

CASE NO. 5441: J. GREGORY  
MERRION & ROBERT L. BAYLESS FOR  
DOWNHOLE COMMINGLING, RIO ARRIBA  
COUNTY, NEW MEXICO

CASE No.

5441

Application,  
Transcripts,  
Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
19 March 1975

EXAMINER HEARING

IN THE MATTER OF:

Case 5441. Application of J. Gregory  
Merrion and Robert L. Bayless for down-  
hole commingling, Rio Arriba County,  
New Mexico. Applicants, in the above  
styled cause, seek authority to com-  
mingle undesignated Gallup and Basin-  
Dakota production in the wellbore of  
the El Paso Canyon Largo NP Well No. 1,  
located in Unit K of Section 3, Town-  
ship 24 North, Range 6 West, Rio  
Arriba County, New Mexico.

CASE #5441

BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil  
Conservation Commission:

William H. Carr, Esq.  
Legal Counsel for the Com-  
mission  
State Land Office Building  
Santa Fe, New Mexico 87501

For the Applicants:

Mr. Robert L. Bayless  
Farmington, New Mexico

I N D E X

Testimony of Robert L. Bayless

3

E X H I B I T S

Merrion-Bayless Exhibits 1 through 8

12

MR. NUTTER: We'll call Case Number 5441.

MR. CARR: Application of J. Gregory Merrion and Robert L. Bayless for downhole commingling, Rio Arriba County, New Mexico.

MR. BAYLESS: I'm Robert L. Bayless from Farmington.

(Mr. Bayless sworn.)

MR. NUTTER: Mr. Bayless, you're here on your own behalf representing yourself today, is that correct?

MR. BAYLESS: That's correct.

MR. NUTTER: Would you proceed?

MR. BAYLESS: This involves a well known as the Canyon Largo 185 Dakota, which is operated by El Paso Natural Gas; is a non-participating well in the Canyon Largo Dakota Unit, non-participating because of its low productivity. It's approximately two years old now. It so happens that El Paso owns the gas rights in this portion of the Canyon Largo Unit and Merrion and Bayless own the oil rights in this portion of the Canyon Largo Unit.

I'll furnish you a copy, Exhibit 1, of an agreement we have with El Paso. To summarize the agreement, we will assume operation - incidentally, I should have mentioned, in the Canyon Largo Unit El Paso is the

operator; we are sub-operator for the Gallup participating area of the unit.

MR. NUTTER: Now, let's get one more thing clear.

Since it's a non-participating well, the well does not belong to the unit; it belongs to El Paso, is this correct?

MR. BAYLESS: That's correct.

MR. NUTTER: Okay.

MR. BAYLESS: We have entered into an agreement, which I'll furnish you a copy of. A summary is that we will assume operation of this well; physically, we well go in; and I will also furnish you an exhibit of our proposed work. We will enter this well, temporarily block off the Dakota test, or rather we'll run a log across the Gallup interval to see if it is cemented. If it is cemented we will continue with our perforating and cracking of the Gallup zone. If it's not cemented we will squeeze cement it and then do our perforating, cracking. After we have treated the Gallup zone, we propose to then remove the temporary bridge plug above the Dakota and commingle the Dakota and the Gallup. We will run rod, tubing rods, install a pumping unit to pump the Gallup Well. The Gallup Well will be slightly outside the Gallup parti-

icipating area and based on what it does, will or will not be subject to admission into this participating area.

Our agreement calls that the gas from this well will be owned by El Paso and the oil, hydrocarbons, liquid hydrocarbons, will be owned by Merrion-Bayless.

I have a map which I will submit to you showing the location of this proposed work in relation to the Gallup Unit. I also will furnish copies of electric logs showing the Gallup interval of this well, as well as the Gallup interval of a well known as the Merrion-Bayless Canada Mesa Number 3, which is approximately two miles south and east. This is a Dakota-Gallup wellbore, a commingled well, which we received permission approximately a year ago to commingle.

I'll furnish you a copy of the location plat of the well and decline curves for the Canada Mesa 3 and a decline curve for this Canyon Largo 185.

I believe that's all the material I can furnish you at this point. The economic reason is, as you will examine the log that I'm furnishing on this 185, there's approximately 8 to 10 feet of Gallup that appears should be productive. We've already -- El Paso's already established that their Dakota is marginal. It was not

adequate to admit into the unit. We feel that by taking these two zones together we will have an economic venture; will recover some Gallup oil that otherwise probably is not worth drilling for and we can continue to operate the Dakota well much longer than it ordinarily would be operated because of its low productivity.

