

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

MAR 7 1991

OIL CONSERVATION DIVISION

CASE NO. 9420
ORDER NO. R-8768

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
(OCD) ON ITS OWN MOTION TO REOPEN
CASE NO. 9420

SECOND PRE-HEARING STATEMENT

This Second Pre-hearing Statement is submitted by
Meridian Oil Inc. to amend its statement filed February 12,
1991.

APPEARANCE OF PARTIES

PARTY

Meridian Oil Inc.
P.O. Box 4189
Farmington, NM 87499
Attn: Alan Alexander
(505) 326-9700

ATTORNEY

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF POSITION

Meridian Oil Inc. supports making the current Basin
Fruitland Coal Gas Rules permanent based upon the record
made at the Examiner hearing held on February 22, 1991 with
the exception of adoption of the administrative changes
proposed by Meridian and more specifically described in
Exhibit "A" attached hereto, and with the adoption of infill

Pre-hearing Statement
NMOCD Case No. 9420
Page 2

procedures and findings as were specifically described in Exhibit "B" attached hereto, Meridian is opposed to a "down spacing" provision as proposed by Nassau Resources Inc. and Dugan Production Corp.

PROPOSED EVIDENCE

WITNESSES (name and expertise)	EST. TIME	EXHIBITS
George Dunn (P.E.)	30-45 Min.	10 Estimated
Alan Alexander (landman)	30 Min.	8 Estimated

Copies sent per Exhibit "C."

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

**BASIN-FRUITLAND COAL GAS POOL RULES
PROPOSED ADMINISTRATIVE AMENDMENTS**

(Amendments underlined)

RULE 3. The Division Director may require the operator of a proposed or existing Basin-Fruitland Coal Gas Well, Fruitland Sandstone Well, or Pictured Cliffs, Sandstone Well, to submit certain data as described in Rule (2) above, which would otherwise not be required by Division Rules and Regulations, in order to demonstrate to the satisfaction of the Division that said well will be or is currently producing from the appropriate common source of supply. The confirmation by the Division that a well is producing exclusively from the Basin-Fruitland Coal Gas Pool shall consist of approval of Division Form C-104.

RULE 5. The Supervisor of the Aztec district office of the Division shall have the authority to approve a non-standard gas proration unit within the Basin-Fruitland Coal Gas pool without notice and hearing when the unorthodox size or shape is necessitated by a variation in the legal sub-division of the United States Public Lands Survey and the non-standard unit is not less than 70% nor more than 130% of a standard gas proration unit. The Supervisor shall also have the authority to approve a non-standard gas proration unit consisting of an entire governmental section which contains not less than 70% nor more than 130% of the acreage assigned to a standard gas proration unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard unit and the acreage contained therein.

RULE 6. The Division Director may grant an exception to the requirements of Rule (4) when the unorthodox size or shape of the gas proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and the non-standard gas proration unit is less than 70% or more than 130% of a standard gas proration unit, or where the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a governmental half section, except as provided in paragraph (c) following.

(c) The non-standard unit conforms to a previously approved Blanco Mesaverde Pool or Basin Dakota Pool non-standard unit as evidenced by applicant's reference to the Division's order number creating the Mesaverde or Dakota non-standard unit.

PROPOSED ADMINISTRATIVE AMENDMENTS TO THE BASIN
FRUITLAND COAL GAS POOL RULES

RULE 6. (continued)

(d) The applicant presents written consent in the form of waivers from all offset operators or owners of undrilled tracts and from all operators owning interests in the half section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(e) In lieu of Paragraph (d) of this rule, the applicant may furnish proof of the fact that all of the aforesaid parties were notified by registered or certified mail of his intent to form such non-standard unit. The Division Director may approve the application if not such party has entered an objection to the formation of such non-standard unit within 30 days after the Division Director has received the application.

(f) The Division Director, at his discretion, may set any application under Rule (6) for public hearing.

**PROPOSED INFILL AMENDMENT
TO COAL GAS RULES**

FINDING NO. _____: There are areas of the pool where combinations of reservoir properties may justify the drilling of a second well on standard 320 acre units or approved non-standard units.

FINDING NO. _____: Individual operators should be allowed, on a case-by-case basis, to present evidence to the Division to support the drilling of a second well on standard 320 acre units or approved non-standard units for limited, defined areas of the pool.

RULE _____: Individual operators may apply to the Division for an exception to Rule 4 to allow the drilling of a second well on standard 320 acre units or on approved non-standard units in specific, defined areas of the pool. The second well shall be located in the undrilled 1/4 section and shall be located with respect to the spacing unit boundaries as described in Rule 7. Such exception shall be granted only after notice and hearing. Any party with a mineral interest in the Basin-Fruitland Coal Gas Pool shall have standing to appear and participate.

Written notice of such application shall be sent not less than 45 days prior to hearing to operators of wells, owners of undrilled leases, and unleased mineral owners within the boundaries of the spacing unit for which the

drilling of the second well is requested, and to all operators of wells within one mile of such area. Notice shall be limited to owners of mineral rights in the Basin-Fruitland Coal Gas Pool. Notice may be provided by first class mail.

CERTIFICATE OF SERVICE

We hereby certify that on 28th day of March, 1991, we served by first class mail, postage prepaid, true copies of the Pre-hearing Statement of Meridian Oil Inc. on the following counsel and parties record:

(Hand Delivered)
Oil Conservation Division
c/o Bob Stovall, Esq.
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Amoco Production Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

Blackwood & Nichols Company
Devon Energy Corporation
c/o William F. Carr, Esq.
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

Marathon Oil Company
c/o W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

Phillips Petroleum Company
c/o W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

ARCO Oil and Gas Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

Texaco, Inc.
c/o William F. Carr, Esq.
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

Meridian Oil Inc.
c/o W. Thomas Kellahin, Esq.
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

Union Oil Company of
California
c/o James G. Bruce, Esq.
Hinkle, Cox, Eaton,
Coffield & Hensley
500 Marquette, N.W., Suite 800
Albuquerque, New Mexico 87102

ICF Resources, Inc.
c/o Bob Stovall, Esq.
Post Office 2088
Santa Fe, New Mexico 87504

EXHIBIT "C"

Mesa Operating Limited
Partnership
c/o J. Scott Hall, Esq.
Miller, Stratvert,
Torgerson & Schlenker, P.A.
125 Lincoln Avenue, Suite 303
Santa Fe, New Mexico 87504

Dugan Production Corp.
Post Office Box 420
Farmington, New Mexico 87499
Attn: John D. Roe, Jr.

BHP Petroleum Co.
6 Desta Drive, Suite 3200
Midland, Texas 79705
Attn: Randall Davis

Conoco, Inc.
Post Office Box 2197
Houston, Texas 77252
Attn: Thomas Burton, Esq.

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702
Attn: Tom Lowry, Esq.

Nassau Resources Inc.
Jerome P. McHugh & Associates
c/o Richard Virtue
Post Office Box 2187
Santa Fe, New Mexico 87504

Gas Research Institute
c/o Bob Stovall, Esq.
Post Office Box 2088
Santa Fe, New Mexico 87504

Koch Exploration Company
Post Office Box 2256
Wichita Falls, Kansas 67201

Conoco, Inc.
c/o W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

BHP Petroleum Co.
c/o W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

Phillips Petroleum Company
300 W. Arrington, Suite 200
Farmington, New Mexico 87401
Attn: Tom Moore

Meridian Oil Inc.
Post Office Box 4289
Farmington, New Mexico 87499
Attn: Alan Alexander

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin

Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285



GIANT EXPLORATION AND
PRODUCTION COMPANY

P.O. Box 2810
Farmington, New Mexico
87499

505
326-3325

91 JAN 30 10 9 29

January 29, 1991

Mr. David R. Catanach
NM Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Subject: Basin Fruitland Coal Gas Pool

Dear Mr. Catanach:

This letter is to inform you that it is not the intent of Giant Exploration & Production Company to present testimony at the February 21 hearing concerning pool rules for the Basin Fruitland Coal Gas Pool.

While Giant has drilled over 60 wells in the pool to date, we are not convinced there is sufficient production history to draw a conclusion as to the most efficient spacing. Without what we consider to be adequate drainage data, we support the continuation of 320 acre spacing. We believe that the addition of an optional infill well would be prudent due to local variations in the reservoir. Further, we would like to see the NMOCDC abandon the standard of drilling only in the NE and SW quarter sections. This would increase the drillable locations in areas of the basin where the coal is thin or not present.

If you have any questions concerning Giant's position please contact me at the letterhead address or call me at (505) 326-3325.

Very truly yours,

John C. Corbett
Vice President - Exploration

JCC:clm

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MAR 01 1991

OIL CONSERVATION DIV.
SANTA FE

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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CONSIDERING:

CASE NO. 9420
ORDER NO. R-8768

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
(OCD) ON ITS OWN MOTION TO REOPEN
CASE NO. 9420

STATEMENT OF POSITION

This statement is submitted by Conoco, Inc. as required
by the Oil Conservation Division.

APPEARANCE OF PARTIES

PARTY

Conoco, Inc.
P.O. Box 2197
Houston, TX 77252
Attn: Thomas Burton, Esq.
(713) 293-1000

ATTORNEY

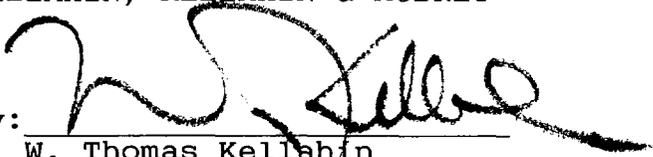
W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF POSITION

Conoco, Inc. supports making the current Basin
Fruitland Coal Gas Rules permanent based upon the record
made at the Examiner hearing held on February 22, 1991.

Statement of Position
NMOCD Case No. 9420
Page 2

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
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STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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CONSIDERING:

OIL CONSERVATION DIVISION

CASE NO. 9420
ORDER NO. R-8768

IN THE MATTER OF CASE NO. 9420
BEING REOPENED BY THE DIVISION
TO RECONSIDER THE SPECIAL RULES
FOR THE BASIN-FRUITLAND COAL GAS
POOL, SAN JUAN COUNTY, NEW MEXICO.

MOTION FOR INFILL DRILLING
PROCEDURES FOR BASIN-FRUITLAND
COAL GAS POOL

MERIDIAN OIL INC., AMOCO PRODUCTION COMPANY, ARCO OIL &
GAS COMPANY, TEXACO, INC., MARATHON OIL COMPANY, DEVON
ENERGY CORPORATION, PHILLIPS PETROLEUM COMPANY, and BHP
PETROLEUM, INC. move that the temporary special rules and
regulations for the Basin-Fruitland Coal Gas Pool
established by Division Order R-8768 (Case No. 9420) be made
permanent based upon the evidence introduced at the hearing
of this case held on February 22, 1991, finding that said
record constitutes substantial evidence upon which to make

those rules permanent and adopting infill findings and an infill procedure as set forth on Exhibit "A" attached to this motion.

Respectfully submitted:

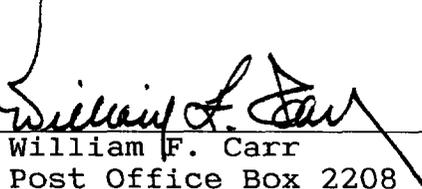
KELLAHIN, KELLAHIN & AUBREY

CAMPBELL & BLACK, P.A.

By:


W. Thomas Kellahin
Post Office Box 2265
Santa Fe, NM 87504
(505) 982-4285

By:


William F. Carr
Post Office Box 2208
Santa Fe, NM 87504
(505) 988-421

ATTORNEYS FOR MERIDIAN OIL
INC., PHILLIPS PETROLEUM
COMPANY, MARATHON OIL
COMPANY and BHP PETROLEUM
INC.

ATTORNEYS FOR AMOCO
PRODUCTION COMPANY, ARCO
OIL & GAS COMPANY, DEVON
ENERGY CORPORATION and
TEXACO, INC.

**PROPOSED INFILL AMENDMENT
TO COAL GAS RULES**

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drilling of the second well is requested, and to all operators of wells within one mile of such area. Notice shall be limited to owners of mineral rights in the Basin-Fruitland Coal Gas Pool. Notice may be provided by first class mail.

