



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

JARREY CARRUTHERS
GOVERNOR

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Case 9420

M-E-M-O-R-A-N-D-U-M (3-88-12)

TO: MICHAEL ^{E.} STOGNER, CHIEF HEARING OFFICER

FROM: Ernie Busch, Geologist District 3

SUBJECT: Docket a Case to Create a Basin Wide Pool and
Special Pool Rules for Fruitland Coalbed Gas
Production

DATE: May 27, 1988

Please docket a case on our own motion for July 6, 1988, to be held in Room 7103 of San Juan College in Farmington, New Mexico, to consider the creation of a basin wide pool and special pool rules for Fruitland coalbed gas production. Please see the attached copy of the sample order for the details of our application. Thank you for your help in this matter and let me know if you need anything else.

dj

xc: E. Busch
Bill LeMay
File

IT IS THEREFORE ORDERED:

(A) That, effective _____, a new pool in all or parts of San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico, classified as a gas pool for production from the Fruitland Coalbed Seams, is hereby created and designated the San Juan Basin Fruitland Coalbed Methane Gas Pool, with the vertical limits comprising all coal seams within the stratigraphic interval from approximately 2450 feet to 2880 feet on the Gamma Ray/Bulk Density log of the Amoco Production Company Schneider Gas Com "B" Well No. 1, located 1110 feet from the South line and 1185 feet from the West line of Section 28, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico, which for the purpose of this order shall include all stratigraphically equivalent coal seams which by virtue of intertonguing or other geological events may be found within the upper Pictured Cliffs Formation. The horizontal limits shall consist of the following described lands:

Township 19 North, Ranges 1 West through 6 West, NMPM
Township 20 North, Ranges 1 West through 8 West, NMPM
Township 21 North, Ranges 1 West through 9 West, NMPM
Township 22 North, Ranges 1 West through 11 West, NMPM
Township 23 North, Ranges 1 West through 14 West, NMPM
Township 24 North, Ranges 1 East through 16 West, NMPM
Township 25 North, Ranges 1 East through 16 West, NMPM
Township 26 North, Ranges 1 East through 16 West, NMPM
Township 27 North, Ranges 1 West through 16 West, NMPM
Township 28 North, Ranges 1 West through 16 West, NMPM
Township 29 North, Ranges 1 West through 15 West, NMPM
Township 30 North, Ranges 1 West through 15 West, NMPM
Township 31 North, Ranges 1 West through 15 West, NMPM
Township 32 North, Ranges 1 West through 13 West, NMPM

(B) That for the purpose of this order a San Juan Basin Fruitland Coalbed Methane Gas Well is a well that is producing from the Fruitland Coalbed Seams as demonstrated by a preponderance of data which could include the following data sources:

- a) Electric Log Data
- b) Drilling Time
- c) Drill Cutting or Log Cores
- d) Mud Logs
- e) Completion Data
- f) Gas Analysis
- g) Water Analysis
- h) Reservoir Performance
- i) Other evidence that indicates the production is predominately coalbed methane.

No one characteristic of lithology, performance or sampling will either qualify or disqualify a well from being classified as a Fruitland Coalbed Methane Gas Well.

SPECIAL RULES AND REGULATIONS FOR THE
SAN JUAN BASIN FRUITLAND COALBED METHANE GAS POOL
SAN JUAN, RIO ARRIBA, MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO

RULE 1. GENERAL

Each well completed or recompleted in the San Juan Fruitland Coalbed Methane Gas Pool shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. POOL ESTABLISHMENT

That the Director may require the operator of a San Juan Basin Fruitland Coalbed Methane Gas Well, a Fruitland Sand Well or Pictured Cliffs Sand Well, which is proposed in the lands described in (A) above, furnish information and data that would demonstrate to the satisfaction of the Director that the existing wells are producing and the proposed well will produce from the appropriate common source of supply.

RULE 3 (a). WELL SPACING & LOCATION

A standard drilling unit for a San Juan Basin Fruitland Coalbed Methane Gas Well shall consist of 320 acres, plus or minus 25%, substantially in the form of a rectangle, consisting of a half section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located no closer than 790 feet to any outer boundary of the tract, nor closer than 130 feet to any interior quarter section line.

In the absence of a standard 320 acre drilling unit, an application for administrative approval of a non-standard unit may be made to the Division Director provided that the acreage to be dedicated to the non-standard unit is contiguous, and the non-standard unit lies wholly within a single governmental half section, and further provided that the operator seeking the non-standard

unit obtains a written waiver from all offset operators of drilled tracts or owners of undrilled tracts adjacent to any point common to the proposed non-standard unit. In lieu of the waiver requirements the applicant may furnish proof of the fact that all of the aforesaid were notified by registered or certified mail (return receipt requested) of the intent to form such non-standard unit. The Director may approve the application if no objection has been received to the formation of such non-standard unit within 20 working days after the Director has received the application.

