

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12875
ORDER NO. R-11849**

**APPLICATION OF TEXAKOMA OIL & GAS CORPORATION FOR AN
UNORTHODOX COAL GAS WELL LOCATION, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of October, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Texakoma Oil & Gas Corporation ("Texakoma") seeks approval to drill its Black Hills "16" Well No. 1 (API No. 30-045-31077) at an off-pattern unorthodox coal gas well location 772 feet from the South line and 701 feet from the East line (Unit P) of Section 16, Township 26 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(3) The S/2 of Section 16 is to be dedicated to the Black Hills "16" Well No. 1 thereby forming a standard 320-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool.

(4) Dugan Production Corporation, Maralex Resources, Inc. and SG Interest, Ltd., appeared at the hearing in opposition to the application.

(5) The proposed well is located within the Basin-Fruitland Coal Gas Pool. As of the date of the hearing, this pool was governed by the *"Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool,"* as established by Division Order No. R-8768, as amended by Division Orders No. R-8768-A and R-8768-B, which required that:

- (a) wells be located on a standard spacing unit containing 320 acres;
- (b) wells be located within the NE/4 or SW/4 of a single governmental section, and that such wells be located no closer than 660 feet to any outer boundary of the proration unit nor closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary; and
- (c) only one well may be drilled on a standard 320-acre spacing unit.

(6) The Black Hills "16" Well No. 1 is the first Basin-Fruitland Coal Gas Pool well drilled within the S/2 of Section 16, and is standard with respect to the setback requirements, but is unorthodox with respect to the quarter section location requirement.

(7) By Order No. R-8768-C issued on October 15, 2002, the Division amended Rules No. (4) and (7) of the *"Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool,"* to provide that, in certain parts of the pool:

- (a) the initial well on a standard 320-acre spacing unit may be drilled in either quarter section; and
- (b) one optional infill well may be drilled within a standard 320-acre spacing unit, provided that the infill well is not located in the same quarter section as the initial well.

(8) Pursuant to the amendments described above, it appears that the proposed well location for the Black Hills "16" Well No. 1 is in compliance with the current rules governing the Basin-Fruitland Coal Gas Pool, and that the proposed exception is unnecessary.

(9) The application should be dismissed.

IT IS THEREFORE ORDERED THAT:

(1) The application of Texakoma Oil & Gas Corporation for approval to drill its Black Hills "16" Well No. 1 (API No. 30-045-31077) at an off-pattern unorthodox coal gas well location 772 feet from the South line and 701 feet from the East line (Unit P) of Section 16, Township 26 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico, the S/2 of Section 16 to be dedicated to the well thereby forming a standard 320-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool, is hereby dismissed.

(2) Jurisdiction is hereby 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

LORI WROTENBERY
Director

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