That's all I really have to say. If you have some questions.

MR. NUTTER: Well, yes, I'd like to see some of those exhibits, Mr. Bayless.

MR. BAYLESS: The El Paso agreement; our proposed mechanical work. I should have mentioned that we own all of the Canyon Largo Gallup participating area with the exception of twelve and one-half percent that Skelly owns. We're negotiating now with Skelly to pool our interests so there will be no problem. This map happens to show in blue our acreage; in yellow is Skelly acreage. This is the heart of the Gallup Unit. This is the 185 Dakota that we're proposing to re-enter. This is the Canada 3, which I'm furnishing you logs on that we've already obtained permission to commingle. This is just a plat of the location. This -- these are decline curves, the Canada 3, that we've been commingling about a year now,



and this is the 185 Dakota well only.

These are the --

MR. NUTTER: Wait a minute, Mr. Bayless. Mr. Bayless, Exhibit 1 would be the copy of the agreement with El Paso Natural, is this correct?

MR. BAYLESS: That's correct.

MR. NUTTER: And this provides that you shall take over the operation of the well and under the proposal you'd perforate the Gallup and then complete it as a commingled well.

MR. BAYLESS: Yes.

MR. NUTTER: And that El Paso would be the owner of the gas and Merrion-Bayless would be the owner of the liquid hydrocarbon produced by the well.

MR. BAYLESS: It provides that and in addition through operating agreements dating back many years, they already own all gas in all formations and we own all oil in all formations, so this is a little redundant, but --

MR. NUTTER: Exhibit Number 2 would be your proposal for the re-entry and re-completion of the well, is that correct?

MR. BAYLESS: Yes, it's the mechanical details.

MR. NUTTER: Now, how far, actually, is this from the

nearest Gallup production, Mr. Bayless? If we refer to what's been identified as Exhibit 3, which is a map of the area --

MR. BAYLESS: It would be slightly over, probably, 5500 feet from our Canyon Largo 131.

MR. NUTTER: Which is located in Section 9, southwest of Number 185?

MR. BAYLESS: Yes.

MR. NUTTER: Now, the notice of this case identifies it as being the Canyon Largo NP Well Number 1.

MR. BAYLESS: That's an incorrect -- I really don't know who is responsible, but it is incorrect. The well is the 185. The Canyon Largo 1 was drilled back in the early '50s.

MR. NUTTER: I see.

MR. BAYLESS: It's simply a typographical error.

MR. NUTTER: But the well location is correct; this location is in Unit K, Section 3, Township 24 North, Range 6 West?

MR. BAYLESS: That's correct. And it's verified by 1650 South -- (inaudible)

MR. NUTTER: Okay, then we have Exhibit Number 4, which is a plat showing the 320 acres that is dedicated

for the well in the Dakota formation, is that correct?

MR. BAYLESS: Yes.

MR. NUTTER: Now, Exhibit 5 is a log of the Canada Mesa Well Number 3. What formation is this interval that's indicated as being perforated?

MR. BAYLESS: This is the Gallup formation.

MR. NUTTER: And that well is a commingled well in the Dakota and the Gallup?

MR. BAYLESS: That's correct.

MR. NUTTER: I see. And Exhibit Number 6 is a log of this subject well, is that correct?

MR. BAYLESS: That's correct.

MR. NUTTER: In the Gallup formation.

MR. BAYLESS: And this is a perforated interval.

MR. NUTTER: And indicated about 5600 feet is the interval that you will perforate, is that right?

MR. BAYLESS: Uh-huh, 5590-5600.

MR. NUTTER: Okay. We've got here a couple of decline curves. We've got a decline curve for the Canada Mesa Number 3. When it was initially completed was it a commingled well?

MR. BAYLESS: When it was initially completed we did not produce it until we obtained permission to commingle.

MR. NUTTER: So the decline here is the commingled production?

MR. BAYLESS: It's the commingled production that's shown here.

MR. NUTTER: And that's been identified as Exhibit Number 7. Then we have a decline curve for the Canada Number 185, which would be Dakota only, is that correct?

MR. BAYLESS: That's only Dakota. That's all that is open in the wellbore at that time.

MR. NUTTER: And what's the present capacity of the Dakota formation?

MR. BAYLESS: Last month the production I had was 79 MCF per day.

MR. NUTTER: Does it make any liquids, Mr. Bayless?

MR. BAYLESS: Well, initially it made some liquids. The last production report we had, it's not making liquids; however, at this depth, it's around 6500, I believe, probably this kind of gas couldn't lift any liquids. This is the early liquid and you can see they were selling -- they had a little bit of liquid but the history ordinarily of Dakota down there, the liquids tend to disappear.