**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. 9420

IN THE MATTER OF CASE 9420 BEING REOPENED
PURSUANT TO THE PROVISIONS OF DIVISION
ORDER NO. R-8768, WHICH ORDER
CREATED THE BASIN-FRUITLAND COAL GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

name, address, phone and
contact person

ATTORNEY

()

OPPOSITION OR OTHER PARTY

Amoco Production Company_____
Post Office Box 800_____
Denver, Colorado 80201_____
Attn: Eric Nitcher_____
(303) 830-4422

name, address, phone and
contact person

ATTORNEY

William F. Carr_____
Campbell & Black, P.A._____
Post Office Box 2208_____
Santa Fe, New Mexico 87504_____
(505) 988-4421_____

STATEMENT OF CASE

APPLICANT

In the matter of Case 9420 being reopened pursuant to the provisions of Division Order No. R-8768, which order created the Basin-Fruitland Coal Gas Pool in San Juan County and promulgated temporary special rules and regulations therefor.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Amoco Production Company will appear at the February 21, 1991 hearing. Amoco will not call witnesses but may have questions for those who make presentations at that time.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

None.

OPPOSITION

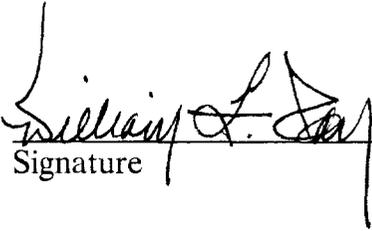
WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

None.

PROCEDURAL MATTERS


Signature

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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SAN JUAN COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

()

OPPOSITION OR OTHER PARTY

ATTORNEY

ARCO Oil & Gas Company_____
Post Office Box 1610_____
Midland, Texas 79702_____
Attn: Kent Bickham_____
(915) 688-5632

William F. Carr_____
Campbell & Black, P.A._____
Post Office Box 2208_____
Santa Fe, New Mexico 87504_____
(505) 988-4421_____

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

In the matter of Case 9420 being reopened pursuant to the provisions of Division Order No. R-8768, which order created the Basin-Fruitland Coal Gas Pool in San Juan County and promulgated temporary special rules and regulations therefor.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

ARCO Oil and Gas Company will appear at the February 21, 1991 hearing. ARCO will not call witnesses but may have questions for those who make presentations at that time.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

None.

OPPOSITION

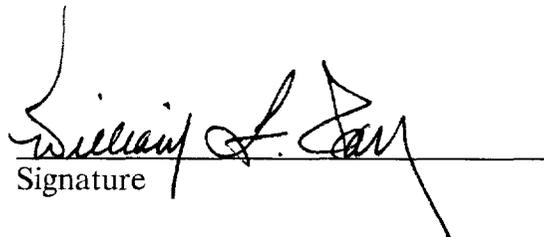
WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

None.

PROCEDURAL MATTERS


Signature

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING
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CASE NO. 9420

IN THE MATTER OF CASE 9420 BEING REOPENED
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SAN JUAN COUNTY, NEW MEXICO.

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FEB 1

OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

name, address, phone and
contact person

ATTORNEY

()

OPPOSITION OR OTHER PARTY

Texaco, Inc. _____
Post Office Box 3109 _____
Midland, Texas 79702 _____
Attn: Terry McCance _____
(915) 688-4504

name, address, phone and
contact person

ATTORNEY

William F. Carr _____
Campbell & Black, P.A. _____
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

STATEMENT OF CASE

APPLICANT

In the matter of Case 9420 being reopened pursuant to the provisions of Division Order No. R-8768, which order created the Basin-Fruitland Coal Gas Pool in San Juan County and promulgated temporary special rules and regulations therefor.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Texaco will appear at the February 21, 1991 hearing. Texaco will not call witnesses but may have questions for those who make presentations at that time.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

None.

OPPOSITION

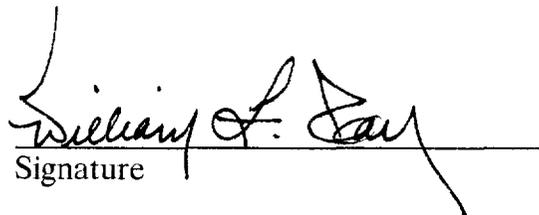
WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

None.

PROCEDURAL MATTERS


Signature

BLACKWOOD & NICHOLS CO. A LIMITED PARTNERSHIP

1500 Mid-America Tower
20 North Broadway
Oklahoma City, Oklahoma 73102-8260

191-111-21

405/235-3611
FAX 405/236-4258

January 24, 1991

Mr. David R. Catanach
State of New Mexico
Energy, Mineral and Natural Resources Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Re: Case No. 9420, Order No. R-8768
Basin-Fruitland Coal Gas Pool

Dear Mr. Catanach:

Devon Energy Corporation (Nevada), Operating General Partner of Blackwood & Nichols Co. agrees that the temporary spacing rules established for the Basin-Fruitland Coal Gas Pool have resulted in an orderly development of the Fruitland Coal pool and should be adopted as permanent field rules.

It is Devon's belief, after a thorough study of the area in which we operate, that 320 acre spacing best represents the most efficient development pattern at this time, given the option for infill drilling and development in an area if evidence so presents itself.

Devon will not present testimony or technical data at the February 21 hearing but intends to state our position for the record. Since our participation in the February 21 hearing will be minimal, we will not attend the prehearing conference on January 24.

Yours very truly,

BLACKWOOD & NICHOLS CO.
A LIMITED PARTNERSHIP by
Devon Energy Corporation (Nevada)
Operating General Partner



Steve Cromwell
Land Manager

SC:ap

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MAR 01 1991

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

OIL CONSERVATION DIV.
SANTA FE

IN THE MATTER OF THE HEARING
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IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
(OCD) ON ITS OWN MOTION TO REOPEN
CASE NO. 9420

STATEMENT OF POSITION

This statement is submitted by BHP Petroleum Co., Inc.
as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

PARTY

BHP Petroleum Co., Inc.
6 Desta Dr., Ste 3200
Midland, TX 79705
Attn: Randall Davis
(915) 688-1800

ATTORNEY

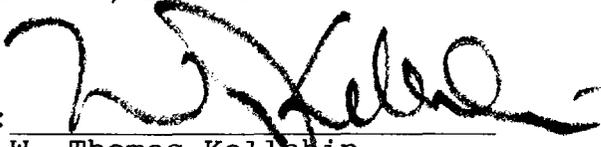
W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF POSITION

BHP Petroleum Co., Inc. supports making the current
Basin Fruitland Coal Gas Rules permanent based upon the
record made at the Examiner hearing held on February 22,
1991.

Statement of Position
NMOCD Case No. 9420
Page 2

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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OIL CONSERVATION DIV.
SANTA FE

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
(OCD) ON ITS OWN MOTION TO REOPEN
CASE NO. 9420

STATEMENT OF POSITION

This statement is submitted by Marathon Oil Company as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

PARTY

Marathon Oil Company
P.O. Box 552
Midland, TX 79702
Attn: Tom Lowry, Esq.
(915) 687-8143

ATTORNEY

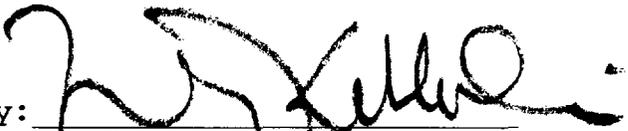
W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF POSITION

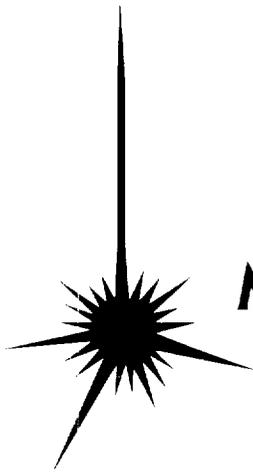
Marathon Oil Company supports making the current Basin Fruitland Coal Gas Rules permanent based upon the record made at the Examiner hearing held on February 22, 1991.

Statement of Position
NMOCD Case No. 9420
Page 2

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285



McKenzie Methane Corporation

191 APR 08 56

April 4, 1991

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504
Atten: Mr. David R. Cantanach
Hearing Officer

Re: The Matter of Case 9420
being reopened pursuant to
the Provisions of Division
Order No. R-8768, which
Order created the Basin-
Fruitland Coal Gas Pool
San Juan County, NM

Ladies and Gentlemen:

McKenzie Methane Corporation presently agrees with the current Basin Fruitland Coal Gas Rules which establish 320 acre spacing, with the exception that operators should be allowed to request permission of the Commission to drill additional Fruitland formation wells on approved 320 acre units where economic, geologic and/or engineering evidence justifies such additional wells.

Such exception should be granted by the Commission upon notice and hearing. Notice should be in writing, by First Class Mail, limited to owners of rights in the Basin-Fruitland Pool Coal Gas Pool and given to operators of wells, owners of un-drilled leases and unleased mineral owners within the boundaries of the unit area for which the drilling of additional wells is requested and the unit's offset operators.

Thank you for this opportunity to enter our remarks into the record of today's hearing on the above captioned matter.

Very Truly Yours,

Roger H. Lichty
Vice President Land/Legal

RHL/SJ

CURTIS & DEAN

ATTORNEYS AT LAW

506 WEST ARRINGTON • P. O. DRAWER 1259
FARMINGTON, NEW MEXICO 87499

SCOTT M. CURTIS
JOHN A. DEAN, JR.

OFF: (505) 327-6031
FAX: (505) 327-6034

March 11, 1991

RECEIVED

MAR 11 1991

OIL CONSERVATION DIVISION

HAND DELIVERED

Mr. David Catanach
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, NM 87501

Re: NMOCD Case No. 9420 (Reopened) 4-4-91
Basin Fruitland Coal Gas Pool Rules

Dear Mr. Catanach:

On behalf of Dugan Production Corp., and in accordance with your directive during the February 22, 1991 hearing of the subject case, enclosed is Dugan Production Corp's Prehearing Statement for the April 4, 1991 hearing of Case 9420 Reopened.

Also enclosed is a copy of our Certificate of Service.

Sincerely,



JOHN A. DEAN, JR.

cc w/encs: All Parties of Record

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. 9420 (Reopened)
Order No. R-8768

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION (OCD) ON
ITS OWN MOTION PURSUANT TO THE PROVISIONS
OF DIVISION ORDER R-8768 FOR THE PURPOSE OF
ESTABLISHING PERMANENT SPECIAL POOL RULES
FOR THE BASIN-FRUITLAND COAL GAS POOL
LOCATED IN SAN JUAN, RIO ARRIBA, MCKINLEY
AND SANDOVAL COUNTIES, NEW MEXICO

PREHEARING STATEMENT

Dugan Production Corp. ("Dugan") as directed by the hearing examiner during the 2/22/91 hearing of Case No. 9420 (Reopened) presents herein our Prehearing Statement for the 4/4/91 hearing of Case No. 9420 (Reopened).

Dugan Production Corp. has been active in oil and gas development throughout the San Juan Basin area since 1959 and has produced natural gas from coal beds since the early 1970s. We actively participated in the initial special pool rules hearing held on July 6, 1988, and at that hearing supported 160 acre spacing units for the development of natural gas from the Fruitland Coal within some areas of the Fruitland Coal development.

It was our contention at the initial hearing that in the areas we had operating experience, 160 acre spacing was proper since natural fracturing within the coal in our general areas of operation was not developed to the same degree it was in some areas of the Fruitland Coal development. In the absence of natural fracture development, 160 acre drainage areas are more realistic for the Fruitland Coal and it was our opinion that there was no data within these areas to support the 320 acre spacing units sought poolwide based upon data predominantly from areas of the Fruitland Coal development which also had a greater amount of natural fracturing. In addition, we testified that the Fruitland Coal and Pictured Cliffs formation within the area of our operation could not be isolated into separate reservoirs either because there is no barrier, or at best an ineffective barrier exists, between the two formations. We agree that isolation does exist in some areas, but not basin-wide.

Two and a half years have passed since the initial hearing and a significant amount of time, effort and money has been expended to more clearly define the proper spacing for development of the Fruitland Coal. It is our understanding that the report prepared by the San Juan Basin Coalbed Methane Committee, and presented to the OCD at the 2/22/91 hearing of the subject case, incorporates a large part of the data collected and is the joint effort of operators throughout the San Juan Basin "to develop an appropriate methodology for evaluating well spacing in the development of the coalbed methane resources of the San Juan

Basin". Based upon this report, and the testimony during the 2/22/91 hearing of this case, our position continues to be in support of 160 acre spacing as the proper development for our areas of operation. The Study Committee report also reaffirms our belief that development on 320 acre spacing in these areas will result in a significant amount of gas remaining undeveloped in many areas of the Fruitland Coal deposits.

In addition, we believe that 320 acre spacing in the Fruitland Coal will also result in reduced gas recoveries from the Pictured Cliffs and Fruitland Sandstone formations, particularly in areas that these formations are marginally productive. In these areas, it is likely that development will not occur on the individual merits of the Pictured Cliffs or Fruitland Sandstone, but would in conjunction with the Fruitland Coal. Thus, on a 320 acre spacing unit, the undrilled 1/4 for the Fruitland Coal will also remain undrilled in the Fruitland Sand and Pictured Cliffs formations.

