

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unregulated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

dr/

KELLAHIN, KELLAHIN and AUBREY
Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

May 1, 1989

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of Meridian Oil, Inc.
for Approval of a Unorthodox Well
Location for its San Juan 30-6
Unit Well 406-R, Basin Fruitland
Coal Gas Pool, Rio Arriba County,
New Mexico

RECEIVED
MAY 2 1989
OIL CONSERVATION DIVISION

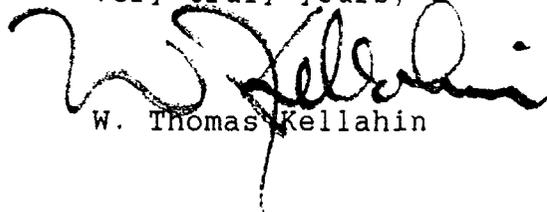
9680
Case 9681

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed a copy of our application for approval of an unorthodox well location for the referenced well.

We would appreciate you setting this matter for an examiner hearing now scheduled for May 24, 1989.

Very truly yours,



W. Thomas Kellahin

WTK/rs

Encl.

cc: Alan Alexander (Meridian-Farmington)
John Caldwell (Meridian-Farmington)
Certified mailing return-receipt parties listed on Exhibit C of Application.

DEVIATION REPORT

Name of Company El Paso Natural Gas Company		Address PO Box 4289, Farmington, NM			
Lease San Juan 30-6 Unit	Well No. 402	Unit Letter K	Section 15	Township 30N	Range 7W
Pool Undesignated Fruitland			County Rio Arriba		

	Depth (Ft.)		Deviation (Degrees)
.558	128	128	1/4
2.42	185	313	3/4
1.59	122	435	3/4
3.24	93	528	2
2.84	93	621	1 3/4
7.90	181	802	2 1/2
2.87	94	896	1 3/4
4.29	123	1019	2
3.75	123	1142	1 3/4
3.22	123	1265	1 1/2
2.72	125	1390	1 1/4
1.74	400	1790	1/4
4.69	538	2328	1/2
4.37	501	2829	1/2
5.40	313	3142	1

RECEIVED
 APR 21 1986
 OIL CON. DIV.]
 DIST. 3

TOTAL - 51.66'

I, the undersigned, certify that I, acting in my capacity as Petroleum Engineer of El Paso Natural Gas Company, am authorized by said Company to make this report; and that this report was prepared by me or under my supervision and directions and that the facts stated herein are true to the best of my knowledge

Donald C. Walker

Subscribed and sworn to before me this 26th day of March, 19 86.

Donald C. Walker

Notary Public in and for San Juan County, New Mexico

My Commission expires August 17, 1988.

DEVIATION REPORT

Name of Company El Paso Natural Gas Company			Address PO Box 4289, Farmington, NM		
Lease San Juan 30-6 Unit	Well No. 406	Unit Letter F	Section 15	Township 30N	Range 7W
Pool Undesignated Fruitland			County Rio Arriba		

DEVIATION	Depth (Ft.)	Deviation (Degrees)
4.02	94 94	1/4
1.13	130 224	1/2
3.97	304 528	3/4
4.32	288 776	1
4.50	288 1034	1
4.38	251 1285	1
5.455	250 1535	1 1/4
4.73	271 1806	1
6.53	499 2305	3/4
3.06	351 2656	1/2
1.23	141 2797	1/2

TOTAL = 39.7'

DEU = (X)(tan α)

AUE - 45.7'

RECEIVED
MAY 28 1986
OIL CON. DIV.
DIST. 3

I, the undersigned, certify that I, acting in my capacity as Petroleum Engineer of El Paso Natural Gas Company, am authorized by said Company to make this report; and that this report was prepared by me or under my supervision and directions and that the facts stated herein are true to the best of my knowledge and belief.

Charles W. De...

Subscribed and sworn to before me this 30th day of April, 19 86.

Notary Public for San Juan County, New Mexico

My Commission expires August 17, 1988.



STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

GARREY CARRUTHERS
 GOVERNOR

June 28, 1989

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

Mr. Thomas Kellahin
 Kellahin, Kellahin & Aubrey
 Attorneys at Law
 Post Office Box 2265
 Santa Fe, New Mexico

Re: CASE NO. 9680
 ORDER NO. R-8958

Applicant:

Meridian Oil, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
 Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
 OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD x

Other _____

MERIDIAN OIL

July 11, 1989

Catanach
DR
CASE FILE
9680

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

Attn: Mr. William J. Lemay, Examiner

Re: Case No. 9680
Order No. R8958
San Juan 30-6 Unit #406R

RECEIVED

JUL 13 1989

OIL CONSERVATION DIV.
SANTA FE

Mr. Lemay:

Enclosed are the results of a directional survey conducted July 9, 1989, on the subject well. Multi-shot directional survey points were observed from the intermediate total depth to the base of the 9 5/8" surface casing. This was conducted to meet the requirements of Order No. R-8958 prior to initiating completion operations.