MR. NUTTER: So we do have some production history on the Dakota formation and the Gallup will be tested separately

prior to the commingling production in the wellbore, is that correct?

MR. BAYLESS: Well, we would swamp test it.

MR. NUTTER: And at that time you'd determine what the allocation should be for each of the two zones?

MR. BAYLESS: Well, what we would like to do is allocate the liquids to the Gallup and the gas to the Dakota.

MR. NUTTER: Well, what about the other wells in this area, in the Gallup formation? Do they make any gas, in the Gallup?

MR. BAYLESS: They make some casing head gas which is into a compressor system and again it's owned by El Paso.

MR. NUTTER: Has the Commission designated a pool for the Gallup production which is southwest of the proposed --

MR. BAYLESS: That's called the Devil's Fork Gallup.

MR. NUTTER: It is the Devil's Fork Gallup. Well, some of the wells in the Devil's Fork Gallup, Mr. Bayless, have produced rather large quantities of gas, have they not?

MR. BAYLESS: That's correct. The gas cap is roughly about like this (indicating). The wells down here have

made gas. The wells to the north here are oil.

MR. NUTTER: In other words, the Gallup formation in the area is dipping to the northeast, is that correct?

MR. BAYLESS: Yes.

MR. NUTTER: And this well is down structure from the main part of the Gulf Sand?

MR. BAYLESS: Yes. Well, yes, our pay -- our prospect there is not based on structure so much as it is stratigraphic. We would not -- we would anticipate this would make oil, just based on our log analysis.

MR. NUTTER: And it would not be -- it would not have high productivity of gas in the Gallup formation?

MR. BAYLESS: I suspect it will not have high productivity, period.

MR. NUTTER: Are there any further questions of Mr. Bayless?

(No response.)

MR. NUTTER: He may be excused. Now, Mr. Bayless, we've got here Exhibits 1 through 8- I believe it is, and you're offering these, then, in this case, is that correct?

MR. BAYLESS: Yes.

MR. NUTTER: Merrion-Bayless Exhibits 1 through 8 will be admitted in evidence. Do you have anything further,

Mr. Bayless?

MR. BAYLESS: I believe not.

MR. NUTTER: Does anyone have anything they wish to  
offer in 5441?

(No response.)

MR. NUTTER: We'll take the case under advisement.

(Hearing concluded.)

# REPORTER'S CERTIFICATE

WITNESS my hand and seal this 13th day of April, 1975,  
at Santa Fe, New Mexico.

10 September 1975

**THE NYE REPORTING SERVICE**  
STATE-WIDE DEPOSITION NOTARIES  
225 JOHNSON STREET  
SANTA FE, NEW MEXICO 87501  
TEL. (505) 982-0386





## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE

87301

April 16, 1975

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

Mr. Robert L. Bayless  
Petroleum Club Plaza Building  
Post Office Box 1541  
Farmington, New Mexico 87401

Re: CASE NO. 5441  
ORDER NO. R-4997

Applicant:

J. Gregory Merrion &  
Robert L. Bayless

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC         
Aztec OCC X

Other

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5441  
Order No. R-4997

APPLICATION OF J. GREGORY MERRION  
AND ROBERT L. BAYLESS FOR DOWNHOLE  
COMMINGLING, RIO ARriba COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of April, 1975, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, and being  
fully advised in the premises,

FINDS:

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

(2) That the applicants, J. Gregory Merrion and Robert  
L. Bayless are the co-owners with El Paso Natural Gas Company  
of the El Paso Canyon Largo NP Well No. 185, located in  
Unit K of Section 3, Township 24 North, Range 6 West, NMPM,  
Rio Arriba County, New Mexico, and are the designated  
operator of said well.

(3) That the applicants propose to perforate into the  
Gallup formation in the above-described well and seek  
authority to commingle said undesignated Gallup production  
and the existing Basin-Dakota production within the wellbore  
of said well.

(4) That from the as yet unperforated Gallup zone, the  
subject well is expected to be capable of low marginal  
production only.

(5) That from the Basin-Dakota zone, the subject well  
is capable of low marginal production only.

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Case No. 5441  
Order No. R-4997

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(7) That the reservoir characteristics of each of the aforesaid zones in the subject area are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(9) That upon recompletion of the subject well as proposed herein, the applicant should discuss the prior rate of production and the new rate of production with the supervisor of the Aztec district office of the Commission in order to allocate the commingled production to each of the commingled zones in the subject well.