Dugan agrees with the Summary and Conclusions of the San Juan Basin Coalbed Methane Committee in their 2/21/91 report which was presented to the NMOCD on 2-22-91. Based upon this report, we recommend that the NMOCD amend the temporary special pool rules as proposed in our Statement of Position filed with the NMOCD on 3/1/91.

At this time, Dugan Production Corp. does not plan to present testimony at the 4/4/91 hearing of the subject case. We believe that the testimony of the San Juan Basin Coalbed Methane Committee representatives during the 2/22/91 hearing of this case adequately supports our proposed amendments to the Basin Fruitland Coal Special Pool Rules.



JOHN A. DEAN, JR.
Attorney for Dugan Production
P.O. Drawer 1259
Farmington, N.M. 87499
(505) 327-6031

MILLER, STRATVERT, TORGERSON & SCHLENKER, P. A.

LAW OFFICES

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ALAN KONRAD
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LEONARD J. PADILLA
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MARTE D. LIGHTSTONE
BRADFORD K. GOODWIN
JOHN R. FUNK
J. SCOTT HALL
THOMAS R. MACK
MICHAEL J. HAPPE
DENISE BARELA SHEPHERD
MICKI R. GUTIERREZ
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JILL BURTRAM
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KENNETH R. BRANDT (1946 - 1981)

March 1, 1991

PLEASE REPLY TO SANTA FE

Mr. David Catanach
New Mexico Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: NMOCD Case No. 9420 - Establishment of Permanent Pool Rules
and Regulations for the Basin-Fruitland Coal Gas Pool

Dear Mr. Catanach:

The position of Mesa Operating Limited Partnership in the above case is as follows:

Mesa Operating Limited Partnership supports the adoption of the temporary operating rules for the Basin-Fruitland Coal Gas Pool as set out in Order No. R-8768 on a permanent basis. Further, in view of the fact that there are many combinations of reservoir properties in parts of the pool where spacing on a basis other than 320 acres may be appropriate, Mesa advocates that the permanent rules include a provision allowing for operator applications for alternative spacing on a case by case basis.

Very truly yours,



J. Scott Hall

JSH/mp

cc: All Counsel of Record
Dugan Production Company
Koch Exploration Company
ICF Resources, Inc.
Gas Research Institute

MAR 01 1991

OIL CONSERVATION DIV.
SANTA FE

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. 9420
ORDER NO. R-8768

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
(OCD) ON ITS OWN MOTION TO REOPEN
CASE NO. 9420

STATEMENT OF POSITION

This statement is submitted by Phillips Petroleum
Company as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

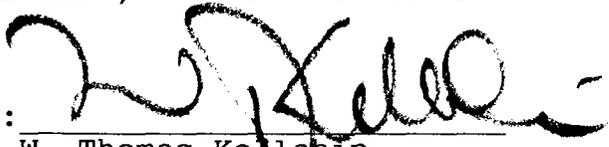
PARTY	ATTORNEY
Phillips Petroleum Company 300 W. Arrington, Ste 200 Farmington, NM 87401 Attn: Tom Moore (505) 599-3400	W. Thomas Kellahin KELLAHIN, KELLAHIN & AUBREY P.O. Box 2265 Santa Fe, NM 87504 (505) 982-4285

STATEMENT OF POSITION

Phillips Petroleum Company supports making the current
Basin Fruitland Coal Gas Rules permanent based upon the
record made at the Examiner hearing held on February 22,
1991.

Statement of Position
NMOCD Case No. 9420
Page 2

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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

FEB 21 1971

CASE NO. 9420 OIL CONSERVATION DIVISION

IN THE MATTER OF CASE 9420 BEING REOPENED
PURSUANT TO THE PROVISIONS OF DIVISION ORDER
NO. R-8768, WHICH ORDER CREATED THE BASIN-FRUITLAND
COAL GAS POOL, SAN JUAN COUNTY NEW MEXICO.

PRE-HEARING STATEMENT

This prehearing statement is submitted by Robert G. Stovall
for the Oil Conservation Division as required by the Oil
Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

New Mexico OCD, Through
Coalbed Methane Committee
P.O. Box 2088
Santa FE, NM 87504
name, address, phone
and contact person

ATTORNEY

Robert G. Stovall
General Counsel, NMOCD
P.O. Box 2088
Santa Fe, NM 87504
(505) 827-5805

OPPOSITION OR OTHER PARTY

Numerous parties have filed
prehearing statements or
entries of appearance.
name, address, phone
and contact person

ATTORNEY

see OCD case file

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought
with this application and the reasons therefore.)

The Coalbed Methane Committee is the bi-state (Colorado and New Mexico) group formed to evaluate and study the producing characteristic of the Fruitland Coal Reservoir and to make recommendations as to characteristics to examine to determine proper spacing in the pool. The Committee through the OCD counsel will present the results of the scientific effort, but does not intend to sponsor any specific spacing recommendations. The committee witnesses will not be advocating a position and will be testifying for the Committee as a whole and not representing the position of any individual operator.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Statements of position or recommendations for specific amendments to the existing pool rules may be on file with the Division

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Ernie Busch, Geologist, Aztec OCD Testimony regarding the history and purpose of the Committee.	15 min.	2 or 3
Richard McBain, Gas Research Institute Testimony about GRI involvement, contractor selection, Committee participation all to lay a foundation for the study report.	20 min.	none known
John McIlheney, ICF Resources, Engineer who will testify	1 hour	1 - a single report in two binders with supporting exhibits

about study methodology,
model validation,
reservoir
characterization and
sensitivity analysis

which contains the
results of the study
performed by ICF

Genevieve Young, ICF
Resources geologic
engineer, who will
discuss the results of
the study and present the
historical matching and
sensitivity analysis.

2 hours

same report exhibit

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

PROCEDURAL MATTERS

(Please identify any procedural matters which
need to be resolved prior to the hearing)

This Committee report will be presented on the first day of the
hearing, and witnesses will be subject to cross-examination.
Operators will have one month to review the report and testimony
and prepare cases for the second phase of the hearing.



Robert G. Stovall,
General Counsel

OIL CONSERVATION DIVISION
HINKLE, COX, EATON, COFFIELD & HENSLEY
ATTORNEYS AT LAW

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DORIS L. LUNSFORD
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THOMAS J. MCBRIDE
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
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JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
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REBECCA NICHOLS JOHNSON
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ELLEN S. CASEY
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MARGARET CARTER LUDEWIG
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CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

March 4, 1991

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(505) 982-4554
FAX (505) 982-8623

*Case File
9420*

*NOT LICENSED IN NEW MEXICO

Ms. Florene Davidson
New Mexico Oil Conservation
Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 9420 (Reopened)

Dear Florene:

Enclosed for filing is a statement of position by Union Oil Company of California. This pleading was previously sent to Mr. Catanach by telecopy.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: *James Bruce*
James Bruce

JB:le
Enclosure

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Case No. 9420 (Reopened)

IN THE MATTER OF CASE 9420 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF DIVISION ORDER NO. R-8768, WHICH
ORDER CREATED THE BASIN-FRUITLAND
COAL GAS POOL, SAN JUAN COUNTY, NEW
MEXICO.

STATEMENT OF POSITION BY
UNION OIL COMPANY OF CALIFORNIA

This Statement of Position is filed by Union Oil
Company of California (Unocal) as requested by the Examiner
on February 22, 1991:

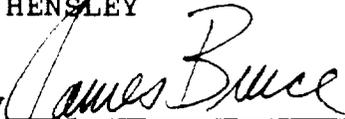
It is the position of Unocal that 320 acre spacing
rules for the Pool be made permanent, but that operators be
allowed to request permission to drill additional wells on a
320 acre unit for limited, defined areas of the pool as
proposed on Exhibit A attached hereto.

In support of the findings and conclusions on
Exhibit A, Unocal asserts that the Coalbed Methane Committee
originally recommended the adoption of a provision in the
pool rules allowing the drilling of additional wells on 320
acre units, and that position has not changed. Cf. Order
No. R-8768, Finding Paragraph 15; and Conclusions of Exhibit
A, Case No. R-9420 (Reopened).

Unocal supports the rule changes proposed by
Meridian Oil Inc.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Unocal

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of
the foregoing pleading was mailed this 5th day of March,
1991 to:

Mr. William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87504

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

J. Scott Hall
125 Lincoln Avenue
Suite 303
Santa Fe, New Mexico 87501

Richard L. C. Virtue
P. O. Box 2187
Santa Fe, New Mexico 87504

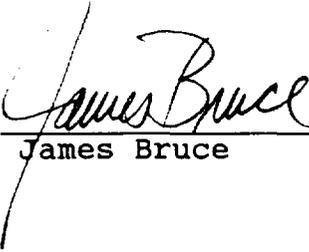
Kent Craig
650 South Cherry Street
Suite 1225
Denver, Colorado 80222

Janet Kae Krause
Koch Exploration Company
P. O. Box 2256
Wichita, Kansas 67201

John A. Dean, Jr.
P. O. Drawer 1259
Farmington, New Mexico 87499

Paul Cooter
P. O. Box 1357
Santa Fe, New Mexico 87504

Eric Nitcher
Amoco Production Company
P. O. Box 800
Denver, Colorado 80201

By 
James Bruce

FINDING NO. _____: There are areas of the pool where combinations of reservoir properties may justify the drilling of additional wells on standard 320 acre units or approved non-standard units.

FINDING NO. _____: Individual operators should be allowed, on a case-by-case basis, to present evidence to the Division to support the drilling of additional wells on standard 320 acre units or approved non-standard units for limited, defined areas of the pool.

RULE _____: Individual operators may apply to the Division for an exception to Rule 4 to allow the drilling of additional wells on standard 320 acre units or on approved non-standard units in specific, defined areas of the pool. Such exception shall be granted only after notice and hearing.

Written notice of such application shall be given to operators of wells, owners of undrilled leases, and unleased mineral owners within the boundaries of the area for which drilling of additional wells is requested, and to all operators of wells within one mile of such area. Notice shall be limited to owners of rights in the Basin-Fruitland Coal Gas Pool. Notice may be provided by first class mail.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

MAR 29 1991

OIL CONSERVATION DIV.
SANTA FE

CASE NO. 9420

IN THE MATTER OF CASE 9420 BEING REOPENED
PURSUANT TO THE PROVISIONS OF DIVISION
ORDER NO. R-8768, WHICH ORDER
CREATED THE BASIN-FRUITLAND COAL GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.

SECOND PRE-HEARING STATEMENT

This Second Prehearing Statement is submitted by William F. Carr, to amend Amoco's statement previously filed in this case.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

()

OPPOSITION OR OTHER PARTY

ATTORNEY

Amoco Production Company _____
Post Office Box 800 _____
Denver, Colorado 80201 _____
Attn: Eric Nitcher _____
(303) 830-4422 _____

William F. Carr _____
Campbell & Black, P.A. _____
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

In the matter of Case 9420 being reopened pursuant to the provisions of Division Order No. R-8768, which order created the Basin-Fruitland Coal Gas Pool in San Juan County and promulgated temporary special rules and regulations therefor.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Amoco Production Company supports adoption of the temporary rules for the Basin-Fruitland Coal Gas Pool as permanent rules for this pool as amended by its Motion filed March 28, 1991.

Amoco also supports amendments to these rules proposed by Meridian Oil, Inc.

PROPOSED EVIDENCE

APPLICANT

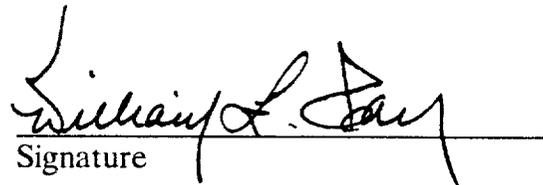
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Bill Hawkins (petroleum engineer)	20 minutes	approximately 5

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
-----------------------------------	-----------	----------

PROCEDURAL MATTERS

None.


