



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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November 17, 1992

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& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10593
ORDER NO. R-9767

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene
Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Farmington Office
OCD Aztec Office

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& SHERIDAN, P.A.
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November 9, 1992

HAND-DELIVERED

RECEIVED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

OIL CONSERVATION DIVISION

Re: Case 10593:
Application of Amoco Production Company for an Unorthodox Coal Gas
Well Location and Acreage Rededication, San Juan County, New Mexico

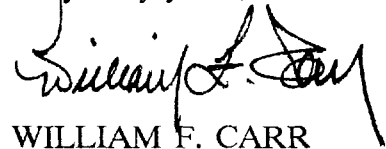
Dear Mr. Catanach:

Enclosed is Amoco Production Company's proposed Order of the Division in the above-referenced case.

If you need anything further from Amoco to assist you in this matter, please advise.

Best regards.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enc.

cc w/enc.: Eric L. Nitcher, Esq.
J. W. Hawkins
Amoco Production Company
Post Office Box 800
Denver, Colorado 80201

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
OCT 10 1992
Case No. 10593
Order No. R-_____

APPLICATION OF AMOCO PRODUCTION COMPANY
FOR ACREAGE REDEDICATION AND AN
UNORTHODOX COAL GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

**AMOCO PRODUCTION COMPANY'S PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 5, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of November, 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, Amoco Production Company, seeks approval to drill its proposed Fields A Well No. 21-R at an unorthodox coal gas well location 820 feet from the North line and 1820 feet from the West line (Unit C) of Section 25, Township 32 North, Range 11 West, N.M.P.M., Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(3) Applicant also seeks authority to rededicate the acreage in Section 25 so that the East half of the section will be dedicated to Amoco's Fields A Well No. 20 located 790 feet from the North and East line of Section 25 forming a standard 320-acre gas spacing and proration unit for said pool, and the West half of the section will be dedicated to Amoco's proposed Fields A Well No. 21-R forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The working interest ownership and the royalty interest ownership is common throughout Section 25 and Applicant's application for acreage rededication should be granted.

(5) The subject well is proposed to be a replacement well for the Amoco Production Company Fields A Well No. 21 located at a standard coal gas well location 1330 feet from the South line and 1150 feet from the West line (Unit L) of Section 25.

(6) 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.

(7) The location of the proposed Fields A Well No. 21-R is standard with respect to the setback requirements but is unorthodox with respect to the quarter section location.

(8) The Amoco Fields A Well No. 21 was drilled in 1990 and is currently capable of producing approximately 83 MCF gas per day.

(9) The applicant attributes the low producing rate of the Fields A Well No. 21 to low permeability within the coal seams in this area.

(10) The applicant further contends that within Section 25 there exists a permeability transition zone within the coal seams.

(11) Although the applicant's geologic evidence does not conclusively establish the exact location of the permeability transition, the evidence presented does demonstrate that wells generally to the north and east of the Fields A Well No. 21 exhibit substantially greater producing rates.

(12) The wells offsetting the W/2 of Section 25 located in the SW/4 of Section 24 and the NE/4 of Section 25 currently produce at rates of 7000 MCF, and 1000 MCF gas per day, respectively.

(13) Applicant's evidence and testimony indicates that its original gas reserves underlying the W/2 of Section 25, which it has estimated to be 12.3 BCF, are currently being drained and will continue to be drained by offsetting wells if its application is not approved.

(14) Applicant estimates that the Fields A Well No. 21 will ultimately recover only 340 MMCF of gas from the subject proration unit or only 3% of the original gas in place.

(15) The evidence in this case demonstrates that the applicant cannot recover its just and equitable share of the gas reserves underlying the W/2 of Section 25 by producing its Fields A Well No. 21.

(16) All of the acreage offsetting the W/2 of Section 25 has been drilled, so approval of the application will not serve to disrupt on-pattern development in the Basin-Fruitland Coal Gas Pool.

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

(18) At the hearing, the applicant testified that if its application is approved, it proposes to utilize the Fields A Well No. 21-R as an observation well in the Basin-Fruitland Coal Gas Pool.

(19) 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 W/2 of Section 25, thereby protecting its correlative rights, the application should be approved.

Case No. 10593

Order No. R-_____

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IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to drill its Fields A Well No. 21-R at an unorthodox coal gas well location 820 feet from the North line and 1820 feet from the West line (Unit C) of Section 25, Township 32 North, Range 11 West, N.M.P.M., Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

(2) The acreage in Section 25 shall be rededicated with the E/2 of the section dedicated to the Amoco Production Company Fields A Well No. 20 located 790 feet from the North and East lines of Section 25 forming a standard 320-acre gas spacing and proration unit for said pool and the W/2 of Section 25 dedicated to the above described Amoco Production Company Fields A Well No. 21-R forming a standard 320-acre gas spacing and proration unit for said pool.

(3) Subsequent to the drilling and completing of the Amoco Fields A Well No. 21-R, and if such well is determined to be a commercial producer, the applicant shall not utilize the Fields A Well No. 21 as a producing well in the Basin-Fruitland Coal Gas Pool.

(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