(10) That any authority for downhole commingling should be rescinded if other than the low marginal production as described in Finding No. (4) is obtained.

IT IS THEREFORE ORDERED:

(1) That the applicants, J. Gregory Merrion and Robert L. Bayless, are hereby authorized to commingle undesignated Gallup and Basin-Dakota production within the wellbore of the El Paso Canyon Largo NP Well No. 185, located in Unit K of Section 3, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(2) That upon completion the applicant should consult with the supervisor of the Aztec district office of the Commission to allocate the commingled production to each of the commingled zones in the subject well.

(3) That the operators of the subject well shall immediately notify the Aztec district office of the Commission any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

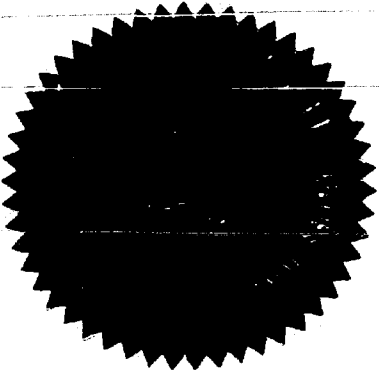
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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Case No. 5441  
Order No. R-4997

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



*I. R. Trujillo*  
I. R. TRUJILLO, Chairman

*Phil R. Lucero*  
PHIL R. LUCERO, Member

*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

# El Paso Natural Gas Company

El Paso, Texas 79975

January 8, 1975

J. Gregory Merrion  
Robert L. Bayless  
Post Office Box 507  
Farmington, New Mexico 87401

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>APP</u>	EXHIBIT NO. <u>1</u>
CASE NO.	<u>5441</u>

Re: Canyon Largo #185 Dakota (NP) Well  
T-24-N, R-6-W  
Section 3: W/2  
Rio Arriba County, New Mexico

Gentlemen:

This letter when executed by you will evidence our agreement pertaining to the captioned well as follows:

1. El Paso will furnish you a Designation of Agent granting you the right to operate the captioned well.
2. Pursuant to the authorization granted by such Designation and by the terms of this letter you will request a hearing before the State of New Mexico Oil Conservation Commission and attempt to obtain approval from the Commission to dually complete the captioned well in the Gallup and Dakota Formations and upon such completion to co-mingle production from said Formations. You will obtain the consent of any other necessary parties to such proposed operation, the consent of El Paso being granted by this letter.
3. Upon receiving approval of the Commission as provided in the preceding paragraph you will re-enter the captioned well, perforate and fracture the Gallup Formation and install pump jack and rods, treater and tank and all other equipment necessary to restore the well to production. All of such operations and such equipment shall be performed and furnished by you at your sole cost, risk and expense. Any equipment or material placed in or on said well by you shall be owned by you and any equipment or material presently in or on or hereafter placed in or on said well by El Paso shall be owned by El Paso.
4. Subsequent to your completion of such operations all oil produced from said well shall be owned by Merrion and Bayless and all gas produced from said well will be owned by El Paso. You will absorb and pay all operating and overhead expenses incurred in the operation of said well without reimbursement therefor from El Paso.

J. Gregory Merriion  
Robert L. Bayless

January 8, 1975  
Page Two

5. You agree to perform the operation herein provided for in a prudent manner so as to prevent damage to the Dakota Formation especially during the Gallup completion. You further agree, at your sole cost, risk and expense to perform any actions, subsequent to the Gallup completion, <sup>RAB</sup> ~~SM~~ (at the which are necessary to maintain Dakota production including, but not limited current to, plugging the Gallup zone if it is non-productive and inhibits Dakota producing production. Any remedial operations required because of casing failures, level with a whether caused by the Gallup completion or other causes shall be performed by normal decline) you at your sole cost, risk and expense.

6. Any future reworking operations or restimulation of the Gallup and/or the Dakota Formations shall be done at your sole cost, risk and expense (initiation but only after El Paso's written consent to such operations or restimulation has been given to you. <sup>R.L.B.</sup> ~~SM~~)

7. This Letter Agreement and all rights acquired by either party hereunder are subject to all of the terms and provisions of the Canyon Largo Unit Agreement and Unit Operating Agreement.

Please evidence your acceptance of the foregoing by executing and returning a copy of this letter to the undersigned.

Yours very truly,

EL PASO NATURAL GAS COMPANY

By: T.W. Bittick  
Assistant Vice President

AGREED TO AND ACCEPTED this

14 day of Jan, 1975.

J. Gregory Merriion  
J. Gregory Merriion

Robert L. Bayless  
Robert L. Bayless

mcv.

