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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. 10155
Order No. R-6375-B

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR DETERMINATION OF
PERMANENT ALLOCATION OF DOWNHOLE
COMMINGLED PRODUCTION AND FOR THE
AMENDMENT OF DIVISION ORDER NO.
R-6375, AS AMENDED, RIO ARRIBA
COUNTY, NEW MEXICO.

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DIST. 3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 14, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of December, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-6375, dated June 18, 1980, the Division authorized El Paso Natural Gas Company to commingle Basin-Dakota and Largo-Gallup Pool production within the wellbore of its Rincon Unit Well No. 164 located 1840 feet from the South line and 1090 feet from the West line (Unit L) of Section 2, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

CASE NO. 10155
Order No. R-6375-B
Page -2-

(3) Order No. R-6375 provided that El Paso Natural Gas Company consult with the supervisor of the Aztec district office of the Division and determine a formula for the allocation of production to each zone in the well.

(4) By letter dated February 13, 1981, from the supervisor of the Aztec district office of the Division, the allocation of production between formations in the subject well was set as follows:

	<u>OIL</u>	<u>GAS</u>
Gallup	87%	69%
Dakota	13%	31%

(5) The applicant, Union Oil Company of California, being the successor operator of the subject well, seeks to amend Order No. R-6375 to adjust the allocation of Gallup and Dakota production retroactive to March 1, 1990.

(6) El Paso Natural Gas Company entered an appearance in this case.

(7) Division records indicate that the applicant took over operations of the subject well from El Paso Natural Gas Company in May, 1986.

(8) According to evidence and testimony, production from the subject well has not always been reported to the Division in accordance with the allocation described in Finding No. (4) above.

(9) According to further evidence and testimony, the working interest and overriding royalty interest is not common between the Gallup and Dakota formations within the subject well.

(10) The applicant is currently reviewing its records in an effort to determine if the various working and overriding royalty interest owners in the subject well have been correctly paid in accordance with the above-described production allocation during the time period in which it has operated the well.

CASE NO. 10155
 Order No. R-6375-B
 Page -3-

(11) In response to questions by the Division, Legal Council for El Paso Natural Gas Company stated that it is also currently reviewing its records to determine if the various working and overriding royalty interest owners in the subject well were correctly paid as per the above-described production allocation during the time period in which it has operated the well.

(12) The applicant presented as evidence results of a production test conducted on the subject well during February, 1990, which test established current individual Gallup and Dakota zone production.

(13) According to the test results, production from the Gallup and Dakota zones within the subject well should be allocated as follows:

	<u>OIL</u>	<u>GAS</u>
Gallup	100%	91%
Dakota	0%	9%

(14) No interest owner appeared at the hearing in opposition to the application.

(15) Adoption of the production allocation as described in Finding No. (13) above as of March 1, 1990, is in the best interest of conservation, prevention of waste and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The Gallup and Dakota production allocation within the Rincon Unit Well No. 164 located 1840 feet from the South line and 1090 feet from the West line (Unit L) of Section 2, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, as previously established by addendum to Division Order No. R-6375, is hereby amended and established as follows effective March 1, 1990:

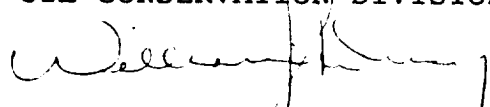
	<u>OIL</u>	<u>GAS</u>
Gallup	100%	91%
Dakota	0%	9%

7
CASE NO. 10155
Order No. R-6375-B
Page-4-

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY

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