



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

February 2, 1998

RECEIVED  
FEB - 5 1998

OIL CON. DIV.  
DCT. 3

Phillips Petroleum Company  
5525 Highway 64 - NBU 3004  
Farmington, New Mexico 87401  
Attention: Steven E. Jones

*Administrative Order DD-201(NSBHL)*

Dear Mr. Jones:

Reference is made to the following: (i) Phillips Petroleum Company's ("Phillips") original application to the Division, dated July 9, 1997; (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner dated July 16, 1997; (iii) a second letter from Mr. Stogner dated January 21, 1998; (iv) Mr. Steven E. Jones' response by letter dated January 27, 1998; and (v) the records of the Division in Santa Fe: all concerning Phillips' request to directional drill its proposed San Juan "32-7" Unit Well No. 220, San Juan County, New Mexico.

**The Division Director Finds That:**

- (1) The subject application has been duly filed under the provisions of:

(a) **Rule 111.D and E** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11274 on June 13, 1995;

(b) the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, which includes provisions for 320-acre gas spacing and proration units and wells to be located within either the NE/4 or SW/4 of the section and not closer than 790 feet from any outer boundary of the spacing unit nor closer than 130 feet from any quarter section line nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary; further, since the Basin-Fruitland Coal (Gas) Pool is a "non-prorated" gas pool, **Division General Rule 104.D(3)** applies, which limits gas spacing units to only one producing well therein; and,

(c) **Rule 104.F** of said Division general rules;

- (2) It is the Division's understanding that Phillips intends to place its proposed San Juan "32-7"

Unit Well No. 220 at an unorthodox surface coal gas well location 655 feet from the South line and 705 feet from the West line (Unit M) of irregular Section 5, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, drill vertically to an approximate depth of 600 feet, kick-off in a north-northwesterly direction, and directionally drill to an estimated true vertical depth of 3,100 feet within the Basin-Fruitland Coal (Gas) Pool at a targeted unorthodox subsurface coal gas well location that is approximately 1600 feet from the South line and 150 feet from the West line (Unit L) of said Section 5;

- (3) This well is to be dedicated to the previously approved 319.16-acre non-standard gas spacing and proration unit (see Division Order No. R-9305, issued in Case 10058 and dated September 27, 1990) comprising Lot 9 and that portion of Tract 53 lying in irregular Section 5 and Lots 8, 9, 10, 11, and 13, the NE/4 SW/4, NW/4 SE/4, and that portion of Tract 53 lying in irregular Section 6, both in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico;
- (4) It is necessary for the operator to directionally drill the San Juan "32-7" Unit Well No. 220 in the above-described manner since a location that is within 790 feet from the external boundary of said 319.16-acre gas spacing and proration unit is not feasible due to extreme topographical conditions in that immediate area around the Los Pinos River arm of Navajo Lake; and,
- (5) It appearing the applicant has satisfied all of the appropriate requirements prescribed in said **Rule 111.D and E**, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of said **Division General Rule 111** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11274 on June 13, 1995.

**It Is Therefore Ordered That:**

(1) The applicant, Phillips Petroleum Company ("Phillips") is hereby authorized to drill its San Juan "32-7" Unit Well No. 220, at an unorthodox surface coal gas well location 655 feet from the South line and 705 feet from the West line (Unit M) of irregular Section 5, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, and directionally drill in a north-northwesterly direction to an estimated true vertical depth of 3,100 feet within the Basin-Fruitland Coal (Gas) Pool as close as is reasonably possible to a targeted subsurface location considered to be unorthodox 1600 feet from the South line and 150 feet from the West line (Unit L) of said irregular Section 5.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the

subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

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

(3) The previously approved 319.16-acre non-standard gas spacing and proration unit (see Division Order No. R-9305, issued in Case 10058 and dated September 27, 1990) comprising Lot 9 and that portion of Tract 53 lying in irregular Section 5 and Lots 8, 9, 10, 11, and 13, the NE/4 SW/4, NW/4 SE/4, and that portion of Tract 53 lying in irregular Section 6, both in Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico, is to be dedicated to said well;

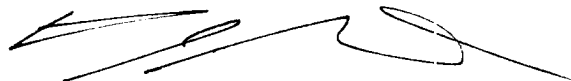
(4) The operator shall comply with all requirements and conditions set forth in **Division General Rule 111.E(2)** and any applicable requirements in **111.D and F** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11274 on June 13, 1995.

