

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

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

CASE NO. 11100
ORDER NO. R-10237

APPLICATION OF TEXACO EXPLORATION AND PRODUCTION, INC. FOR
DOWNHOLE COMMINGLING, SAN JUAN COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 13, 1994 at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW on this 3rd day of November, 1994, 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, Texaco Exploration and Production, Inc. (Texaco), seeks approval to downhole commingle Fulcher Kutz-Pictured Cliffs Pool gas production with Basin Dakota Pool gas production in the wellbore of its H.J. Loe Federal "B" Well No. 2-E located 1700 feet from the North line and 1050 feet from the West line (Lot 5/Unit E) of Section 23, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico.
- (3) Texaco originally requested administrative approval in this case but an objection was received from Alpine Oil & Gas Corporation, an offset operator.
- (4) The NW/4 of Section 23 (160 acres) is dedicated to the Pictured Cliffs completion and the N/2 of the Section (320 acres) is dedicated to the Basin Dakota. A Texaco witness testified that ownership is common in the two completions.

(5) Both completions are logged off and non-productive at present due to low bottomhole pressures. 1993 production records show that each completion was producing less than 100 MCF per day when production ceased in 1993. Texaco estimates that combined production would be approximately 362 MCFD, 1 BOPD, and 18 BWPD following commingling. The increase is expected due to the pressure drop on both formations caused by fluids being pumped out the 2 3/8-inch tubing with gas allowed to flow up the tubing casing annulus. The value of commingled production would therefore exceed the sum of the values of the individual streams.

(6) Estimated bottomhole pressures are 450 psig for the Dakota and 249 psig for the Fulcher Kutz. Texaco testified that there would be no cross flow, incompatibility of fluids nor reservoir damage following commingling. Water analysis reports were submitted to show the fluids to have no components which would prohibit commingling or promote scales or emulsions.

(7) Texaco proposed a method of allocating production based on production histories and anticipated rates. 55% of the gas and 89% of the water would be allocated to the Pictured Cliffs completion. 45% of the gas, 100% of the oil and 11% of the water would be allocated to the Dakota completion.

(8) Alpine Oil & Gas Corporation did not appear at the hearing but submitted a letter requesting that the Division review Texaco's evidence concerning cross flow and allocation of production before approving the application. No other offset operator or interest owner appeared at the hearing in opposition to the application.

(9) Approval of this application is in the best interest of conservation and will serve to prevent waste without damage to correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Texaco Exploration and Production, Inc. to downhole commingle Fulcher Kutz-Pictured Cliffs Pool gas production with Basin Dakota Pool gas production in the wellbore of its H.J. Loe Federal "B" Well No. 2-E located 1700 feet from the North line and 1050 feet from the West line (Lot 5/Unit E) of Section 23, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico is hereby approved.

HJ Loe Fed B
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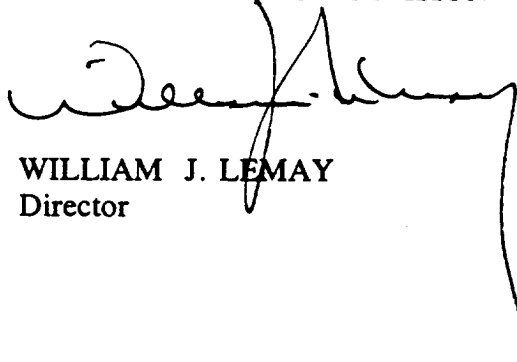
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(2) 55% of the gas production and 89% of the water production from the commingled production volume shall be allocated to the Fulcher Kutz-Pictured Cliffs Pool completion and 45% of the gas production, 100% of the oil production, and 11% of the water production shall be allocated to the Basin Dakota Pool completion.

(3) Jurisdiction of this cause is 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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name and title. The signature is fluid and cursive, with a long, sweeping underline that extends below the text.

WILLIAM J. LEMAY
Director

S E A L