MERRION & BAYLESS

Canyon Largo Unit #185

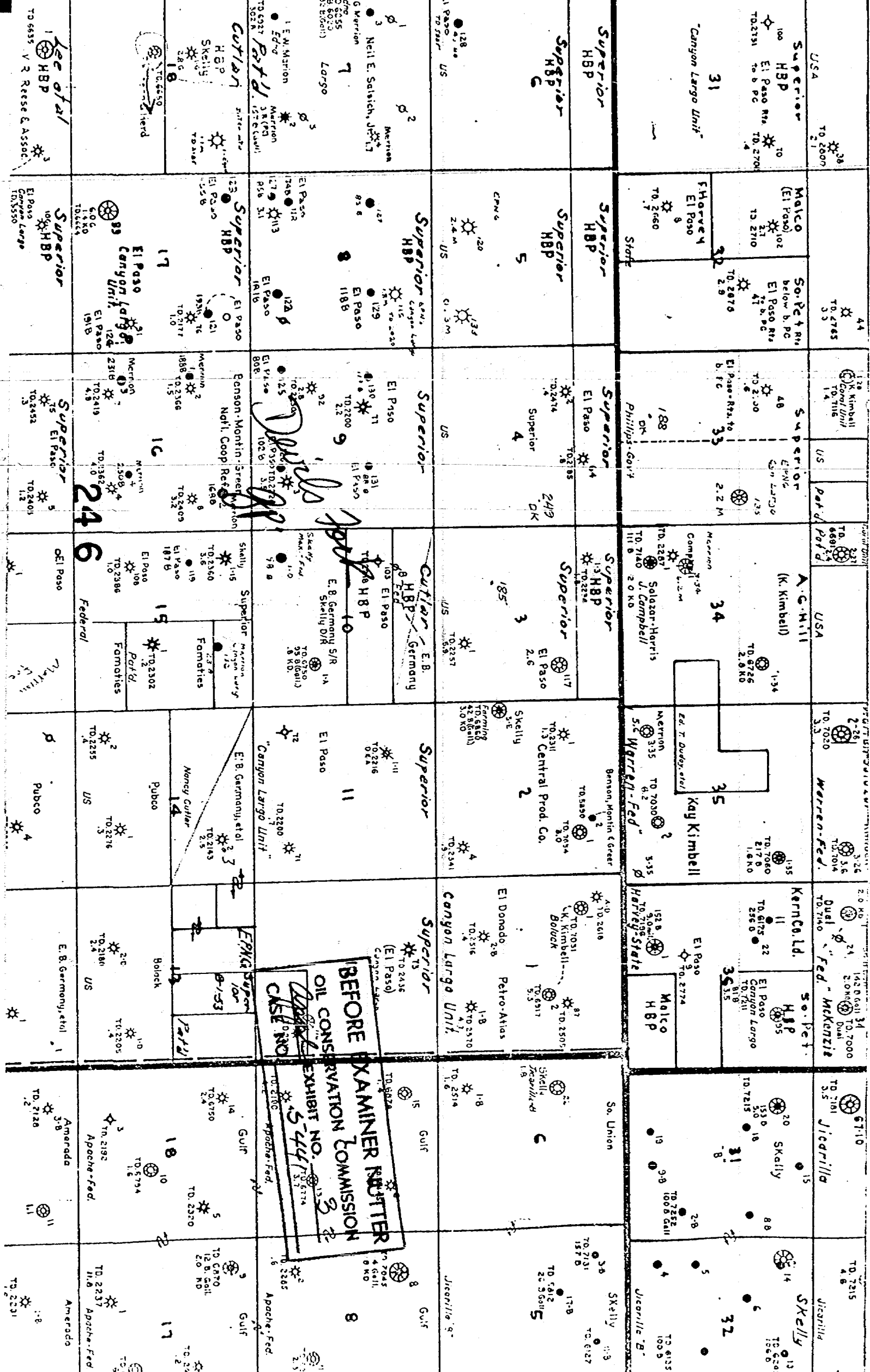
Re-entry Commingling  
10" x 3000# Well Head

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

Apple EXHIBIT NO. 2  
CASE NO. 5441

1. Kill well with water and pull tubing.
2. Run BOND LOG to determine if Gallup cemented and if casing good to frac through.
  - a. If not cemented, perforate and squeeze to cover Gallup - drill out and test to 3500 psi.
3. Set retrievable BP at 5800'  $\pm$  and pressure test casing to 3500 psi.
4. Perforate Gallup 5590-5600'.
5. Treat using acid spear head, frac fluid - oil. Amount sand - 30,000 #20-40 3500# casing cut-off treating pressure.
6. Clean out to TD and run tubing with seating nipple, perforated nipple and mud anchor.
7. Run subsurface pump and 5/8" and 3/4" rods.
8. Install 114 pumping unit.





III. OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Supervisor's Office  
June 11, 1972

All distances must be from the center line of the Section

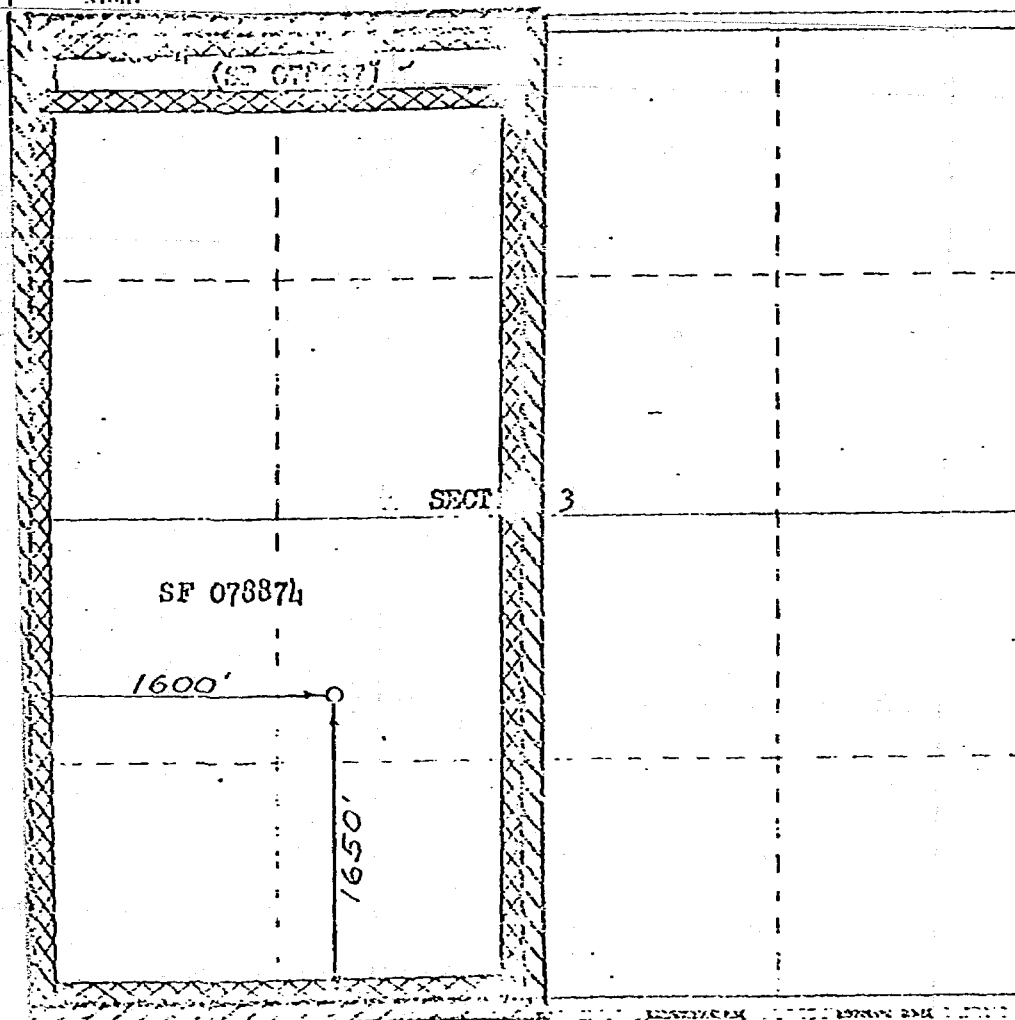
EL PASO NATURAL GAS COMPANY		CANYON LARGO UNIT (SF 078874)		105
K	3	24-N	6-W	RIO ARREDIA
1650	SOUTH	1600	WEST	
6110	DAKOTA	BASIN DAKOTA	340.15	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Original Signed F. H. WOOD

Petroleum Engineer

El Paso Natural Gas Company

June 26, 1972

I hereby certify that the well location shown on this plat was plotted from the notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

APRIL 24, 1972

*David W. Kilmer*  
1760

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

Appel EXHIBIT NO. 4

CASE NO. 5441

UNITED STATES COMMISSION 1906

COMPANY HERRITON BAYLESS

WELL CANADA MESA NO. 3

FIELD BASIN DAKOTA

COUNTY	RIO ARriba	STATE	NEW MEXICO
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LOCATION	790:FNL, 79C:FEL
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Sec. 14 Twp. 24N R3E 817

