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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

F. Montoya 27 #1

P-27-32-13

ORDER NO. R-9905

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

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ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 6 and 20, 1993 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of June, 1993, 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, Hallwood Petroleum Inc., seeks authority to recomplete its F Montoya "27" Well No. 1 from the Basin-Dakota and Blanco-Mesaverde Gas Pools to the Basin-Fruitland Coal Gas Pool at an unorthodox coal gas well location 790 feet from the South and East lines (Unit P) of Section 27, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico. The S/2 of Section 27 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) The subject well is located within the Basin-Fruitland Coal Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which require standard 320-acre gas spacing and proration units and which further require that wells be located in either the NE/4 or SW/4 of a single governmental section no closer than 790 feet from any outer boundary of the proration 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.

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(4) The location of the F Montoya "27" Well No. 1 is standard in the Basin-Fruitland Coal Gas Pool with respect to the setback requirements but is unorthodox with respect to the quarter section location.

(5) The applicant's geologic evidence indicates that the F Montoya "27" Well No. 1 is located less than two miles from the outcrop of the monocline containing the Fruitland Coal bed. The evidence further indicates that the SE/4 of Section 27 is the only quarter section which contains substantial acreage believed to be below the point of flexure of that monocline and therefore potentially productive of gas from the Basin-Fruitland Coal Gas Pool.

(6) Applicant's evidence and testimony indicate that its gas reserves underlying the S/2 of Section 27 are best tested for production with a well at the current location.

(7) Due to the geologic nature of the Fruitland Coal bed, it is unlikely that any other well will be drilled to test the Basin-Fruitland Coal Gas Pool within Section 27.

(8) Applicant's evidence and testimony indicate that current producing rates from the Dakota and Mesaverde within the subject well are such that they are uneconomic to produce.

(9) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected 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 prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Hallwood Petroleum Inc., is hereby authorized to recomplete its F Montoya "27" Well No. 1 from the Basin-Dakota and Blanco-Mesaverde Gas Pools to the Basin-Fruitland Coal Gas Pool at an unorthodox coal gas well location 790 feet from the South and East lines (Unit P) of Section 27, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico.

(2) The S/2 of Section 27 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

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CASE NO. 10728

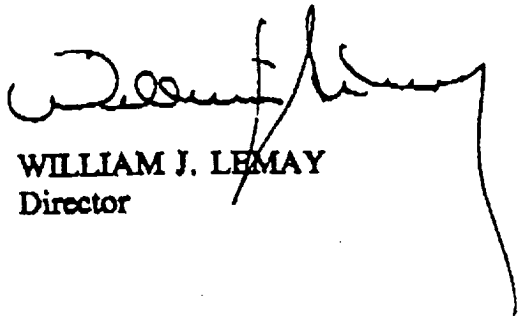
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(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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