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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:

RECEIVED
MAY 23 1994

OIL CON. DIV. Case No. 10969
DIST. 3 Order No. R-10120

APPLICATION OF MERRION OIL & GAS CORPORATION FOR AN UNORTHODOX
COAL GAS WELL LOCATION, RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 12, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of May, 1994, 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, Merrion Oil & Gas Corporation, seeks authorization for an "off-pattern" unorthodox coal gas well location in the Basin-Fruitland Coal (Gas) Pool to be drilled 790 feet from the North and West lines (Unit D) of Section 32, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. The W/2 of said Section 32 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for said pool.

(3) The proposed well and spacing unit are within the boundaries of the Basin-Fruitland Coal (Gas) Pool and as such are subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which provides for 320-acre standard gas spacing and proration units, requires that wells be located in either the NE/4 or SW/4 of a governmental section and no closer than 790 feet from the outer boundary of the spacing unit nor closer than 130 feet from any quarter-quarter section line or subdivision inner boundary.

(4) The existing coal gas producing wells offsetting the W/2 of said Section 32, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico in the NE/4 and in the SW/4 of Section 29 and the NE/4 of Section 31 currently produce at commercial rates of approximately 480 MCFPD, 825 MCFPD, and 550 MCFPD, respectively, and in the NE/4 of Section 5, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, which produces at a low capacity of approximately 20 to 25 MCFPD.

(5) The evidence submitted indicates that the coal quality, or its gas producing capacity, over a two mile interval in this general area diminishes from the north to the south; therefore, a well drilled in the NW/4 of said Section 32 should increase the likelihood of encountering gas production from the Basin-Fruitland Coal (Gas) Pool in commercial quantity.

(6) No offset operator or other interested party appeared at the hearing in opposition to the subject application.

(7) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Basin-Fruitland 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 serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Merrion Oil & Gas Corporation for an "off-pattern" unorthodox coal gas well location in the Basin-Fruitland Coal (Gas) Pool to be drilled 790 feet from the North and West lines (Unit D) of Section 32, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, is hereby approved.

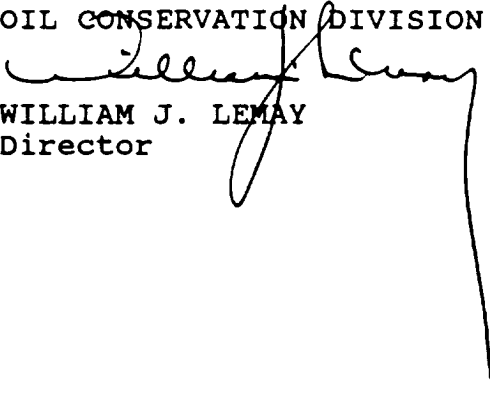
(2) The W/2 of said Section 32 shall be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

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

Case No. 10969
Order No. R-10120
Page 3

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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