justification of choosing the Huerfanito Unit #38 over the Huerfanito Unit #41 (standard location) was the productivity of the wells. The Huerfanito Unit #38 has been producing at 2 MCF/D and is uneconomic to operate. Workovers and sales compression of the producing formation were evaluated, but these alternatives could not be economically justified. The Huerfanito Unit #41 has sustained production of 15 MCF/D and is currently economic to operate. The plug back of the Huerfanito Unit #41 at this time for the sole purpose of a standardized location would not be considered prudent management by Meridian of existing reserve potential. Meridian does not feel the productivity of the coal will vary between the locations. Recompletion of the Huerfanito Unit #38 will allow us to produce Fruitland Coal reserves without creating economic waste by drilling a new well. There should be no correlative rights problem since all direct offset acreage (NE/4 of Section 33, NW/4 of Section 34 and SW/4 of Section 27) is committed to the Huerfanito Unit and all working interest and burden owners are unitized.

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Included is the requested plat of offsetting dedicated units showing completed coal projects and those proposed to date. Although all proposed coal gas well development projects are included, additional projects may be proposed in the future. Because it is less desirable from an economic standpoint to drill new wells in this area, the off pattern development of this unit utilizing the existing subject wellbore represents the most prudent operation for the immediate area.

Should you have any questions, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. E. Fraley', with a stylized flourish at the end.

Richard E. Fraley
Regional Production Engineer

REF/CRB:tt

attachments

cc: Oil Conservation Division/Aztec
US Bureau of Land Management/Farmington

DATE: AUGUST 27, 1990

NAME: HUERFANITO UNIT #38

FORM: FRUITLAND COAL

LOCATION
UNIT: 0
SEC: 28
TWN: 27
RNG: 9

T
27
N

LEGEND

- * WELLNAME
- EXISTING FORMATION -
- PRIOR TO RECOMPLETION

<p>[20]</p> <p>* MCADAMS A #1 (PC) PROPOSED FTC R/C</p> <p>* CLEVELAND #2 (PC) COMPLETED R/C</p>	<p>[21]</p> <p>* CLEVELAND #220 COMPLETED NEW DRILL</p>	<p>* HUERFANITO UNIT #53 (PC) [22] COMPLETED R/C</p> <p>* HUERFANITO UNIT #43 (PC) COMPLETED R/C</p>
<p>[29]</p> <p>* A.D. HUDSON #2 (PC) PROPOSED R/C</p> <p>* A.D. HUDSON #1 (PC) PROPOSED R/C</p>	<p>[28]</p> <p>* HUERFANITO UNIT #38 (PC) PROPOSED FTC R/C</p>	<p>* HUERFANITO UNIT #47 (PC) [27] COMPLETED R/C</p> <p>* HUERFANITO UNIT #39 (PC) COMPLETED R/C</p>
<p>[32]</p> <p>* MAGNOLIA COM #1 (PC) PROPOSED R/C</p>	<p>* HUERFANITO UNIT #32 (PC) COMPLETED R/C</p> <p>* HUERFANITO UNIT #33 (PC) [33] COMPLETED R/C</p>	<p>* HUERFANITO UNIT #154 COMPLETED NEW DRILL [34]</p>