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OIL CON. DIV.
DIST. 3

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. 9733
Order No. R-9032

APPLICATION OF MARATHON OIL
COMPANY FOR DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 23, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st day of November, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Marathon Oil Company, seeks approval to downhole commingle gas production from the Blanco-Mesaverde and Basin-Dakota Gas Pools within the wellbores of the following 11 wells, all located on its Jicarilla Apache Lease in Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico:

WELL NO.

WELL LOCATION

8	990' FSL & 990' FEL (Unit P)	Section 27
8E	1685' FSL & 1685' FWL (Unit K)	Section 27
9	990' FNL & 1100' FEL (Unit A)	Section 28

CASE NO. 9733
Order No. R-9032
Page -2-

9E	1040' FSL & 1685' FEL (Unit O)	Section 28
10E	1040' FNL & 1685' FWL (Unit C)	Section 27
11E	955' FNL & 1685' FWL (Unit C)	Section 28
12	800' FNL & 800' FEL (Unit A)	Section 33
13E	1850' FNL & 930' FWL (Unit E)	Section 33
14E	1850' FNL & 1685' FWL (Unit F)	Section 34
16	1600' FSL & 990' FEL (Unit I)	Section 34
16E	825' FNL & 955' FEL (Unit A)	Section 34

(3) The evidence presented indicates that five of the subject wells are currently dually completed in the Blanco Mesaverde and Basin-Dakota Gas Pools, these being the Well Nos. 8E, 9E, 13E, 14E and 16E, and that the remaining wells are currently completed only in the Basin-Dakota Gas Pool.

(4) The five dually completed wells as described above are currently completed such that the Basin-Dakota Gas Pool is being produced via tubing, and the Blanco-Mesaverde Gas Pool is being produced via the casing-tubing annulus.

(5) Testimony by the applicant indicates that the pressure in the Blanco-Mesaverde Gas Pool within the five subject dually completed wells has declined to the point that the wells are incapable at the present time of lifting the associated fluids from the Mesaverde formation.

(6) Further testimony indicates that by utilizing the reservoir energy in the Dakota formation to help lift the associated fluids from the Mesaverde formation, a substantial amount of additional gas reserves may be recovered from the Blanco-Mesaverde Gas Pool, thereby preventing waste.

(7) Ownership of the two zones within all of the subject wells is common.

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

(9) Approval of the proposed commingling as to the five subject dually completed wells will result in the recovery of additional reserves from the Blanco-Mesaverde Gas Pool, thereby preventing waste, and will not violate correlative rights.

CASE NO. 9733
Order No. R-9032
Page -3-

(10) Both the Basin-Dakota and Blanco-Mesaverde Gas Pools within the five subject dually completed wells are prorated gas pools subject to the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended.

(11) Rule No. 11(b)(1) of said rules provides that should a gas proration unit become overproduced in an amount exceeding twelve times its average monthly allowable for the preceding twelve months, it shall be shut in until its overproduction is less than twelve times its average monthly allowable.

(12) According to the August, 1989, San Juan Basin Gas Proration Schedule, three of the five subject dually completed wells are currently overproduced in the Basin-Dakota Gas Pool, these being the Well Nos. 9E, 14E and 16E, and that the Well No. 9E is nearing the twelve times overproduced status.

(13) The possibility exists that one or more of the five subject dually completed wells will be required to be shut in under the terms of said Rule No. 11(b)(1), in order to protect the correlative rights of other operators in the subject pools.

(14) The evidence presented does not adequately demonstrate that no loss of gas reserves would occur should any of the five subject dually completed wells be shut in due to overproduction as described above.

(15) The applicant should take all steps necessary to ensure that the five subject wells will not be required to be shut in due to overproduction.

(16) In the event that any of the five subject dually completed wells are shut in due to overproduction, its commingling authority, granted herein, should terminate and the applicant should be required to segregate the two zones in said well(s).

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NOV 03 1989

OIL CON. DIV
DIST. 2

CASE NO. 9733
 Order No. R-9032
 Page -4-

(17) Inasmuch as the evidence supporting the proposed downhole commingling within those wells currently completed only in the Basin-Dakota Gas Pool is insufficient at this time, that portion of the application requesting approval to downhole commingle Basin-Dakota and Blanco-Mesaverde Gas Pool production within the Well Nos. 8, 9, 10E, 11E, 12 and 16 should be denied.

(18) Upon recompletion and testing of the wells described above, the applicant should be allowed to administratively apply for downhole commingling, provided that sufficient information, as described in Rule 303(C) of the Division Rules and Regulations, is available.

(19) The applicant should consult with the supervisor of the Aztec district office of the Division in order to determine an allocation formula for the allocation of production from the Well Nos. 8E, 9E, 13E, 14E and 16E, and also to determine a satisfactory method of determining annual deliverability for gas proration purposes.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Marathon Oil Company, is hereby authorized to downhole commingle Basin-Dakota and Blanco-Mesaverde Gas Pool production within the following described wells, all located on its Jicarilla Apache Lease, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico:

<u>WELL NO.</u>	<u>WELL LOCATION</u>	
8E	1685' FSL & 1685' FWL (Unit K)	Section 27
9E	1040' FSL & 1685' FEL (Unit O)	Section 28
13E	1850' FNL & 930' FWL (Unit E)	Section 33
14E	1850' FNL & 1685' FWL (Unit F)	Section 34
16E	825' FNL & 955' FEL (Unit A)	Section 34

PROVIDED HOWEVER THAT, the applicant shall take all steps necessary to ensure that the wells described above are not required to be shut in due to overproduction of gas under the terms and conditions of Rule 11(b)(1) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Division Order No. R-8170, as amended.

CASE NO. 9733
Order No. R-9032
Page -5-

PROVIDED FURTHER THAT, in the event that any of the subject wells are shut in due to overproduction as described above, its commingling authority, granted herein, shall terminate and the applicant shall be required to segregate the two zones in the well(s).

(2) Prior to commingling, the applicant shall consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone within the subject wells, and also to determine a satisfactory method of determining annual deliverability for gas proration purposes.

(3) The application of Marathon Oil Company for downhole commingling of Basin-Dakota and Blanco-Mesaverde Gas Pool production within the following described wells, all located on its Jicarilla Apache Lease, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby denied.

<u>WELL NO.</u>	<u>WELL LOCATION</u>	
8	990' FSL & 990' FEL (Unit P)	Section 27
9	990' FNL & 1100' FEL (Unit A)	Section 28
10E	1040' FNL & 1685' FWL (Unit C)	Section 27
11E	955' FNL & 1685' FWL (Unit C)	Section 28
12	800' FNL & 800' FEL (Unit A)	Section 33
16	1600' FSL & 990' FEL (Unit I)	Section 34

(4) Upon recompletion and testing of the wells described above, the applicant shall be allowed to administratively apply for downhole commingling, provided that sufficient information, as described in Rule 303(C) of the Division Rules and Regulations, is available and is submitted.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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