(5) **Form C-105** shall be filed in accordance with **Division Rule 1105** and the operator shall indicate thereon true vertical depth in addition to measured depths.

(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



KATHLEEN A. GARLAND  
Acting Director

S E A L

KAG/MES/kv

cc: Oil Conservation Division - Aztec /  
U. S. Bureau of Land Management - Farmington  
U. S. Bureau of Reclamation - Durango, Colorado



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

January 21, 1998

RECEIVED  
JAN 23 1998

OIL CON. DIV.  
DIST. 3

Phillips Petroleum Company  
5525 Highway 64 - NBU 3004  
Farmington, New Mexico 87401

Attention: Patrick H. Noah

*Re: Administrative application for directional drilling and an  
unorthodox bottom-hole coal gas well location: San Juan  
"32-7" Unit Well No. 220; irregular Section 5, Township 31  
North, Range 7 West, NMPM, Basin-Fruitland Coal (Gas)  
Pool, San Juan County, New Mexico.*

Dear Mr. Noah:

In reviewing my files of "pending matters", I found the subject application has been waiting on supplemental information since July 16, 1997 (see copy of letter attached).

Please contact me as to the status of this or this application at this time. If no response is received in the next 30-days I will proceed in taking any appropriate action deemed necessary. Thank you.

Sincerely, ^

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
W. Thomas Kellahin, Counsel for Phillips Petroleum Company - Santa Fe



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

July 16, 1997

Phillips Petroleum Company  
5525 Highway 64 - NBU 3004  
Farmington, New Mexico 87401

Attention: Patrick H. Noah

*Re: Administrative application for directional drilling and an  
unorthodox bottomhole coal gas well location: San Juan "32-  
7" Unit Well No. 220; irregular Section 5, Township 31  
North, Range 7 West, NMPM, Basin-Fruitland Coal (Gas)  
Pool, San Juan County, New Mexico.*

Dear Mr. Noah:

It has been determined subsequent to our initial evaluation of your application dated July 9, 1997 (received by the Division on July 10, 1997) that the issues of drainage, waste, and correlative rights need to be addressed in more detail. Within the S/2 equivalent of said irregular Section 5 (this description is used only as a reference) there are currently two producing Basin-Fruitland Coal gas wells: (i) the San Juan "32-7" Unit Well No. 218 (API No. 30-045-28359) located 681 feet from the South line and 1311 feet from the West line (Unit M), and (ii) the San Juan "32-7" Unit Well No. 219 (API No. 30-045-28360) located 2491 feet from the South line and 1795 feet from the East line (Unit J). The bottomhole location of the proposed San Juan "32-7" Unit Well No. 220 (1600' FSL & 150' FWL) would in essence result in the concentration of three wells within a relatively small area (S/2 equivalent of said Section 5). Further, the lateral distance between the No. 218 well and the No. 220 well will be approximately 1481 feet.

Please supplement the subject application addressing the following:

- (1) What effects on reservoir drainage is this close proximity of coal gas wells producing in an area of higher than normal density?
- (2) All associated correlative rights issues in having these wells so close to each other and potential drainage outside of the Unit area and within the Unit area should all interests not be ratified.
- (3) Why is this well necessary or why is this well not considered in anyway as the drilling of an unnecessary well.

(4) Since directional drilling appears to be the only option in developing the subject non-standard 319.16-acre gas spacing and proration unit (approved by Division Order No. R-9305 dated September 27, 1990) why is it that the bottomhole location can not be extended into the subject NSP at least a distance of 790 feet from its outer boundary?

Thank you for your assistance and cooperation in this matter. Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner  
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
William J. LeMay, Director - OCD, Santa Fe  
W. Thomas Kellahin, Counsel for Phillips Petroleum Company - Santa Fe