

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. 10055
Order No. R-9314

APPLICATION OF MERIDIAN OIL, INC.
FOR A NON-STANDARD GAS PRORATION
UNIT, AN UNORTHODOX COAL GAS WELL
LOCATION, AND DIRECTIONAL DRILLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22 and September 19, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd 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) The applicant, Meridian Oil, Inc., seeks approval of an unorthodox coal gas well location for its Payne Well No. 271, to be drilled 65 feet from the North line and 300 feet from the East line (Unit A) of Section 27, Township 32 North, Range 10 West, NMPM, Cedar Hill-Fruitland Basal Coal Gas Pool, San Juan County, New Mexico, Lots 1 through 8 (E/2 equivalent)

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of said Section 27 to be dedicated to said well forming a non-standard 305.03-acre gas spacing and proration unit for said pool. IN THE ALTERNATIVE, the applicant seeks authority to directionally drill said well from the above-described surface location to a standard bottomhole coal gas well location within the NE/4 equivalent of said Section 27.

(3) At the time of the hearing, the applicant requested the Division only consider the directional drilling option and requested the dismissal of its request for an unorthodox location.

(4) The Cedar Hill-Fruitland Basal Coal Gas Pool is spaced on 320 acres pursuant to Division Order No. R-7588, as amended.

(5) The proposed non-standard gas proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey.

(6) The entire non-standard gas proration unit may reasonably be presumed productive of gas from the Cedar Hill-Fruitland Basal Coal Gas Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(7) The directional drilling portion of this application is necessitated due to the severe and numerous topographic restrictions existing in the immediate area.

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

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Cedar Hill-Fruitland Basal Coal Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

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(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(11) The applicant should be required to notify the supervisor of the Aztec district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Aztec offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil, Inc., is hereby authorized to directionally drill its Payne Well No. 271 from a surface location 65 feet from the North line and 300 feet from the East line (Unit A) of Section 27, Township 32 North, Range 10 West, NMPM, Cedar Hill-Fruitland Basal Coal Gas Pool, San Juan County, New Mexico, to a standard bottomhole coal gas well location within the NE/4 equivalent of said Section 27.

(2) A 305.03-acre non-standard gas proration unit, also hereby approved, comprising Lots 1 through 8 (E/2 equivalent) of said Section 27 shall be dedicated to the above-described well.

(3) The applicant shall determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and shall conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

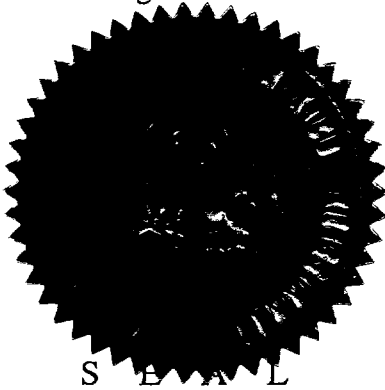
(4) The applicant shall notify the supervisor of the Aztec district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall provide a copy of said directional surveys to the Santa Fe and Aztec offices of the Division upon completion.

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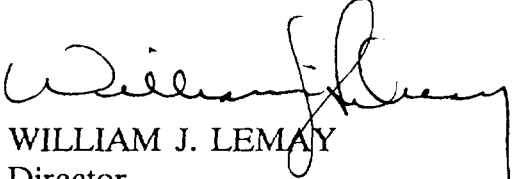
(5) The unorthodox coal gas well location portion of this application is hereby dismissed.

(6) Jurisdiction of this cause is 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