Signature

SUTIN THAYER & BROWNE

A PROFESSIONAL CORPORATION

IRVING MCISE (1906-1984)
LAW S.R. SUTIN (Retired)
LINDA L. AIKIN
RICK R. ALLEN
JOHNA BANNERMAN
WILLI BARDACKE
SANDY S. BARTLELL
CINDY BEADLES
PERRY E. BENDICKSEN III
MADONNA N. BIXBY
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WILLIAM R. BRANCARD
THOMAS E. BROWN III
BRADAM BROWNE
DAVID P. BUCHHOLTZ
MICHAEL CHAPMAN
STEPHEN CHARNAS
PAUL COHEN
MARY COSGROVE
JEB FRANCIS

CONSTANCE T. FUQUA
DAVID A. GARCIA
RAMON M. GONZALES
GAIL GOETLIEB
ROBERT HEDRICK
SUANN HENDREN
JAY D. HERTZ
ROBERT G. HEYMAN
TILA FLEMING HOFFMAN
R. SCOTT JACOBSON
ALEXIS H. JOHNSON
FRANKLIN JONES
NANETTE M. KOURY
MARY E. McDONALD
STEVEN K. MOISE
LOURDES MARIA MONSERRAT
DANIELA NAJJAR
ANNA MARIE ORTIZ
CHARLES P. PRICE III

JAY D. ROSENBLUM
DONALD M. SALAZAR
FRANK C. SALAZAR
JAMES L. SANCHEZ
RAYMOND W. SCHOWERS
RONALD SEGEL
SASHA SIEMEL
GREGORY P. SMITH
JONATHAN B. SUTIN
MICHAEL G. SUTIN
MURRAY N. THAYER
NORMAN S. THAYER
RICHARD L.C. VIRTUE
THOMAS D. WALKER
ROBERT J. WERNER
LORNA M. WIGGINS
PATRICIA G. WILLIAMS
STEPHANY S. WILSON
MARIA ANNE WOODARD

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505-988-5521
FAX 505-982-5297

April 3, 1991

HAND DELIVERED

Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Attention: Bob Stovall, Esq.

OCD Case No. 9420

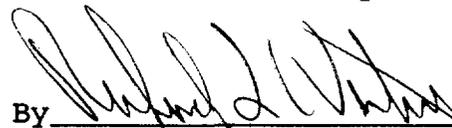
Ladies and Gentlemen:

On behalf of Nassau Resources, Inc., an Operating Affiliate of Jerome P. McHugh & Associates, Inc., we enclose for filing two copies of:

1. A Response to Motion for Infill Drilling Procedures.
2. A Certificate of Service.

Very truly yours,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 

Richard L. C. Virtue
Santa Fe Office

RLCV:vo
Enclosures
87131

cc w/enc: All Parties of Record

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
APR 3 1991
OIL CONSERVATION DIVISION

CASE NO. 9420
ORDER NO. R-8768

IN THE MATTER OF CASE NO. 9420
BEING REOPENED BY THE DIVISION
TO RECONSIDER THE SPECIAL RULES
FOR THE BASIN-FRUITLAND COAL GAS
POOL, SAN JUAN COUNTY, NEW MEXICO.

RESPONSE TO MOTION FOR INFILL DRILLING
PROCEDURES FOR BASIN-FRUITLAND
COAL GAS POOL

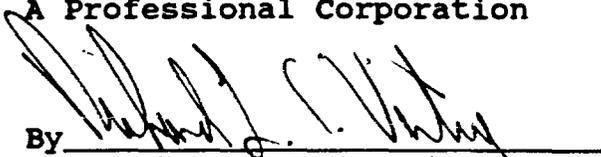
NASSAU RESOURCES, INC. ("Nassau") responds to the
Motion for Infill Drilling filed in this proceeding as
follows.

Nassau has no objection to the Motion and concurs
that the temporary special rules and regulation for
Basin-Fruitland Coal Gas Pool established by Division
Order R-8768 (Case No. 9420) be made permanent based upon
the evidence introduced at the hearing in this case held
on February 22, 1991, with the exception that the infill

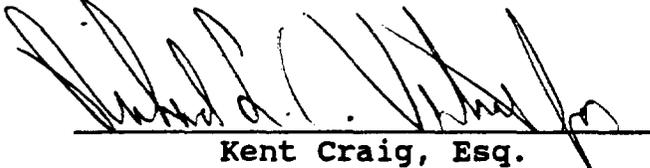
findings and infill procedure as set forth in Exhibit A to the Motion should also be adopted.

Respectfully submitted:

SUTIN, THAYER & BROWNE
A Professional Corporation

By 

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Attorneys for Nassau
Resources, Inc.

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

OIL CONSERVATION DIVISION

CASE NO. 9420
Order No. R-8768

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION (OCD) ON
ITS OWN MOTION FOR POOL CREATION AND
SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO

CERTIFICATE OF SERVICE

We hereby certify that on April 3, 1991, we
served by first class mail, postage prepaid, true copies
of a Response to Motion for Infill Drilling Procedures
filed by Nassau Resources, Inc., an Operating Affiliate of
Jerome P. McHugh & Associates, Inc. on the following
counsel and parties of record:

(Hand Delivered)
Oil Conservation Division
c/o Bob Stovall, Esq.
310 Old Santa Fe Trail
Santa Fe, NM 87501

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Respectfully submitted,

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March 11, 1991

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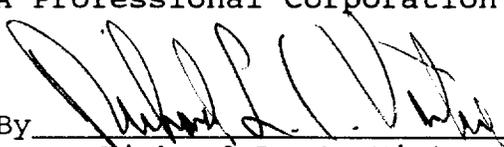
OCD Case No. 9420

Dear Mr. Stovall:

On behalf of Nassau Resources, Inc., an Operating Affiliate of Jerome P. McHugh & Associates, Inc., we enclose for filing two copies of Nassau's Third Pre-Hearing Statement and Certificate of Service.

Very truly yours,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 

Richard L. C. Virtue
Santa Fe Office

RLCV:kr
Enclosures
81581

cc w/enc: All Parties of Record

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. 9420
Order No. R-8768

IN THE MATTER OF THE HEARING CALLED BY
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SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO

THIRD PRE-HEARING STATEMENT OF
NASSAU RESOURCES, INC. ("NASSAU")

As required by the Hearing Officer at the
February 22, 1991 hearing, Nassau submits this third
pre-hearing statement.

POSITION

Nassau supports adoption of the temporary rules
as amended by its proposed Rule 6.1. In addition, Nassau
has no objection to the proposed rules changes submitted
by Meridian, and Union Oil Company of California.

EVIDENCE SUPPORTING NASSAU'S POSITION

Nassau adopts by reference its first pre-hearing
statement, which describes those portions of the San Juan

Coalbed Methane Spacing Study submitted by the San Juan Coalbed Methane Committee (Ex. A) which support its proposed rule. Further, the oral testimony submitted at the February 22, 1991 hearing supports its proposed Rule 6.1.

WITNESSES

Nassau reserves the right to present rebuttal witnesses from the list of witnesses submitted in its pre-hearing statement at the April 4, 1991 hearing in response to any evidence that may be submitted with respect to matters relevant to its proposal.

Respectfully submitted,

SUTIN, THAYER & BROWNE
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CERTIFICATE OF SERVICE

We hereby certify that on March 11, 1991, we served by first class mail, postage prepaid, true copies of the Third Pre-hearing Statement of Nassau Resources, Inc., an Operating Affiliate of Jerome P. McHugh & Associates, Inc. on the following counsel and parties of record:

(Hand Delivered)
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Respectfully submitted,

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A Professional Corporation

s/ Richard L. C. Virtue

By _____
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Operating Affiliate of
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Associates, Inc.

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
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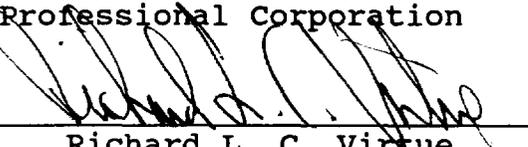
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Respectfully submitted,

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March 4, 1991

HAND DELIVERED

Bob Stovall, Esq.
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

OCD Case No. 9420

Dear Mr. Stovall:

On behalf of Nassau Resources, Inc., an Operating Affiliate of Jerome P. McHugh & Associates, Inc., we enclose for filing two copies of Nassau's Second Pre-Hearing Statement and Certificate of Service.

Very truly yours,

SUTIN, THAYER & BROWNE
A Professional Corporation

s/ Richard L. C. Virtue

By _____
Richard L. C. Virtue
Santa Fe Office

RLCV:kr
Enclosures
80341

cc w/enc: All Parties of Record

COPY

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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SECOND PRE-HEARING STATEMENT OF
NASSAU RESOURCES, INC.

Pursuant to an oral extension of time granted by
the Hearing Examiner on March 1, 1991, Nassau Resources,
Inc. ("Nassau") submits this second pre-hearing
statement.

The Division has proposed amendment to temporary
rules adopted in Case No. 9420-Order No. R-8768.

Nassau amends its proposed additional rule to
implement Conclusion IVD of the San Juan Basin Coalbed
Methane Spacing Study to read:

Rule 6.1. Upon application of an
operator, the Division Director may

grant an exception to the requirements of Rule (4) or otherwise allow a different [~~proration unit or~~] spacing [unit] for a specific area within the pool. Upon application, the Division shall hold a hearing at which the applicant and other interested parties may submit testimony and technical data with respect to the application. The Director shall grant an application filed pursuant to this Rule 6.1 if he finds that the proposed [~~proration unit or~~] spacing [unit] will prevent waste and protect correlative rights.

Respectfully submitted,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 

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Attorneys for Nassau
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Operating Affiliate of
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STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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CERTIFICATE OF SERVICE

We hereby certify that on March 4, 1991, we
served by first class mail, postage prepaid, true copies
of the Second Pre-hearing Statement of Nassau Resources,
Inc., an Operating Affiliate of Jerome P. McHugh &
Associates, Inc. on the following counsel and parties of
record:

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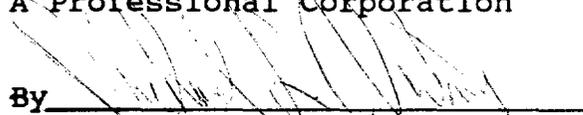
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ANDY S. BAKELL
DORNEY BEADLES
HARRY E. BENDICKSON II
MADONNA N. BIXBY
MILLIE A. BLEICHER
WILLIAM R. BYRNARD
THOMAS E. BROWN III
GRAHAM BROWNE
JAY D. BUCHHOLTZ
SAMUEL CHAPMAN
STEPHEN CHARNAS
MILLIE COHEN
DOLOREY DOSGROVE
DEBBY FRANKS

CONSTANCE T. FUQUA
DAVID A. GARCIA
RAMON M. GONZALES
GAIL GOTTLIEB
ROBERT HEDRICK
SUANN HENDREN
JAY D. HERTZ
ROBERT G. HEYMAN
TILA FLEMING HOFFMAN
R. SCOTT JACOBSON
ALEXIS H. JOHNSON
DONALD L. JONES
FRANKLIN JONES
NANETTE M. KOURY
MARY E. McDONALD
STEVEN K. MOSE
LOURDES MARIA MONSERRAT
DANIEL A. NAJJAR
ANA MARIE ORTIZ
CHARLES P. PRICE III

JAY D. ROSENBLUM
DONALD M. SALAZAR
FRANK C. SALAZAR
JAMES L. SANCHEZ
RAYMOND W. SCHOWERS
RONALD SEGEL
SASHA SIEMEL
GREGORY P. SMITH
JONATHAN B. SUTIN
MICHAEL G. SUTIN
MURRAY N. THAYER
NORMAN S. THAYER
RICHARD L. C. VIRTUE
THOMAS D. WALKER
ROBERT J. WERNER
LORNA M. WIGGINS
PATRICIA G. WILKINS
STEPHANIE S. WILSON
MARIANNE WOODARD

JDC

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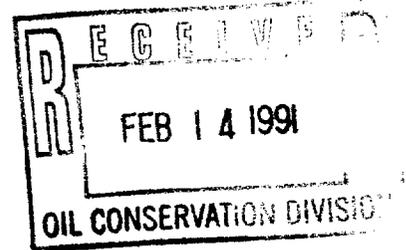
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150 WASHINGTON AVENUE
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SANTA FE, NEW MEXICO 87504
505-988-5521
FAX 505-982-5297

February 14, 1991

HAND DELIVERED

Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Attention: Bob Stovall, Esq.



OCD Case No. 9420

Ladies and Gentlemen:

On behalf of Nassau Resources, Inc., an Operating Affiliate of Jerome P. McHugh & Associates, Inc., we enclose for filing two copies of:

1. An Entry of Appearance
2. A Pre-hearing Statement
3. A Certificate of Service

Very truly yours,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 
Richard L. C. Virtue
Santa Fe Office

RLCV:kr
Enclosures
77031

cc w/enc: All Parties of Record

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:

FEB 14 1981
OIL CONSERVATION

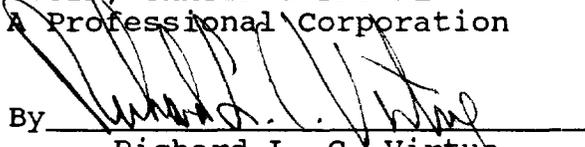
CASE NO. 9420
Order No. R-8768

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION (OCD) ON
ITS OWN MOTION FOR POOL CREATION AND
SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO

ENTRY OF APPEARANCE

Sutin, Thayer & Browne A Professional Corporation
enters its appearance on behalf of Nassau Resources, Inc.,
an Operating Affiliate of Jerome P. McHugh & Associates, Inc.