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Measured From	K3		

Elev.:	K.B.	6447
	D.F.	---
	G.L.	6435

7-22-73  
OIE

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BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 5  
CASE NO. 5441

1. The first part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

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BEFORE EXAMINER NUTTER  
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BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 6  
CASE NO. \_\_\_\_\_

6612/4r 5.232  
CUMULATIVE

Continuation of Map #3

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 17  
CASE NO. 5447

gravel = oil  
red = gas

20 YEARS BY ROYALTY  
K. J. L. & S. L. CO.  
RENTAL & TRUST CO.

6612/4r 53453  
CUMULATIVE

Cement bags #125

BEFORE EXAMINER NUTTER

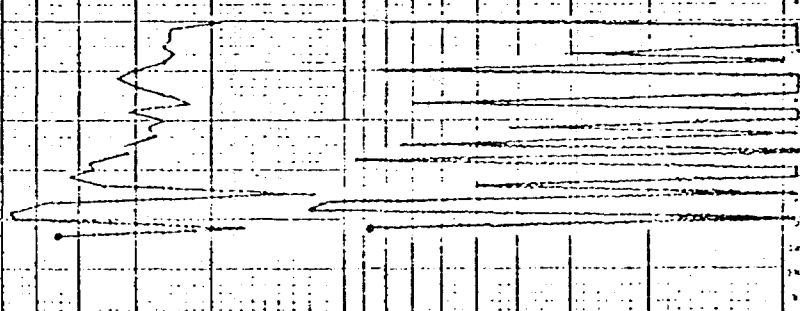
OIL CONSERVATION COMMISSION

EXHIBIT NO. 8

CASE NO. 5441

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Red: gas  
green: oil



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Dockets Nos. 8-75 and 9-75 are tentatively set for hearing on April 2, and April 16, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 19, 1975

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for April, 1975;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for April, 1975.

CASE 5415: (Continued from the February 19, 1975, Examiner Hearing)

Application of Burk Royalty Co., for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5409: (Continued & Readvertised)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units I and P of said Section 12 and in Unit A of said Section 13.

CASE 5438: Application of Exxon Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the Fairview Mills-Wolfcamp Gas Pool, Township 25 South, Range 34 East, Lea County, New Mexico, including a provision for 640-acre spacing units.

CASE 5439: Application of Gulf Oil Corporation for the amendment of Order No. R-4079, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4079, which order, as amended, authorized the commingling, prior to measurement, of Hobbs Grayburg-San Andres, Hobbs-Blinberry, and Bowers-Seven Rivers production from its W. D. Grimes "A" and "B" Leases in Sections 32 and 33, Township 18 South, Range 38 East, Lea County, New Mexico, to include in said commingling authority Hobbs-Drinkard production.

CASE 5440: Application of Gulf Oil Corporation for two unorthodox oil well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its South Penrose Skelly Wells Nos. 220 and 262 to be located, respectively, 1034 feet from the South line and 2635 feet from the West line of Section 5 and 1300 feet from the South line and 1139 feet from the East line of Section 8, both in Township 22 South, Range 37 East, Penrose Skelly Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2794 to provide an administrative procedure for the approval of additional unorthodox locations for injection and producing wells within the South Penrose Skelly Unit Area.

CASE 5441: Application of J. Gregory Merriam and Robert L. Bayless for down-hole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle undesignated Gallup and Basin-Dakota production in the wellbore of the El Paso Canyon Largo NP Well No. 1, located in Unit K of Section 3, Township 24 North, Range 6 West, Rio Arriba County, New Mexico.

CASE 5442: Application of David Fasken for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Feil Federal Well No. 1, to be drilled 660 feet from the North and West lines of Section 28, Township 20 South, Range 25 East, Cemetery-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 28 to be dedicated to the well.

CASE 5443: Application of Sun Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Bone Spring production for its Jennings-Federal Well No. 1, located in Unit F of Section 15, Township 19 South, Range 32 East, Lea County, New Mexico, and the promulgation of special pool rules therefor, including a provision for 160-acre proration units.

CASE 5444: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new gas pool for production from the Wolfcamp formation for its Harold Olive Com No. 1 Well, located in Unit O of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 320-acre spacing units.

CASE 5445: Application of C & K Petroleum, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the S/2 or, in the alternative, the SE/4 of Section 14, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Harold Olive Com Well No. 1, located at an orthodox location in the SE/4 of said Section 14. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.



