

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. 10175
Order No. R-9415

APPLICATION OF MARALEX RESOURCES,
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 January 10, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of January, 1991, 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, Maralex Resources, Inc., seeks approval for an unorthodox coal gas well location for its Hammond W. N. Federal Well No. 11 to be drilled 205 feet from the North line and 130 feet from the East line (Unit A) of Section 34, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, to test the Basin-Fruitland Coal Gas Pool.

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(3) The applicant proposes to dedicate the E/2 of said Section 34 to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The applicant presented evidence and testimony which indicates that the proposed unorthodox location is necessitated by severe topographical conditions within the NE/4 of said Section 34, including the presence of a steep canyon.

(5) According to further evidence and testimony, directional drilling operations would increase the drilling costs such that the well cannot be economically justified.

(6) The affected offset acreage to the north and northeast is currently operated by the applicant.

(7) The affected offset acreage to the east is currently operated by Great Lakes Chemical Company, who did not appear at the hearing in opposition to the application.

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

(9) 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:

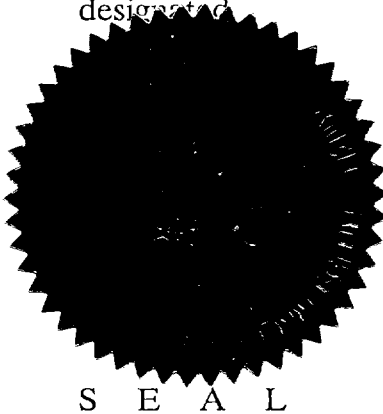
(1) The application of Maralex Resources, Inc. for an unorthodox coal gas well location for its Hammond W. N. Federal Well No. 11 to be drilled 205 feet from the North line and 130 feet from the East line (Unit A) of Section 34, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, to test the Basin-Fruitland Coal Gas Pool is hereby approved.

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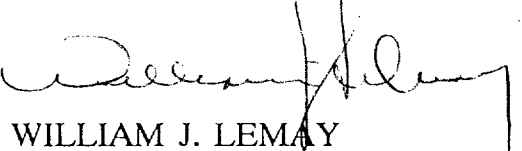
(2) The E/2 of said Section 34 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(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