The drilling unit orientation will be determined by the first well permitted to be drilled in any one particular standard section.

RULE 3 (b). UNORTHODOX WELL LOCATION

The Director shall have authority to grant an exception to the well location requirements of Rule 3 (a) above without notice and hearing when the necessity for such unorthodox location is based upon topographic conditions or the recompletion of a well previously drilled into a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.

Applications for administrative approval of unorthodox locations shall be filed in duplicate (original to Santa Fe and one copy to the appropriate District Office) and shall be accompanied by plats showing the ownership of all leases offsetting the spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based on topography, the plat shall also show and describe the existent topographic conditions.

If the proposed location is unorthodox by virtue of being located closer to the outer boundary of the spacing unit than permitted by rule, actual

notice shall be given to any operator of a spacing unit or owner of an undrilled lease toward which the proposed location is being moved.

All such notices shall be given by certified mail (return receipt requested) and the application shall state that such notification has been given. The Director may approve the unorthodox location upon receipt of waivers from all such offset operators or if no offset operator has entered an objection to the unorthodox location within 20 working days after the Director has received the application.

The Director may at his discretion, set any application for administrative approval of an unorthodox location for public hearing.

RULE 4. INCREASED WELL DENSITY

The Director shall have the authority to administratively approve one (1) additional San Juan Basin Fruitland Coalbed Methane Gas Well provided the following conditions are met:

(a) The increased density well must conform to the spacing and boundary footage requirements set forth in Rule 3 (a). and the increased density well cannot be located in the same quarter section as the existing well.

(b) The operator must notify by certified mail (return receipt requested) all: offset operators located in contiguous standup or laydown drilling units; and in the case that the offsetting units are not developed, then notice shall be provided to the owners of contiguous lands.

(c) If no objection is received within 20 working days from receipt of notice, then the application will be administratively approved by the Director. If any objection is received within the time limit, then the Director will set the application for increased well density for public hearing.

RULE 5. HORIZONTALLY DRILLED WELLS

The Director shall have the authority to administratively approve an intentionally deviated well in the San Juan Basin Fruitland Coalbed Methane Gas Pool for the purpose of penetrating the coalbed seams by means of a wellbore drilled horizontally, at any angle deviated from vertical, through such coalbed seams provided the following conditions are met:

(a) The surface location of the well is within the permitted drilling unit area of the proposed well.

(b) The bore hole must not enter or exit the coalbed seams outside of a drilling window which is in accordance with the setback requirements of Rule 3 (a).

If the operator applies for a permit to drill a horizontal well in which the wellbore is intended to cross the interior quarter section line, the operator must notify by certified mail (return receipt requested) all: offset operators located in contiguous standup or laydown developed drilling units; and in the case that the offsetting units are not developed, then notice shall be provided to the owners of contiguous lands.

If no objection is received within 20 working days from receipt of notice, then the application may be administratively approved by the Director. If any objection is received within the time limit, then the Director will set the application for horizontally drilled wells for public hearing.

RULE 6 (a) TESTING.

In lieu of the gas well testing requirements of Order No. R-8170, testing for the San Juan Basin Fruitland Coalbed Methane Gas Pool shall consist of: a

minimum twenty-four (24) hour shut-in period, unless otherwise specified by the Director, and a three (3) hour production test. The following information from this initial production test must be reported:

- (1) the surface shut in tubing and/or casing pressure and date these pressures were recorded;
- (2) the length of the shut-in period;
- (3) the final flowing casing and flowing tubing pressures and the duration and date of the flow period;
- (4) the individual fluid flow rate of gas, water and oil which must be determined by use of separator; and
- (5) the method of production, e.g. - flowing, pumping, etc., and disposition of gas.

RULE 6 (b). VENTING OR FLARING

Venting or flaring for extended well testing will be permitted for completed San Juan Basin Fruitland Coalbed Methane Gas Wells for a test period of not more than thirty (30) days or a cumulative produced volume of 50 MMCF of vented gas, whichever occurs first, the operator will notify the Director of this testing period.

If an operator has cause to perform further testing of a well, then administrative approval may be made by the Director to permit an additional period time and volume limit, set by the Director after sufficient evidence to justify this request has been submitted. In no case shall a well be administratively authorized to vent for a period greater than twelve (12) months.

RULE 7. EXISTING WELLS

That the operator of an existing Fruitland, Pictured Cliffs or commingled Fruitland/Pictured Cliffs well, which is in conformance with Paragraphs (A) and (B) of this order and is drilling to, completed, or has an approved APD for which the actual or intended completed interval is the San Juan Basin Fruitland Coalbed Methane Gas Pool, may request such well be reclassified as a San Juan Basin Fruitland Coalbed Methane Gas Well by the submittal of a new Form C-102 and C-104 within 90 days of the effective date of this order; this well may be so designated with its original spacing unit size as a non-standard San Juan Basin Fruitland Coalbed Methane Gas Well or may be enlarged to be in conformance with Rule 3 (a).