SUTIN, THAYER & BROWNE
A Professional Corporation

By 
Richard L. C. Virtue
300 First Interstate Plaza
P. O. Box 2187
Santa Fe, New Mexico 87504
(505) 988-5521

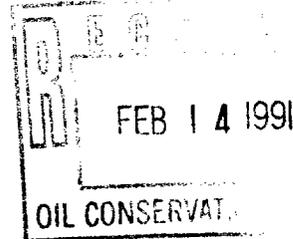
and

Kent Craig, Esq.
Jerome P. McHugh & Associates
Suite 1225
650 South Cherry Street
Denver, Colorado 80222
(303) 321-2111
4175v

Attorneys for Nassau
Resources, Inc., an
Operating Affiliate of
Jerome P. McHugh &
Associates, Inc.

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. 9420
Order No. R-8768

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION (OCD) ON
ITS OWN MOTION FOR POOL CREATION AND
SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO

PRE-HEARING STATEMENT OF NASSAU RESOURCES, INC.

Nassau Resources, Inc. ("Nassau") submits this
Pre-hearing Statement pursuant to the memorandum of the
Director issued after the pre-hearing conference in this
matter held January 24, 1991.

PROPOSED AMENDMENT TO TEMPORARY RULES
ADOPTED IN CASE NO. 9420 - ORDER NO. R-8768

Nassau proposes the following additional rule to
implement Conclusion IV.D of the San Juan Basin Coalbed
Methane Spacing Study which was presented at the
pre-hearing conference:

Rule 6.1. Upon application of an
operator, the Division Director may

grant an exception to the requirements of Rule (4) or otherwise allow a different proration unit or spacing unit for a specific area within the pool. Upon application, the Division shall hold a hearing at which the applicant and other interested parties may submit testimony and technical data with respect to the application. The Director shall grant an application filed pursuant to this Rule 6.1 if he finds that the proposed proration unit or spacing unit will prevent waste and protect correlative rights.

EVIDENCE, TESTIMONY AND EXHIBITS

The evidence supporting Nassau's proposed rule is contained in Conclusion IV.D of the San Juan Coalbed Spacing Study which states there are many combinations of reservoir properties where spacing other than the existing temporary rules of 320 acres may be appropriate and, more specifically, in that portion of Conclusion IV.D which states:

In order to prevent waste and protect correlative rights, individual operators should be afforded every opportunity to present testimony and technical data to support their application for spacing in their respective areas.

Nassau may submit additional testimony at the March 21 hearing to support its proposal. The following is a list of potential witnesses of Nassau:

Emory Sampson	Executive Vice President - Petroleum Engineer
Tom Hemler	Geologist
Gary Johnson	Vice President, Engineering and Operations - Petroleum Engineer

Kent Craig

Land Manager

Mike Atchison

Engineering and Drilling
Expert

James Hazen

Vice President - Farmington
Operations

Respectfully submitted,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 

Richard L. C. Virtue
300 First Interstate Plaza
P. O. Box 2187
Santa Fe, New Mexico 87504
(505) 988-5521

and

Kent Craig, Esq.
Jerome P. McHugh & Associates
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3987b

Attorneys for Nassau
Resources, Inc., an
Operating Affiliate of
Jerome P. McHugh &
Associates, Inc.

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:

FEB 14 1991
OIL CONSERVATION

CASE NO. 9420
Order No. R-8768

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION (OCD) ON
ITS OWN MOTION FOR POOL CREATION AND
SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO

CERTIFICATE OF SERVICE

We hereby certify that on February 14, 1991, we
served by first class mail, postage prepaid, true copies
of the Pre-hearing Statement of Nassau Resources, Inc., an
Operating Affiliate of Jerome P. McHugh & Associates, Inc.
on the following counsel and parties of record:

(Hand Delivered)
Oil Conservation Division
c/o Bob Stovall, Esq.
310 Old Santa Fe Trail
Santa Fe, NM 87501

ARCO Oil and Gas Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, NM 87504

Amoco Production Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, NM 87504

Texaco, Inc.
c/o William F. Carr, Esq.
Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, NM 87504

Blackwood & Nichols Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, NM 87504

Meridian Oil Inc.
c/o W. Thomas Kellahin, Esq.
Kellahin, Kellahin & Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

Marathon Oil Company
c/o W. Thomas Kellahin, Esq.
Kellahin, Kellahin & Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

Phillips Petroleum Company
c/o W. Thomas Kellahin, Esq.
Kellahin, Kellahin & Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

Mesa Operating Limited
Partnership
c/o J. Scott Hall, Esq.
Miller, Stratvert,
Torgerson & Schlenker, P.A.
Suite 303
125 Lincoln Avenue
Santa Fe, NM 87501

Dugan Production Corporation
P.O. Box 420
Farmington, NM 87499-0420

Union Oil Company of
California
c/o James G. Bruce, Esq.
Hinkle, Cox, Eaton,
Coffield & Hensley
500 Marquette, N.W., Suite 800
Albuquerque, NM 87102

ICF Resources, Inc.
c/o Bob Stovall, Esq.
P.O. Box 2088
Santa Fe, NM 87504

Gas Research Institute
c/o Bob Stovall, Esq.
P.O. Box 2088
Santa Fe, NM 87504

Koch Exploration Company
P.O. Box 2256
Wichita, Kansas 67201-2256

Respectfully submitted,

SUTIN, THAYER & BROWNE
A Professional Corporation

By 

Richard L. C. Virtue
300 First Interstate Plaza
P. O. Box 2187
Santa Fe, New Mexico 87504
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and

Kent Craig, Esq.
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3986b

Attorneys for Nassau
Resources, Inc., an
Operating Affiliate of
Jerome P. McHugh &
Associates, Inc.

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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June 30, 1988

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C. D. MARTIN
PAUL J. KELLY, JR.
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD A. SMMS
RICHARD R. WILFONG*
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT*
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*

ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
THOMAS D. HAINES, JR.
FRANKLIN H. MCCALLUM*
GREGORY J. NIBERT
DAVID T. MARKETTE*
FRED W. SCHWENDIMANN
JAMES R. MCADAMS*
JAMES M. HUDSON
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
PAUL R. NEWTON
WILLIAM P. JOHNSON
KAREN M. RICHARDSON*
ELLEN S. CASEY
JAMES C. BROCKMANN
SUSAN L. NIESER*
MARK A. WILSON*
GREGORY S. WHEELER
ANDREW J. CLOUTIER*

OF COUNSEL
O. M. CALHOUN
MACK EASLEY
JOE W. WOOD
STEPHEN L. ELLIOTT

CLARENCE E. HINKLE (190-1966)
W. E. BONDURANT, JR. (19-1973)
ROY C. SNOODGRASS, JR. (19-1987)

*NOT LICENSED IN NEW MEXICO

Mr. William LeMay
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

Re: Case No. 9420, In the Matter of the Hearing called by the Oil Conservation Division on its own Motion for Pool Creation and Special Pool Rules, San Juan, Rio Arriba, McKinley, and Sandoval Counties, New Mexico; and

Case No. 9421, In the Matter of the Hearing called by the Oil Conservation Division on its own Motion to Contract the Vertical Limits of Certain Pools in San Juan and Rio Arriba Counties, New Mexico.

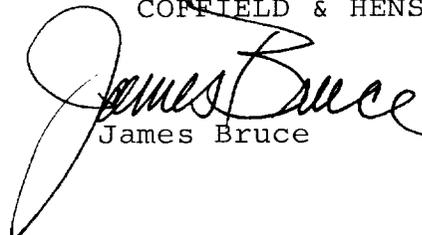
(Involving the production of gas from coalbed seams in the Fruitland formation)

Dear Mr. LeMay:

By this letter I hereby enter an appearance in the above two cases on behalf of Pennzoil Company.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JB:jr

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

218 MONTEZUMA

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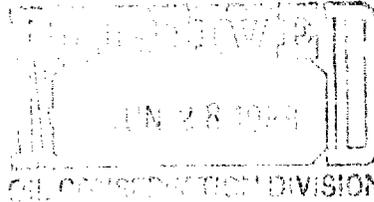
LEWIS C. COX	ALBERT L. PITTS
PAUL W. EATON	THOMAS M. HNASKO
CONRAD E. COFFIELD	JOHN C. CHAMBERS*
HAROLD L. HENSLEY, JR.	THOMAS D. HAINES, JR.
STUART D. SHANOR	FRANKLIN H. MCCALLUM*
C. D. MARTIN	GREGORY J. NIBERT
PAUL J. KELLY, JR.	DAVID T. MARLETTE*
DAVEN M. LOPEZ	
DOUGLAS L. LUNSFORD	FRED W. SCHWENDIMANN
T. CALDER EZZELL, JR.	JAMES R. MCGADAMS*
WILLIAM B. BURFORD*	JAMES M. HUDSON
RICHARD E. OLSON	MACDONNELL GORDON
RICHARD A. SIMMS	REBECCA NICHOLS JOHNSON
RICHARD R. WILFONG*	PAUL R. NEWTON
STEVEN D. ARNOLD	WILLIAM P. JOHNSON
JAMES J. WECHSLER	KAREN M. RICHARDSON*
NANCY S. CUSACK	ELLEN S. CASEY
JEFFREY L. FORNACIARI	JAMES C. BROCKMANN
JEFFREY D. HEWETT*	SUSAN L. NIESER*
JAMES BRUCE	MARK A. WILSON*
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JEFFREY W. HILLBERG*	ANDREW J. COUTIER*

June 27, 1988

OF COUNSEL
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MACK EASLEY
JOE W. WOOD
STEPHEN L. ELLIOTT

C. LARENCE E. HINKLE (1901-1988)
W. E. BONCOURANT, JR. (1913-1973)
ROY C. SNOODGRASS, JR. (1915-1987)

*NOT LICENSED IN NEW MEXICO



Mr. William LeMay
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

Re: Case No. 9420, In the Matter of the Hearing called by the Oil Conservation Division on its own Motion for Pool Creation and Special Pool Rules, San Juan, Rio Arriba, McKinley, and Sandoval Counties, New Mexico; and

Case No. 9421, In the Matter of the Hearing called by the Oil Conservation Division on its own Motion to Contract the Vertical Limits of Certain Pools in San Juan and Rio Arriba Counties, New Mexico.

(Involving the production of gas from coalbed seams in the Fruitland formation)

Dear Mr. LeMay:

By this letter I hereby enter an appearance in the above two cases on behalf of Virginia Uhden, Helen Orbesen, and Carroll Holmberg.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

James Bruce
James Bruce

JB:jr

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION (OCD)
ON ITS OWN MOTION FOR POOL CREATION AND
SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
McKINLEY and SANDOVAL COUNTIES,
NEW MEXICO

CASE NO. 9420

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its
appearance in the above-referenced case on behalf of Blackwood
& Nichols Co. Ltd.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By:



WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

ATTORNEYS FOR BLACKWOOD & NICHOLS
CO. LTD.

RECEIVED

JUN 1 1961

OIL CONSERVATION DIVISION

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION (OCD)
ON ITS OWN MOTION FOR POOL CREATION AND
SPECIAL POOL RULES, SAN JUAN, RIO ARRIBA,
McKINLEY and SANDOVAL COUNTIES,
NEW MEXICO

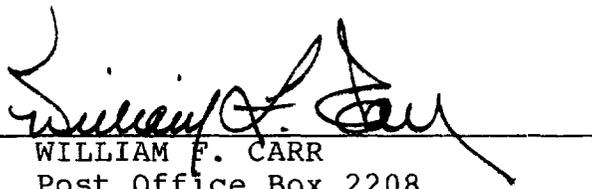
CASE NO. 9420

ENTRY OF APPEARANCE

COMES NOW CAMPBELL & BLACK, P.A., and hereby enters its
appearance in the above-referenced case on behalf of Arco Oil &
Gas Company.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

ATTORNEYS FOR ARCO OIL & GAS COMPANY

BLACKWOOD & NICHOLS CO., LTD.

P.O. BOX 1237
DURANGO, COLORADO 81302-1237

(303) 247-0728

New Mexico Oil Conservation Division
July 6, 1988 Hearing
Case No. 9420 - Special Pool Rules for Fruitland Coalbed Methane

Statement From: William F. Clark, Operations Manager
Blackwood & Nichols Co., Ltd.
P. O. Box 1237
Durango, Colorado 81302

Dear Mr. Chavez, Examiner:

I, William F. Clark, representing Blackwood & Nichols Co., Ltd, have participated on the Fruitland Coalbed Methane Committee from its inception on January 29, 1987. Hopefully, the contributions of time, effort, and data which have been made during the past year and one half have been helpful to the work of the Committee. Blackwood & Nichols Co., Ltd. supports the Special Rules and Regulations for the Fruitland Coalbed Methane Gas Wells of New Mexico which were sent to Mr. William LeMay in a June 1, 1988 letter from Mr. Paul Burchell, Chairman of the Rules Committee.

