

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. 9751
9752
9753
ORDER NO. R-9061

APPLICATION OF QUINOCO PETROLEUM,
INC. FOR A NON-STANDARD GAS PRORATION
UNIT, SAN JUAN COUNTY, NEW MEXICO

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ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 6, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of November, 1989, 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 Division Case Nos. 9751, 9752 and 9753 were consolidated for the purpose of testimony, and inasmuch as all three cases concern acreage in Sections 2, 3 and 10, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, one order should be entered covering all three subject cases.

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(3) In Case No. 9751, Quinoco Petroleum, Inc. seeks approval for a 310.48-acre non-standard gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool comprising Lots 5, 6, 7 and 8, the E/2 SW/4 and the SE/4 of Section 2, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico. Said unit is to be dedicated to its proposed State "N" Well No. 4 to be drilled at a standard coal gas well location 965 feet from the South line and 2165 feet from the West line (Unit N) of Section 2.

(4) The applicant in Case No. 9752, Quinoco Petroleum, Inc. seeks approval for a 320-acre non-standard gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool comprising the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico. Said unit is to be dedicated to its proposed Federal "G" Well No. 4 to be drilled at a standard coal gas well location 1620 feet from the North line and 1685 feet from the East line (Unit G) of said Section 10.

(5) The applicant in Case No. 9753, Quinoco Petroleum, Inc., seeks approval for a 320-acre non-standard gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool comprising the W/2 SE/4 and the E/2 SW/4 of Section 3 and the NW/4 of Section 10, both in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico. Said units to be dedicated to its proposed Yeager "N" Well No. 5 to be drilled at a standard coal gas well location 1160 feet from the South line and 2315 feet from the West line (Unit N) of said Section 3.

(6) The applicant is proposing to develop the Basin-Fruitland Coal (Gas) Pool, which is spaced on 320-acre units, on the same spacing units in the area which were established for the Basin-Dakota and/or Blanco-Mesaverde Pool, both developed on 320-acre spacing, by Division Order Nos. R-5364 and R-1066.

(7) Previous Order Nos. R-1066 and R-5364 were issued to promote orderly development in the upper tier of partial sections lying immediately south of the line between Townships 31 and 32 North in Range 7 West, NMPM, San Juan County, New Mexico.

(8) Those units established by said previous Order Nos. R-1066 and R-5364 have proven to be effective in promoting orderly development in the Blanco-Mesaverde and/or Basin-Dakota Pools.

(9) At the hearing Blackwood & Nichols Company appeared; however, there was no objection to the formation of the proposed three units.

(10) Within the area encompassed by the proposed non-standard units there are six wells operated by the applicant and presently completed in the South Los Pinos Fruitland Sand-Pictured Cliffs Pool:

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- a. State Well No. 3
1600' FSL - 950' FEL (Unit I)
Section 2;
- b. State Well No. 2
1190' FSL - 1673' FWL (Unit N)
Section 2;
- c. Federal 1 Well No. 4
1124' FSL - 564' FEL (Unit P)
Section 3;
- d. Yeager Well No. 3
800' FSL - 1850' FWL (Unit N)
Section 3;
- e. Yeager Well No. 4
1450' FNL - 835' FWL (Unit E)
Section 10
- f. Federal 1 Well No. 3
1850' FNL - 1640' FEL (Unit G)
Section 10.

(11) There are indications that all or some of these six wells are perforated in the Basin-Fruitland Coal (Gas) Pool interval of the Fruitland formation.

(12) The aforementioned wells should be further evaluated by the supervisor of the Aztec District Office of the Division and if any of them are found to be producing from the Fruitland Coal interval, then such production should be deemed illegal and the operator should cease production of such illegal production immediately.

(13) Such evaluation and any such remedial work on the six aforementioned wells should be completed within 30 days from the date of this order.

(14) The three proposed non-standard gas spacing and proration units to be developed by the three proposed wells at standard coal gas locations should afford to the owner of each property in the Basin-Fruitland Coal Gas Pool the opportunity to produce his just and equitable share of the gas in the pool, and otherwise prevent waste and protect correlative rights.

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IT IS THEREFORE ORDERED THAT:

(1) The applications of Quinoco Petroleum, Inc. in Division Case Nos. 9751, 9752, 9753 are hereby approved for the formation of the following three non-standard gas spacing and proration units in the Basin-Fruitland Coal (Gas) Pool in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico:

- a. 310.48 acres comprising Lots 5, 6, 7 and 8, the E/2 SW/4, and the SE/4 of Section 2 to be dedicated to its proposed State "N" Well No. 4, said unit to be drilled at a standard coal gas well location 965 feet from the South line and 2165 feet from the West line (Unit N) of said Section 2;
- b. 320 acres comprising the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3 and the NE/4 of Section 10, said unit to be dedicated to its proposed Federal "G" Well No. 4 to be drilled at a standard coal gas well location 1620 feet from the North line and 1685 feet from the East line (Unit G) of said Section 10; and,
- c. 320 acres comprising the W/2 SE/4 and the E/2 SW/4 of Section 3 and the NW/4 of Section 10, said unit to be dedicated to its proposed Yeager "N" Well No. 5 to be drilled at a standard coal gas well location 1160 feet from the South line and 2315 feet from the West line (Unit N) of said Section 3.

IT IS FURTHER ORDERED THAT:

(2) The supervisor of the Aztec District Office of the Division shall evaluate the six existing South Los Pinos Fruitland Sand-Pictured Cliffs Pool wells located within the area encompassing the three non-standard units and operated by Quinoco Petroleum, Inc., as further described in Finding Paragraph No. (10) of this order.

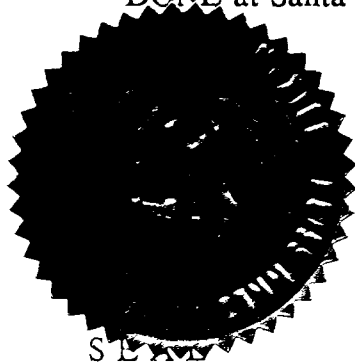
(3) Should it be found that if any of the six aforementioned wells are producing gas from the coal interval of the Fruitland formation, than such production shall be deemed illegal and the operator shall cease production of illegal gas immediately.

(4) Such evaluation and any remedial work on the six aforementioned wells necessary to eliminate coal seam intervals shall be completed within 30 days from the date of this order.

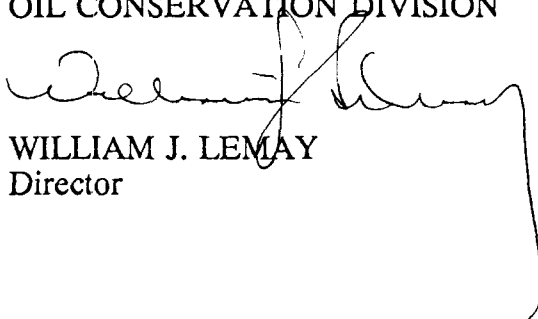
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
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WILLIAM J. LEMAY
Director