

MERIDIAN OIL

February 26, 1991

Mr. William LeMay
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: Grass Canyon #2 Well
Unorthodox Gas Well Location
Basin Fruitland Coal
634' FSL, 507' FWL,
Sec. 30, T32N, R7W

Dear Mr. LeMay:

CNG Producing Company has requested Administrative approval of an exception to the footage and location requirements of Rule 7, R-8752, for the subject well located in the Basin Fruitland Coal Pool.

Meridian Oil Inc. on behalf of Southland Royalty Company and El Paso Production Co., as offset owner/operator, has evaluated CNG's request and we believe that the economic potential of the well is sufficient to consider a directionally drilled well to a standard bottom hole location. Meridian's objection has been communicated to CNG.

We will work with CNG to resolve this issue, but in the mean time request that administrative approval not be granted until such resolution is reached. Please contact the undersigned if you have any questions.

Yours very truly,

Kent Beers
Kent Beers
Regional Land Manager

KB:AA:kaw
File:

cc: CNG



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

NSL-2991

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
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SANTA FE, NEW MEXICO 87504
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February 27, 1991

Meridian Oil, Inc.
P.O. Box 4289
Farmington, NM 87499-4289

Attention: Kent Beers, Regional Land Manager

RE: Unorthodox coal gas well location application of CNG Producing Company, Grassy Canyon Well No. 2. 634' FSL & 507' FWL (Unit M), Section 30, Township 32 North, Range 7 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

Dear Mr. Beers:

The subject application to which your letter of February 26, 1991 refers was received by the NM Oil Conservation Division on January 31, 1991. Pursuant to the provisions of Rule 8 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as promulgated by Division Order R-8768, an interested party has twenty days after the Division receives an application to object. Therefore, Meridian's request to delay the administrative process of CNG Producing Company's application is hereby denied.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
W. Thomas Kellahin - Santa Fe
CNG Producing Company - Pittsburgh, PA
William J. LeMay - OCD Director