Specifically, Blackwood & Nichols Co., Ltd. would like to comment on proposed Rule 3(a) Well Spacing and Location. By letter of March 2, 1988 (copy attached), Blackwood & Nichols Co., Ltd provided to the members of the Fruitland Coalbed Methane Committee the results of an interference test conducted in two Fruitland Coalbed wells. Through a cooperative agreement with Northwest Pipeline Corporation, two open hole, non-stimulated South Los Pinos Fruitland Coal wells were tested. These wells are direct east west offset on 160 acre spacing and are approximately 1650 feet apart. This test involved the Northeast Blanco Unit No. 218 well, NW 1/4, Section 16, T31N, R7W, and the San Juan 32-7 Unit No. 6 well, NE 1/4, Section 17, T31N, R7W, both in San Juan County, New Mexico. Bottom hole pressure surveys were conducted and interference was recorded.

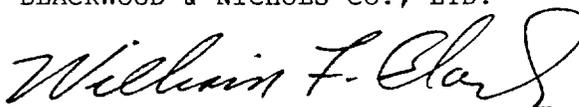
It is my understanding that Mr. Brent Hale with Northwest Pipeline Corporation will present the details of this interference test at this hearing.

In summary, Blackwood & Nichols Co., Ltd's analysis of this test indicates pressure interference between these wells which are on 160 acre spacing, and as such supports the Committee's recommendation for 320 acre spacing.

Thank you for the opportunity to make a statement.

Sincerely,

BLACKWOOD & NICHOLS CO., LTD.

A handwritten signature in cursive script, reading "William F. Clark". The signature is written in black ink and is positioned above the typed name and title.

William F. Clark
Operations Manager

WFC:ew

LAW OFFICES

TANSEY, ROSEBROUGH, GERDING & STROTHER, P.C.

621 WEST ARRINGTON
FARMINGTON, NEW MEXICO 87401
TELEPHONE: (505) 325-1801

OF COUNSEL
Charles M. Tansey

Austin E. Roberts
1921—1983

Douglas A. Echols
Richard L. Gerding
Connie R. Martin
Michael T. O'Loughlin
James B. Payne
Tommy Roberts
Haskell D. Rosebrough
Robin D. Strother

Mailing Address:
P. O. Box 1020
Farmington, N.M. 87499

August 4, 1988

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501-2088

Attn: David R. Catanach, Hearing Examiner

Re: NMOCD Case Nos. 9420 and 9421

Dear Mr. Catanach:

I am in receipt of a copy of a letter to you from Kent J. Lund, attorney for Amoco Production Company, dated August 2, 1988.

At the conclusion of the July 6, 1988 hearing of the above-referenced cases, I consulted with Mr. Robert Stovall, attorney for the Oil Conservation Division, regarding the submission of a written closing statement. Mr. Stovall indicated that the submission of a written closing statement would be appropriate under the circumstances. I would have been surprised had Mr. Stovall indicated that the submission of a written closing statement would not be appropriate inasmuch as I am aware that the Oil Conservation Division has accepted such statements on other occasions.

Consistent with my conversation with Mr. Stovall, the closing statement was prepared and submitted to you and copies of the statement were mailed to all legal counsel who entered appearances at the hearing.

Given the fact that the submission of the written closing statement received the prior approval of Mr. Stovall, I do not think such action can be considered improper. Obviously, if the Oil Conservation Division grants the opportunity to submit a written closing statement to one party, then it will afford the same opportunity to all other parties. Mr. Lund should take advantage of the opportunity to articulate the manner in which the closing statement submitted on behalf of my clients

State of New Mexico
Oil Conservation Division
August 4, 1988
Page Two

"is factually inaccurate in a number of places" and the manner in which that statement "often mischaracterizes the testimony presented during the hearing.". Given the adversarial nature of these proceedings, I suspect there is a good chance I might view any such statement submitted by Mr. Lund as containing factual inaccuracies and mischaracterizations of testimony.

In conclusion, I continue to request that the written closing statement submitted on behalf of my clients in the above-referenced cases be made a part of the record.

Sincerely,



TOMMY ROBERTS

TR:nk

xc: W. Thomas Kellahin, Esq.
William F. Carr, Esq.
Kent J. Lund, Esq.
Dennis Dwyer, Esq.
Robert Stovall, Esq.
Supervisor - District III Office
Robert L. Bayless
Dugan Production Corp.
Hixon Development Company
Merrion Oil & Gas Corporation
Jerome P. McHugh & Associates



Amoco Production Company

Denver Region
1670 Broadway
P.O. Box 800
Denver, Colorado 80201
303-830-4040

Kent J. Lund
Attorney

August 2, 1988

Hand Delivered

RECEIVED

AUG 2 1988

OIL CONSERVATION DIVISION

Mr. David R. Catanach
Hearing Examiner
State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501-2088

RE: Coal Bed Methane Gas Hearings, Case Nos. 9420 and 9421

Dear Mr. Catanach:

I recently received a closing statement submitted to you in these cases under letter dated July 21, 1988, by Mr. Tommy Roberts on behalf of Dugan, Bayless, Hickson, Merrion & McHugh.

Amoco objects to Mr. Roberts' submittal and respectfully requests that you decline to either consider or make his closing statement part of the record.

At the conclusion of the July 6, 1988, hearing in these cases, no party was permitted to make a closing statement. Therefore, Mr. Roberts' attempt to make such a closing statement at this late date constitutes an improper attempt to "get a second bite at the apple." Moreover, the closing statement is factually inaccurate in a number of places and, in my view, often mischaracterizes the testimony presented during the hearing.

Amoco respectfully urges you to consider only the matters which were properly submitted as evidence during the July 6 hearing in Farmington, and to refuse to consider Mr. Roberts' closing statement. Mr. Roberts' view of the evidence presented on July 6, even if it were entirely accurate, is irrelevant and untimely. You presided over the hearing, heard all the evidence and will be the sole judge of the credibility of, and weight to be given to, that evidence. In making your decision in these cases, I respectfully submit that you should consider only the matters properly presented under oath, on direct and cross-examination, at the July 6 hearing.

Sincerely,

Kent J. Lund

KJL:meb

cc: Tommy Roberts, Esq.
W. Thomas Kellahin, Esq.
William F. Carr, Esq.
Supervisor - District III Office



Kent J. Lund
Attorney
August 2, 1988

4
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*Sorry for the
delay in sending
you a copy
Kent*

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Mr. David R. Catanach
Hearing Examiner
State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501-2088

RE: Coal Bed Methane Gas Hearings, Case Nos. 942

Dear Mr. Catanach:

I recently received a closing statement submitted to you in these cases under letter dated July 21, 1988, by Mr. Tommy Roberts on behalf of Dugan, Bayless, Hickson, Merrion & McHugh.

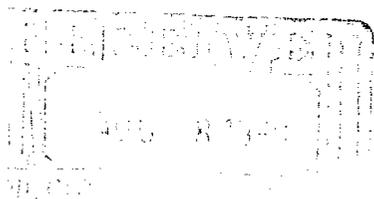
Amoco objects to Mr. Roberts' submittal and respectfully requests that you decline to either consider or make his closing statement part of the record.

At the conclusion of the July 6, 1988, hearing in these cases, no party was permitted to make a closing statement. Therefore, Mr. Roberts' attempt to make such a closing statement at this late date constitutes an improper attempt to "get a second bite at the apple." Moreover, the closing statement is factually inaccurate in a number of places and, in my view, often mischaracterizes the testimony presented during the hearing.

Amoco respectfully urges you to consider only the matters which were properly submitted as evidence during the July 6 hearing in Farmington, and to refuse to consider Mr. Roberts' closing statement. Mr. Roberts' view of the evidence presented on July 6, even if it were entirely accurate, is irrelevant and untimely. You presided over the hearing, heard all the evidence and will be the sole judge of the credibility of, and weight to be given to, that evidence. In making your decision in these cases, I respectfully submit that you should consider only the matters properly presented under oath, on direct and cross-examination, at the July 6 hearing.

Sincerely,

Kent J. Lund



KJL:meh

cc: Tommy Roberts, Esq.
W. Thomas Kellahin, Esq.
William F. Carr, Esq.
Supervisor - District III Office

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July 21, 1988

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501-2088

Attn: David R. Catanach, Examiner

Re: Case Nos. 9420 and 9421

Gentlemen:

Enclosed herewith please find Closing Statement prepared and submitted on behalf of Dugan Production Corp., Robert L. Bayless, Hixon Development Company, Merrion Oil and Gas Corporation, and Jerome P. McHugh & Associates, in the above-referenced matter, which hearing was conducted in Farmington, New Mexico, on July 6, 1988. We ask that this Statement be made a part of the record.

Sincerely,



TOMMY ROBERTS

TR:nk
Enclosure as stated

xc: Supervisor -- District III Office
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87401

W. Thomas Kellahin, Esq.
William F. Carr, Esq.
Kent Lund, Esq.
Dennis Dwyer, Esq.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION
FOR POOL CREATION AND SPECIAL
POOL RULES, SAN JUAN, RIO ARRIBA,
MCKINLEY AND SANDOVAL COUNTIES,
NEW MEXICO.

CASE NO. 9420

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION
FOR AN ORDER CONTRACTING THE
VERTICAL LIMITS OF CERTAIN
POOLS IN SAN JUAN AND RIO ARRIBA
COUNTIES.

CASE NO. 9421

CLOSING STATEMENT

The above referenced cases were heard before David R. Catanach, Examiner, on July 6, 1988. Dugan Production Corp., Robert L. Bayless, Hixon Development Company, Merrion Oil and Gas Corporation and Jerome P. McHugh and Associates, hereinafter sometimes referred to as "the Dugan Group", jointly appeared at the hearing of these cases and submitted testimony and evidence with respect to certain matters under consideration in those cases.

Specifically, the testimony and evidence submitted by the Dugan Group focused on the recommendation made by the

Fruitland Coalbed Methane Committee that the San Juan Fruitland Coalbed Methane Gas Pool be developed on 320 acre pool-wide spacing. The Dugan Group argued that 320 acre pool-wide spacing is inappropriate due to the significant difference in reservoir characteristics exhibited by the Fruitland coal formation in the northern region of the proposed pool as compared to the southern region of the proposed pool. The Dugan Group suggested the adoption of a rule with respect to spacing that would reflect the existence of different geologic and engineering data in these areas. In that regard, they proposed a line of demarcation dividing the pool into two (2) major areas based on available geologic and engineering data and information. They proposed that those lands generally located to the north of the line of demarcation would be developed on 320 acre spacing. They proposed that those lands generally located to the south of the line of demarcation would continue to be developed on 160 acre spacing for a period of three (3) years, at which time the temporary spacing rule would be re-examined by the New Mexico Oil Conservation Division. They also proposed that a buffer zone, one section deep on each side of the line of demarcation, be established in an effort to lessen the likelihood that 160 acre development south of the line of demarcation would encroach on 320 acre development north of the line of demarcation. They proposed that, within the area of the buffer zone, an operator would have an option to develop on either 320 acre spacing or 160 acre spacing.

In support of their proposal, the Dugan Group submitted geologic and engineering testimony and evidence. The underlying premise of that testimony and evidence was that the Fruitland coal formation south of the proposed line of demarcation exhibits reservoir characteristics very much different from the reservoir characteristics exhibited by the Fruitland coal formation north of the proposed line of demarcation. During the hearing, proponents of pool-wide 320 acre spacing, hereinafter sometimes referred to as "the proponents", acknowledged that available data and information indicates that in certain areas north of the proposed line of demarcation the Fruitland coal formation exhibits classical coal reservoir behavior. The Dugan Group concurs with that assessment of the nature of the Fruitland coal formation north of the proposed line of demarcation. However, the Dugan Group, through testimony and evidence, emphasized that available data and information indicates that the Fruitland coal formation south of the proposed line of demarcation exhibits conventional reservoir behavior -- not classical coal reservoir behavior. Although the proponents did not express concurrence with the opinion of the Dugan Group that the Fruitland coal formation south of the proposed line of demarcation exhibits conventional reservoir behavior, they admitted that the available data and evidence would not permit a conclusion that the Fruitland coal formation south of the proposed line of demarcation behaves in a fashion similar to the Fruitland coal formation north of the proposed line of

demarcation. The proponents and the Dugan Group agreed that information and data with respect to the reservoir characteristics of the Fruitland coal formation throughout the area of the proposed pool is limited.

