

**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. 10558
Order No. R-9743**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of October, 1992, 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., seeks approval to drill its proposed EPNG "D" Com Well No. 301 at an unorthodox coal gas well location 1175 feet from the North line and 1115 feet from the West line (Unit D) of Section 36, Township 30 North, Range 8 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. The N/2 of Section 36 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 proposed to be a replacement well for the EPNG "D" Com Well No. 300 located at a standard coal gas well location 800 feet from the North line and 950 feet from the East line (Unit A) of Section 36.

(4) 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 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.

(5) The location of the proposed EPNG "D" Com Well No. 301 is standard with respect to the setback requirements but is unorthodox with respect to the quarter section location.

(6) The EPNG "D" Com Well No. 300 was drilled in 1990 and was completed in the Basin-Fruitland Coal Gas Pool at an initial producing rate of 88 MCF gas per day. The EPNG "D" Com Well No. 300 is currently capable of producing approximately 71 MCF gas per day.

(7) The applicant attributes the low producing rate of the EPNG "D" Com Well No. 300 to low permeability within the coal seams in this area.

(8) The applicant further contends that within Section 36 there exists a permeability transition zone within the coal seams.

(9) Although the applicant's geologic evidence does not conclusively establish the existence of a permeability transition zone, further evidence presented does indicate that wells generally to the north and west of the EPNG "D" Com Well No. 300 exhibit substantially greater producing rates.

(10) The wells offsetting the N/2 of Section 36 located in the SW/4 of Section 25, the NE/4 of Section 35 and the SW/4 of Section 36 currently produce at rates of 1,588 MCF, 2,666 MCF and 1,816 MCF gas per day, respectively.

(11) Applicant's evidence and testimony indicates that its gas reserves underlying the N/2 of Section 36, which it has estimated to be 13.4 BCF, are currently being drained and will continue to be drained by offsetting wells if its application is not approved.

(12) Applicant estimates that the EPNG "D" Com Well No. 300 will ultimately recover only 168 MMCF of gas from the subject proration unit.

(13) The evidence in this case does demonstrate that the applicant cannot recover its just and equitable share of the gas reserves underlying the N/2 of Section 36 by producing its EPNG "D" Com Well No. 300.

(14) All of the acreage offsetting the N/2 of Section 36 has been drilled, and so approval of the application will not serve to disrupt on-pattern development in the Basin-Fruitland Coal Gas Pool.

(15) Amoco Production Company, the owner of the offsetting wells as described in Finding No. (10) above, appeared through counsel at the hearing but presented no evidence or testimony in this case.

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

(17) At the hearing, the applicant testified that if its application is approved, it proposes to utilize the EPNG "D" Com Well No. 300 as an observation well in the Basin-Fruitland Coal Gas Pool.

(18) In order to allow the applicant the opportunity to produce its just and equitable share of the gas reserves in the Basin-Fruitland Coal Gas Pool underlying the N/2 of Section 36, thereby protecting its correlative rights, the application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to drill its EPNG "D" Com Well No. 301 at an unorthodox coal gas well location 1175 feet from the North line and 1115 feet from the West line (Unit D) of Section 36, Township 30 North, Range 8 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

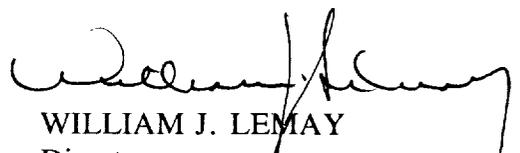
(2) The N/2 of Section 36 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) Subsequent to the drilling and completing of the EPNG "D" Com Well No. 301 and if such well is determined to be a commercial producer, the applicant shall not utilize the EPNG "D" Com Well No. 300 as a producing well in the Basin-Fruitland Coal Gas Pool.

(4) 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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