Sincerely,



S. B. Daves
Project Drilling Engineer

SBD/adw

xc: Aztec OCD

DEVIATION REPORT

El Paso Natural Gas Co., Post Office Box 4289, Farmington, NM 87499

Lease: San Juan 30-6 Unit #406R
NW Sec. 15, T-30-N, R-7-W, Rio Arriba County, New Mexico

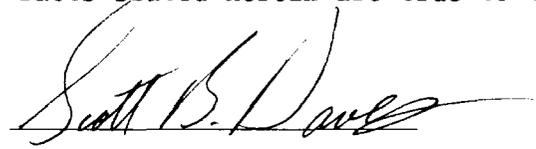
Pool: Basin Fruitland Coal

Multi-sho: directional survey conducted July 9, 1989

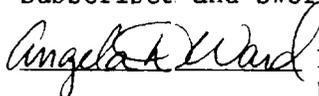
Closure: Distance 21.10', Direction 319.76° (True North)

<u>Survey Depth (Ft.)</u>	<u>Inclination</u>	<u>Hole Direction (True North)</u>	<u>True Vertical Depth (Ft.)</u>
411	0.00	0	411.00
465	0.15	285	465.00
556	0.30	322	556.00
648	0.30	328	647.99
739	0.30	315	738.99
831	0.30	19	830.99
922	0.45	14	921.98
1014	1.00	11	1013.97
1105	1.00	1	1104.96
1197	1.00	3	1196.94
1288	0.45	355	1287.93
1380	1.00	352	1379.92
1471	0.45	338	1470.91
1563	0.45	341	1562.91
1654	1.00	335	1653.89
1746	0.45	339	1745.88
1837	0.30	329	1836.88
1929	0.30	331	1928.87
2020	0.30	288	2019.87
2112	0.30	273	2111.87
2203	0.45	264	2202.86
2295	0.45	248	2294.85
2386	0.45	245	2385.84
2478	0.45	265	2477.84
2569	1.00	263	2568.83
2661	0.45	251	2660.92
2752	1.00	261	2751.80

I, the undersigned, certify that I, acting in my capacity as Petroleum Engineer on behalf of El Paso Natural Gas Company, am authorized by said Company to make this report; and that this report was prepared by me or under my supervision and directions and that the facts stated herein are true to the best of my knowledge and belief.



Subscribed and sworn to before me this 11th day of July, 1989.



Notary Public in and for San Juan County, New Mexico
My commission expires September 21, 1992.

10-2-89

KELLAHIN, KELLAHIN and AUBREY
Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

Fax: 505/982-2047

June 22, 1989

HAND-DELIVERED

Mr. Victor T. Lyon
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of Meridian Oil Inc.
for an Unorthodox Well Location
for its 30-6 Unit Well 406-R
NMOCD Case No. 9680
Basin Fruitland Coal Gas Pool,
Rio Arriba County, New Mexico

Dear Mr. Lyon:

On behalf of Meridian Oil Inc. I presented the referenced case to Examiner Catanach at a hearing held on May 24, 1989. While this case was unopposed, it does represent a request for an unusual unorthodox well location some 30 feet from the spacing unit boundary in a pool which requires a well to be locate 790 feet from the boundary.

I recognize that this case will receive your personal review because of the Director's Memo of March 24, 1989 concerning unorthodox locations.

I am convinced that this case represents an unusual and unique set of circumstances justifying approval of the location. I would hope that you would take the time to review the Meridian exhibits and the transcript of the hearing which I understand should be available some time this week.

In our presentation, among other matters, we specifically covered:

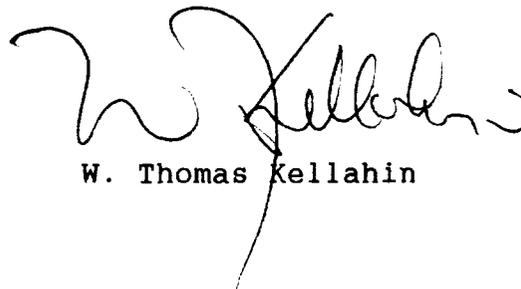
1. That the BLM would approve only the subject location and no other because of the topography and relationship to the Navajo Reservoir.
2. That the subject well was a replacement well for the original well on the spacing unit which had been drilled at a standard location.

Mr. Victor T. Lyon
June 22, 1989
Page 2

3. That the boundary being crowded was an internal boundary within the 30-6 Unit for which the ownership was common.
4. That the unorthodox location did not disrupt the general orderly pattern of wells for 320 acres coal gas well spacing.
5. That directionally drilling would double the cost of the well because of Meridians method of drilling and completing coal gas wells and would pose an unacceptable additional risk to Meridian.
6. That Meridian had already drilled two coal gas wells in this section which were damaged and directional drilling would greatly increase the risk of drilling a third damaged well (See Exhibit 6-H).
7. Unless approved, there is no orthodox or unorthodox location for the N/2 of Section 15 because of the Navajo reservoir and therefore the section will not be properly developed (See Exhibit 6-A).

While we believe the record to be a complete and thorough presentation, we would be happy to have Meridian's experts come to Santa Fe and discuss this matter with you or to have the case reopened if there is any doubt about the appropriateness of approving this application.

Very truly yours,



W. Thomas Kellahin

WTK/rs
Encl.

cc: Alan Alexander
John Caldwell