On behalf of the Dugan Group, Mr. Kurt Fagrelus submitted evidence and testimony regarding the geologic data and information supporting the location of the proposed line of demarcation. Mr. Fagrelus submitted exhibits with respect to thickness, overburden, pressure, rank, gas-in-place and fracture permeability and concluded from an evaluation of that data that coalbed methane gas extraction is comparatively less favorable south of the proposed line of demarcation where the coals are generally thinner, shallower, underpressured, of lower rank, have less gas-in-place and have less fracture permeability due to the absence of structural elements in that area. Mr. Fagrelus testified that the data examined and evaluated by him supported the location of the line of demarcation as proposed. The proponents were unable to seriously challenge the geologic basis for the location of the proposed line of demarcation.

On behalf of the Dugan Group, Mr. Kevin McCord submitted extensive evidence and testimony regarding gas analyses taken from wells in the San Juan Basin. Based on the data examined and evaluated, he concluded that Fruitland coal gas south of the proposed line of demarcation is distinguishable from Pictured Cliffs gas from that area, and that Fruitland coal gas south of the proposed line of demarcation is significantly dissimilar

in composition to Fruitland coal gas north of the proposed line of demarcation. Mr. McCord also noted that the Fruitland coal south of the proposed line of demarcation tends to produce gas with very little, or no, water production, but that the Fruitland coal north of the proposed line of demarcation, as evidenced in the Cedar Hill Field, produces significant volumes of water. Finally, Mr. McCord submitted evidence and testimony regarding decline curves applicable to four (4) Jerome P. McHugh and Associate wells located in Section 36 of Township 27 North, Range 12 West, N.M.P.M., San Juan County, New Mexico, completed in, and producing from, the Fruitland coal formation. Based on his examination and evaluation of the data depicted in the decline curves, Mr. McCord concluded that there is no drainage interference on 160 acre spacing within this group of wells which are typical of wells in the South Gallegos Fruitland-Pictured Cliffs Pool. Mr. McCord testified that his conclusion was supported by his gas analyses study which indicated that the gas analyses for these wells reflected either Fruitland dominated gas or combined Fruitland and Pictured Cliffs gas. He also expressed his opinion that these wells exhibited conventional reservoir behavior because they exhibit gas production declines, rather than inclines, and because they produce only small volumes of water, if any at all. Based upon his gas analyses study and his examination and evaluation of the production decline data on the McHugh wells, Mr. McCord has concluded that the McHugh wells represent the typical behavior

of wells perforated in and producing from the Fruitland coal south of the proposed line of demarcation.

On behalf of the Dugan Group, Rob Willis submitted evidence and testimony regarding the production history and characteristics of four (4) wells operated by Hixon Development Company completed in, and producing from, the WAW Fruitland-Pictured Cliffs Pool. Mr. Willis utilized p/z vs. cumulative gas production curve analysis as the basis for his conclusion that significant volumes of gas are being produced from the Fruitland coal formation in these wells and that these wells indicate no evidence of the occurrence of drainage on 160 acre well spacing.

Mr. McCord concluded the presentation of the Dugan Group case with a discussion of practical problems associated with a change of spacing for the Fruitland coal formation in the area south of the proposed line of demarcation from 160 acres to 320 acres. He testified that it is the common practice in this area to complete wells in the Fruitland sand, Fruitland coal and Pictured Cliffs formations and to commingle production from those formations downhole in order to enhance the economics of drilling and producing the wells. He noted that spacing for these formations is currently 160 acres and that uniform spacing for these formations has allowed downhole commingling to be accomplished without undue administrative delay. He testified that a change in spacing for the Fruitland coal formation from 160 acres to 320 acres will create administrative

problems, allocation problems and correlative rights problems. With different spacing for the formations, ownership of the formations would probably no longer be uniform. If not uniform, then requests for downhole commingling would be necessary and would be granted only after incurring the time and expense of notice and hearing. This is an administrative burden, both for the New Mexico Oil Conservation Division and the operator. In addition, accurate and equitable allocation of production among the formations becomes a critical process under circumstances in which ownership is not common. Allocation is not an exact process and the potential for abuse exists. Non-uniform ownership of the formations may also provide a setting in which violation of correlative rights is more likely to occur. For example, in the Chaco area, where the main Fruitland coal is located just on top of the Pictured Cliffs formation, the common practice of fracture stimulation of the Pictured Cliffs formation commonly results in drainage of gas from the Fruitland coal, thereby damaging the correlative rights of the owners of the Fruitland coal formation. Mr. McCord specifically identified other kinds of problems which may arise if spacing for the Fruitland coal formation south of the proposed line of demarcation is changed from 160 acres to 320 acres and concluded that the kinds of problems he identified could be avoided simply by maintaining 160 acre spacing for the Fruitland coal formation in the area south of the proposed line of demarcation.

The proponents challenged the foundation for the conclusions of Mr. Willis with respect to drainage and interference in the WAW Fruitland-Pictured Cliffs formation. In addition, they challenged the conclusions of Mr. McCord with respect to drainage and interference in the South Gallegos Fruitland-Pictured Cliffs as not being representative of the entire area south of the proposed line of demarcation.

Specifically, the proponents submitted testimony that p/z vs. cumulative gas production curve analysis is not valid for coal reservoirs. The Dugan Group would agree that such analysis is probably not valid for classical coal reservoirs; however, the Dugan Group contends that the area south of the proposed line of demarcation exhibits conventional reservoir behavior -- not classical coal reservoir behavior. This contention is supported by the gas analyses study conducted by Mr. McCord, by the South Gallegos Fruitland-Pictured Cliffs decline curves submitted by Mr. McCord, and by the lack of water production from study wells. The p/z vs. cumulative gas production curve analysis presented by Mr. Willis is a standard and industry-accepted method of gas well analysis for conventional gas reservoirs. In addition, an examination and evaluation of the gas production curves for the wells which were the subject of the testimony presented by Mr. Willis show decline behavior and permits corroboration of the conclusions drawn by Mr. Willis that these wells in the WAW Fruitland-Pictured Cliffs Pool show no evidence of the occurrence of interference on 160 acre well spacing.

The proponents spacing submitted a drainage calculation for the Dugan Production Corp. Knauff No. 1 Well located in Section 32 of Township 28 North, Range 10 West, N.M.P.M., San Juan County, New Mexico, which location is approximately five (5) miles south of the proposed line of demarcation. The drainage calculation indicates a drainage area of greater than 320 acres. The proponents also submitted a gas production curve for the Knauff No. 1 Well which indicates incline production. They argue that the data applicable to the Knauff No. 1 Well supports 320 acre pool-wide spacing. The Dugan Group argues that the data applicable to the Knauff No. 1 Well represents, at best, an isolated variance from the reservoir behavior generally exhibited by the Fruitland coal formation south of the proposed line of demarcation. They contend that the drainage and production data applicable to the Knauff No. 1 Well is not representative of reservoir behavior for the Fruitland coal formation south of the proposed line of demarcation. In support of that contention, the Dugan Group argues, first, that the Knauff No. 1 well is located very close to the proposed line of demarcation. Second, the proponents submitted no data from other wells to support their conclusions with respect to the Knauff No. 1 Well. If such data was available to them, there would have been no advantage obtained by withholding that data from the record. Third, the proponents did not submit a gas analysis for the Knauff No. 1 Well. A subsequent examination of a gas analysis taken on May 19, 1983 reveals that gas from

the Knauff No. 1 Well resembles Fruitland-Pictured Cliffs combination gas -- not Fruitland dominated gas -- from the area of the wells which were the subject of the gas analyses study conducted by Mr. McCord. The gas from the Knauff No. 1 Well does not resemble, in any way, the classical coal gas produced from the Cedar Hill Field north of the proposed line of demarcation. For example, the ethane content in this well is 4.3% of the gas composition. This value is substantially more than the 0.2% average ethane content found in the Cedar Hill Field. Fourth, the proponents submitted only a calculation of the drainage radius for the Knauff No. 1 Well. A drainage calculation, without supporting evidence, is not conclusive with respect to the actual occurrence of drainage. Decline curves from offset wells or p/z vs. cumulative gas production curve analysis from offset wells should have been presented in conjunction with the drainage calculation to demonstrate interference between wells indicating that drainage is actually occurring between the 160 acre offset wells. Under these circumstances, the Dugan Group argues that the data applicable to the Knauff No. 1 Well submitted by the proponents should be given relatively little weight in the determination of appropriate spacing for the pool.

In conclusion, the Dugan Group argues that the weight of the evidence submitted supports their recommendation for the continuation of 160 acre spacing for the Fruitland coal

formation south of the proposed line of demarcation. The record contains limited evidence supporting 320 acre pool-wide spacing. Of critical importance is the recognition that the Fruitland coal formation south of the proposed line of demarcation exhibits conventional reservoir behavior. Data available from areas north of the proposed line of demarcation indicate that the Fruitland coal formation in those areas exhibits classic coal reservoir behavior. The record contains sufficient documentation of that distinction. In addition, the Fruitland coal formation south of the proposed line of demarcation has historically been developed on 160 acre spacing. Between 200 and 250 wells have been completed in the various combined Fruitland-Pictured Cliffs gas pools in this area. This is a significant number of Fruitland wells currently producing on 160 acre spacing without evidence of interference. The establishment of 320 acre pool-wide spacing will cause significant administrative, allocation and correlative rights problems in this area. The increased well density provision in the proposed special rules for the pool will not alleviate those problems, given the historical method of completion of wells in the Fruitland-Pictured Cliffs combined gas pools south of the proposed line of demarcation, because those problems emanate from uncommon ownership of the formations.

Based upon the weight of the evidence submitted at the hearing of the above-referenced cases, the Dugan Group proposes that the following recommendations be incorporated

into the special pool rules adopted for the San Juan Basin Fruitland Coalbed Methane Gas Pool:

A. That a line be established dividing the proposed San Juan Basin Fruitland Coalbed Methane Gas Pool into two (2) areas. The area generally located to the north of the dividing line would be developed on 320 acre spacing and proration units. The area generally located to the south of the dividing line would be developed on 160 acre spacing and proration units. The legal description of the proposed dividing line is set forth in Exhibit No. 9 of the exhibit package submitted by the Dugan Group at the hearing of these cases.

B. That a buffer zone, one section deep on each side of the dividing line, be established. An operator would have an option to develop lands within the buffer zone on either 320 acre or 160 acre spacing.

C. That the development of the San Juan Basin Fruitland Coalbed Methane Gas Pool south of the dividing line continue on 160 acre spacing and proration units for a period of three (3) years from the date of the issuance of an order in this case, at which time the New Mexico Oil Conservation Division would re-examine the spacing rule based on data developed and obtained from the Fruitland coal formation in areas now undeveloped.

Respectfully submitted,

TANSEY, ROSEBROUGH, GERDING &
STROTHER, P.C.
P. O. Box 1020
Farmington, New Mexico 87499
(505) 325-1801

By: *Tommy Roberts*
TOMMY ROBERTS, Attorney For
Dugan Production Corp.,
Robert L. Bayless,
Hixon Development Company
Merrion Oil and Gas Corporation
and Jerome P. McHugh and Associates

DATED: July 21, 1988

BLACKWOOD & NICHOLS CO., LTD.

P.O. BOX 1237
DURANGO, COLORADO 81302-1237

(303) 247-0728

June 30, 1988

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 9420
July 6, 1988 Hearing
Farmington, New Mexico

Dear Mr. LeMay:

Regretfully, due to other unchangeable commitments, I will not be able to attend the referenced hearing. However, it is requested that the attached statement be entered into the record of this hearing.

Please note that Blackwood & Nichols Co., Ltd. has had a high level of participation in the activities of the Fruitland Coalbed Methane Committee since its inception on January 29, 1987. We are thankful for the opportunity to make contributions of time, effort and data towards the goal of creating the best rules for Fruitland Coalbed Methane development.

Sincerely,

BLACKWOOD & NICHOLS CO., LTD.



William F. Clark
Operations Manager

WFC:ew

Attachment

cc: Mr. Frank Chavez, Examiner
Aztec Office
NM Oil Conservation Division

Mr. William Carr
Campbell, Byrd & Black
Santa Fe, New Mexico

BLACKWOOD & NICHOLS CO., LTD.

