

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. 10114
ORDER NO. R-9438

APPLICATION OF MERIDIAN OIL, INC. FOR
AN UNORTHODOX COAL GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO

RECEIVED
MAR 20 1991
OIL CON. DIV. I
DIST. 3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 31 and November 14, 1990, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 11th day of February, 1991 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., (Meridian) seeks approval of an unorthodox coal gas well for its Frost Well No. 500 to be drilled 2510 feet from the North line and 790 feet from the East line (Unit H) of Section 26, Township 27 North, Range 10 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(3) The N/2 of said Section 26 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

Case No. 10114
Order No. R-9438
Page No. 2

(4) The Basin-Fruitland Coal Gas Pool is presently governed by Special Rules and Regulations promulgated by Division Order No. R-8768 which provides for 320-acre spacing and designated well location requirements whereby coal gas wells be located in the NE/4 or SW/4 of a section and that the location be no closer than 790 feet to the outer boundary of any proration unit nor closer than 130 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) Within an area comprising portions of the S/2 NE/4 and NW/4 SE/4 of said Section 26 is the Angel Peak Recreational Area Campground which is administered by the United States Department of Interior's Farmington Resources Area Office of the Bureau of Land Management (US BLM).

(6) Pursuant to the testimony presented at the hearing by both the applicant and representatives of the US BLM a well located at the proposed surface location would serve to meet the various aspects of and to best minimize the potential impact on the multiple resources addressed in the US BLM's Resource Management Plan for this area, which includes vegetative, soil, wildlife, watershed, visual and recreational concerns.

(7) The applicant is a working interest owner of the NE/4 and S/2 of said Section 26.

(8) Amoco Production Company (Amoco) is the working interest owner in the NW/4 of said Section 26 and by farmout has authorized Meridian to drill this well.

(9) The Basin-Fruitland Coal Gas Pool underlying the S/2 of said Section 26 is being developed by the Meridian Oil, Inc. Graham Well No. 1 located at an unorthodox coal gas well location (Division Administrative Order NSL-2742, dated December 29, 1989) 2150 feet from the South line and 390 feet from the West line (Unit L) of said Section 26. Said well was originally drilled in 1955 and completed in the Fulcher Kutz-Pictured Cliffs Pool. In July 1989 the Pictured Cliffs zone in this well was abandoned and recompleted in the Fruitland Coal interval.

(10) Meridian was unable to obtain voluntary agreement with Amoco in time to dedicate the W/2 of said Section 26 to the Graham Well No. 1 and in the alternative dedicated the S/2 of said Section 26 to the well.

(11) Had the orientation of the spacing units for the development of Section 26 been a stand-up unit rather than a lay-down unit, the Frost Well No. 500 would be at a standard coal gas well location.

Case No. 10114
Order No. R-9438
Page No. 3

(12) In the interests of adequately developing all of Section 26 and keeping the subject well in the NE/4 of Section 26, this application should be approved.

(13) While the Frost Well No. 500 is at an unorthodox coal gas well location, unless approved, it is unlikely that the N/2 of the section would be developed for coal gas production.

(14) No interested party appeared at the hearing in objection to this unorthodox coal gas well location.

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas from the subject pool, and will otherwise prevent waste and protect correlative rights.

(16) Further, the Division will consider all aspects of surface topographic concerns in authorizing unorthodox well locations such as this, which includes not only the factors mentioned in Finding Paragraph No. 5, but many other factors such as agricultural development, commercial, residential and utility structures and interest.

IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil, Inc. for an unorthodox coal gas well location for the Basin-Fruitland Coal Gas Pool is hereby approved for its Frost Well No. 500 to be drilled 2510 feet from the North line and 790 feet from the East line (Unit H) of Section 26, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico.

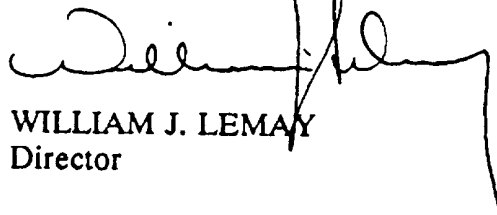
(2) The N/2 of said Section 26 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

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

Case No. 10114
Order No. R-9438
Page No. 4

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L