

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. 10048
Order No. R-9277

APPLICATION OF GREAT WESTERN
DRILLING COMPANY FOR A NON-
STANDARD GAS PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED
SEP 21 1990
OIL CON. DIV.
DIST. 3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of September, 1990, 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, Great Western Drilling Company, seeks approval of a non-standard 327.80-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool comprising Lots 3 and 4 and the S/2 SW/4 (SW/4 equivalent) of Irregular Section 8, and the W/2 W/2 of Section 17, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico.

6

CASE NO. 10048
Order No. R-9277
Page -2-

(3) The applicant proposes to dedicate said unit to its J. E. Decker Well No. 11 located at a standard coal gas well location 910 feet from the South line and 955 feet from the West line (Unit M) of said Section 8.

(4) Northwest Pipeline Corporation (Northwest), operator of Lots 1 and 2 and the S/2 SE/4 of Irregular Section 8, which acreage is contained within its Cox Canyon Unit, appeared at the hearing in opposition to the application.

(5) According to evidence presented, the applicant filed Division Form Nos. C-101 and C-102 (Application to Drill and Acreage Dedication Plat, respectively) for the subject well on July 24, 1990, with the Aztec district office of the Division.

(6) According to applicant's testimony, Division Form C-102 mistakenly described the proposed proration unit as comprising all of Irregular Section 8, which consists of approximately 336 acres.

(7) The applicant has drilled its J. E. Decker Well No. 11 and has encountered commercial gas production from the Basin-Fruitland Coal Gas Pool.

(8) The subject well is currently shut-in as per Division Rules and Regulations until such time as a non-standard gas proration unit is approved or until such time as a standard gas proration unit is pooled or communitized.

(9) The proposed proration unit is owned undivided by Great Western Drilling Company, Mesa Operating Limited Partnership and Davoil Inc., who have all voluntarily participated in and undertaken the risk involved in drilling the subject well.

(10) Northwest contends that the most logical and prudent method of developing coal gas reserves underlying Sections 8 and 17 would be to form three standard (more or less) gas proration units comprising, respectively, all of Irregular Section 8, the W/2 of Section 17, and the E/2 of Section 17.

CASE NO. 10048

Order No. R-9277

Page -3-

(11) Northwest further contends that it should be allowed to voluntarily commit its interest in Section 8 to the J. E. Decker Well No. 11 by paying its proportionate share of well costs to the applicant without any reasonable compensation for risk undertaken or time value of money.

(12) Northwest controls approximately 480 acres in Section 17, and, in anticipation of developing the coal gas reserves, has staked two standard coal gas well locations in said section.

(13) Northwest testified that as a result of approval of the subject application, it will be necessary to form two additional non-standard coal gas spacing units in Sections 8 and 17, and it may be necessary to drill at unorthodox locations in Sections 8 and 17 in order to protect its acreage from drainage.

(14) The evidence and testimony presented in this case indicate that approval of the subject application would tend to:

- a) Disrupt the normal pattern of development in the Basin-Fruitland Coal Gas Pool in Sections 8 and 17;
- b) Cause the drilling of an unnecessary second well in Section 8.
- c) Leave a substantial portion of Section 17 undrained if in fact only one well is drilled in said section, thereby causing waste.

(15) The application should therefore be denied.

(16) In the event the applicant and Northwest are unable to voluntarily consolidate their interests in a standard proration unit comprising Irregular Section 8 based upon terms and conditions reasonable and fair to both parties, the applicant should apply to the Division for a force pooling order which would address issues of well costs, administrative overhead rates, and risk penalty.

CASE NO. 10048
Order No. R-9277
Page -4-

M-8-32-11

IT IS THEREFORE ORDERED THAT:

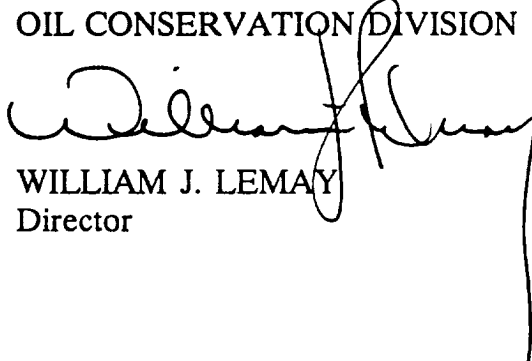
(1) The application of Great Western Drilling Company for approval of a non-standard 327.80-acre gas spacing and proration unit for the Basin-Fruitland Coal Gas Pool comprising Lots 3 and 4 and the S/2 SW/4 (SW/4 equivalent) of Irregular Section 8, and the W/2 W/2 of Section 8, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico, said unit to be dedicated to the J. E. Decker Well No. 11 located at a standard coal gas well location 910 feet from the South line and 955 feet from the West line (Unit M) of said Section 8, is hereby denied.

(2) The J. E. Decker Well No. 11 shall remain shut-in until such time as a standard proration unit comprising Irregular Section 8 is formed either by voluntary communitization or by force pooling order of the Division, or until such time as the applicant obtains Division approval for any other acreage dedication option.

(3) 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


WILLIAM J. LEMAY
Director

S E A L