CASE 5446: Application of C & K Petroleum, Inc., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a new oil pool for Strawn production for its Shipp "27" Well No. 1, located in Unit 0 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, and the promulgation of temporary special rules therefor, including a provision for 80-acre proration units.

CASE 5447: Application of C & K Petroleum, Inc., for amendment of Order No. R-4857, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4857, which order pooled all mineral interests in the Pennsylvanian formation underlying the SW/4 SE/4 of Section 27, Township 16 South, Range 37 East, Lea County, New Mexico, to pool all such mineral interests underlying the S/2 SE/4 of said Section 27.

CASE 5428: (Continued from the February 19, 1975, Examiner Hearing)

Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-111-A, as amended, by the addition of the following described lands:

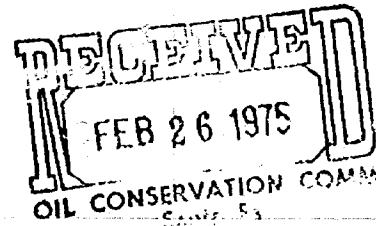
TOWNSHIP 19 SOUTH, RANGE 29 EAST  
Section 13: S/2 SE/4  
Section 14: W/2 SW/4  
Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4  
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST  
Section 14: W/2 NE/4  
Section 18: SW/4



Robert L. Bayless  
PETROLEUM CLUB PLAZA BUILDING  
P. O. BOX 1541  
FARMINGTON, NEW MEXICO 87401

Care 5441



February 14, 1975

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

EP Canyon Largo NP  
#1  
K-3-24-6

Re: El Paso Canyon Largo #185  
Section 3 T24N R6W  
Rio Arriba County, New Mexico

Gentlemen:

We have entered into an agreement with El Paso Natural Gas Company whereby we will attempt a Gallup completion in the above well bore and commingle with the present Dakota formation production.

This well was drilled in 1972 and has not been commercial; the current rate of production for the month of November was 79 MCF/day.

Please consider our request for a hearing for commingling, if it cannot be granted administratively.

Yours truly,

MERRION & BAYLESS

  
Robert L. Bayless

RLB/su

cc- Skelly Oil Company - Denver  
NMOCC - Aztec

DOCKET MAILED

Date 3/6/75

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5441

Order No. R-4997

APPLICATION OF J. GREGORY MERRION AND  
ROBERT L. BAYLESS FOR DOWNHOLE COMMINGLING,  
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 19, 1975  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this April day of March, 1975, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

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

(2) That the applicants, J. Gregory Merrion and Robert L. Bayless  
CO- with El Paso Natural Gas Company  
are the owners ~~and operators~~ of the El Paso Canyon Largo NP  
Well No. 125, located in Unit K of Section 3, Township 24 North,  
Range 6 West, NMPM, Rio Arriba County, New Mexico, and are  
the designated operator of said well.

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Case No. 5441

Order No. R-

(3) That the applicants seek authority to commingle <sup>production and the existing</sup> said undesignated Gallup <sup>and</sup> Basin-Dakota production within the wellbore of <sup>said</sup> the above-described well. <sup>(propose to perforate into the Gallup formation in said well and</sup>

(4) That from the <sup>as yet unperforated</sup> undesignated Gallup zone, the subject well is capable of low marginal production only. <sup>expected to be</sup>

(5) That from the Basin-Dakota zone, the subject well is capable of low marginal production only.

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(7) That the reservoir characteristics of each of the <sup>in the subject area</sup> aforesaid subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for

(9) That upon recompletion of the subject well as proposed herein, the applicant should discuss the prior rate of production and the new rate of production with the supervisor of the <sup>AZTEC</sup> district office of the Commission in order to allocate the commingled production to each of the commingled zones in the subject well.

(10) That any authority for downhole commingling should be rescinded if other than <sup>low marginal</sup> ~~low marginal and marginal~~ production as described in Findings <sup>No. (4)</sup> ~~No. (4) and (5)~~, respectively, is obtained.

IT IS THEREFORE ORDERED:

(1) That the applicants, J. Gregory Merrion and Robert L. Bayless, are hereby authorized to commingle undesignated Gallup and Basin-Dakota production within the wellbore of the El Paso Canyon Largo NP Well No. 185, located in Unit K of Section 3, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

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Case No. 5441  
Order No. R-

(2) That upon completion the applicant should consult with the supervisor of the ~~Aztec~~ district office of the Commission to allocate the commingled production to each of the commingled zones in the subject well.

~~to the Basin-Dakota zone.~~

(3) That the operators of the subject well shall immediately notify the ~~Commission's~~ <sup>of the Commission</sup> Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.