P.O. BOX 1237

DURANGO, COLORADO 81302-1237

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New Mexico Oil Conservation Division
July 6, 1988 Hearing
Case No. 9420 - Special Pool Rules for Fruitland Coalbed Methane

Statement From: William F. Clark, Operations Manager
Blackwood & Nichols Co., Ltd.
P. O. Box 1237
Durango, Colorado 81302

Dear Mr. Chavez, Examiner:

I, William F. Clark, representing Blackwood & Nichols Co., Ltd, have participated on the Fruitland Coalbed Methane Committee from its inception on January 29, 1987. Hopefully, the contributions of time, effort, and data which have been made during the past year and one half have been helpful to the work of the Committee. Blackwood & Nichols Co., Ltd. supports the Special Rules and Regulations for the Fruitland Coalbed Methane Gas Wells of New Mexico which were sent to Mr. William LeMay in a June 1, 1988 letter from Mr. Paul Burchell, Chairman of the Rules Committee.

Specifically, Blackwood & Nichols Co., Ltd. would like to comment on proposed Rule 3(a) Well Spacing and Location. By letter of March 2, 1988 (copy attached), Blackwood & Nichols Co., Ltd provided to the members of the Fruitland Coalbed Methane Committee the results of an interference test conducted in two Fruitland Coalbed wells. Through a cooperative agreement with Northwest Pipeline Corporation, two open hole, non-stimulated South Los Pinos Fruitland Coal wells were tested. These wells are direct east west offset on 160 acre spacing and are approximately 1650 feet apart. This test involved the Northeast Blanco Unit No. 218 well, NW 1/4, Section 16, T31N, R7W, and the San Juan 32-7 Unit No. 6 well, NE 1/4, Section 17, T31N, R7W, both in San Juan County, New Mexico. Bottom hole pressure surveys were conducted and interference was recorded.

It is my understanding that Mr. Brent Hale with Northwest Pipeline Corporation will present the details of this interference test at this hearing.

New Mexico Oil Conservation Division
Page 2

In summary, Blackwood & Nichols Co., Ltd's analysis of this test indicates pressure interference between these wells which are on 160 acre spacing, and as such supports the Committee's recommendation for 320 acre spacing.

Thank you for the opportunity to make a statement.

Sincerely,

BLACKWOOD & NICHOLS CO., LTD.

A handwritten signature in black ink, reading "William F. Clark". The signature is written in a cursive style with a large, looping initial "W".

William F. Clark
Operations Manager

WFC:ew

OIL CONSERVATION DIVISION
HINKLE, COX, EATON, COFFIELD & HENSLEY

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ROY C. SNODGRASS, JR. (1914-1987)

March 12, 1991

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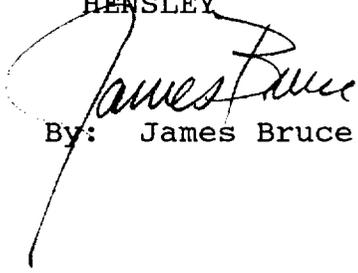
Ms. Florene Davidson
New Mexico Oil Conservation
Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Dear Florene:

Enclosed for filing in case no. 9420 (Reopened) is a Pre-Hearing Statement for Union Oil Company of California. It was previously telecopied to Mr. Catanach to meet the March 11th filing deadline.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:ie
Enclosure

PRE-HEARING COMMENTS TO THE OIL CONSERVATION DIVISION
REGARDING BASIN-FRUITLAND COAL GAS POOL RULES & REGULATIONS
January 24, 1991

OPERATOR POSITION

Union Oil Company of California (Unocal) operates 52 coal wells in a four township area ((T27N, R6W to R9W) See attached map). Data gathered from these wells supports the following recommendations:

1. That temporary pool rules for 320-acre spacing be made permanent.
2. That for the area in which Unocal operates, 160-acre infills be allowed within the 320-acre spacing unit.
3. That the location of the first well be in any quarter of a standard governmental section.
4. That lines of demarcation be established between areas of high recovery, hence wide spacing, and low recovery, hence tight spacing, by the OCD based on operator data.

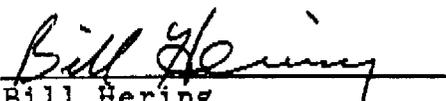
ISSUES THAT SHOULD BE CONSIDERED

In the area of Unocal's operations reservoir parameters that are of particular concern include permeability and reservoir pressure. Since these are both low the real issue is reasonable recovery of in-place reserves as opposed to

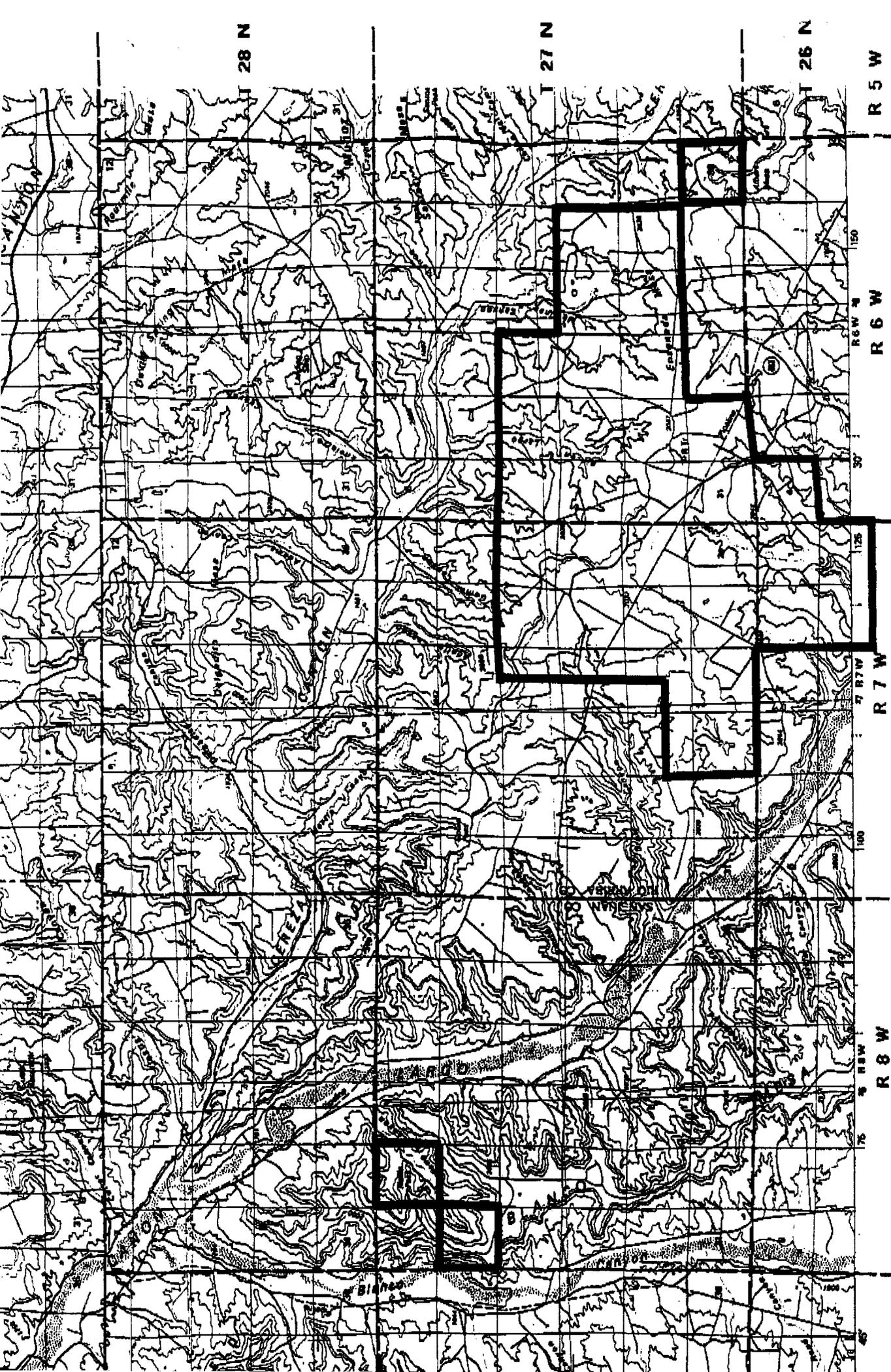
drainage violation. In this regard having adequate data to characterize reservoir permeability and pressure is vital.

FEBRUARY 21, 1991 HEARING PRESENTATION

There will be three technical witnesses that will speak in support of this position and the time frame necessary will be from one-half hour to one hour in length.

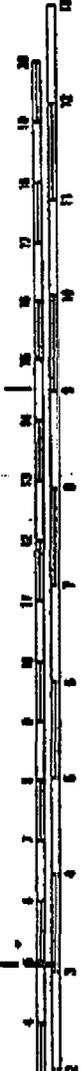


Bill Hering
District Petroleum Engineer

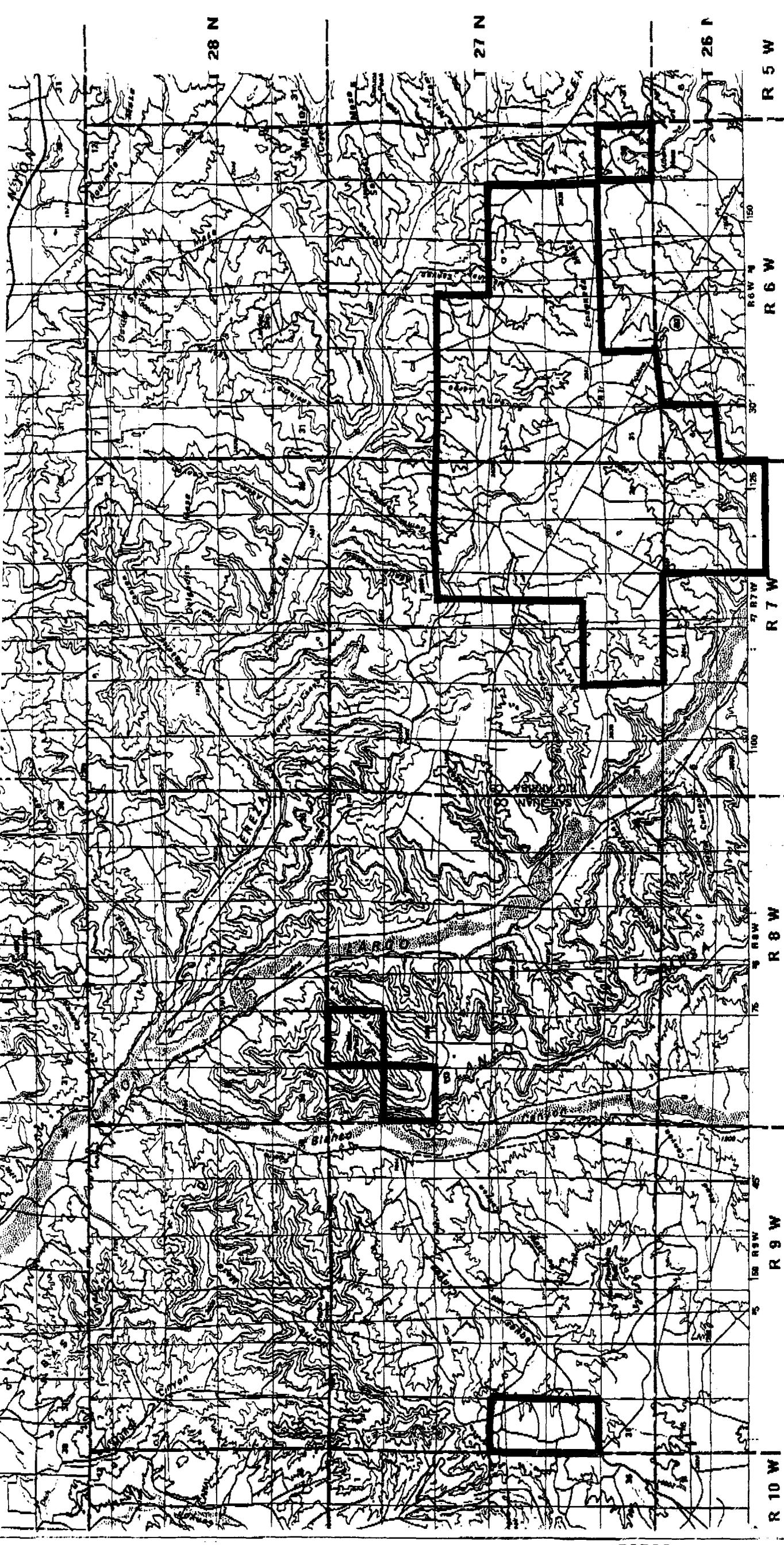


SCALE 1:100 000

1 CLAMBER ON THE MAP REPRESENTS 1 ARCHER ON THE GROUND
CONTOUR INTERVAL 50 METERS



UNOCAL OPERATED PROPERTIES



SCALE 1:100 000
1 CENTIMETER ON THE MAP REPRESENTS 1 KILOMETER ON THE GROUND
CONTOUR INTERVAL 50 METERS

UNOCAL OPERATED PROPERTIES