

CASE 5693: JEROME P. MCHUGH FOR
DOWNSOLE COMMINGLING, SAN JUAN
COUNTY, NEW MEXICO

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CASE NO.

5693

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 9, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Jerome P. McHugh for
downhole commingling, San Juan County,
New Mexico.

CASE
5693

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission:	William F. Carr, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico
For the Applicant:	W. Thomas Kellahin, Esq. KELLAHIN & FOX Attorneys at Law 500 Don Gaspar Santa Fe, New Mexico

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1 MR. NUTTER: We will now call Case Number 5693.

2 MR. CARR: Case 5693, application of Jerome P.
3 McHugh for downhole commingling, San Juan County, New Mexico.

4 MR. KELLAHIN: Tom Kellahin, Kellahin and Fox,
5 Santa Fe, New Mexico, appearing on behalf of the applicant
6 and I have one witness to be sworn.

7 (THEREUPON, the witness was duly sworn.)

8
9 THOMAS A. DUGAN

10 called as a witness, having been first duly sworn, was
11 examined and testified as follows:

12
13 DIRECT EXAMINATION

14 BY MR. KELLAHIN:

15 Q Would you please state your name and occupation?

16 A I'm Thomas A. Dugan, Engineer and President of
17 Dugan Production Corporation.

18 Q Mr. Dugan, have you previously testified before
19 this Commission and had your qualifications as an expert
20 witness accepted?

21 A Yes.

22 Q And are you appearing today on behalf of the appli-
23 cant, Jerome P. McHugh?

24 A Yes.

25 Q Are you familiar with the facts surrounding this

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1 particular application?

2 A Yes.

3 MR. KELLAHIN: If the Examiner please, are the
4 witness's qualifications acceptable?

5 MR. NUTTER: They are.

6 Q (Mr. Kellahin continuing.) Mr. Dugan, would you
7 refer to what has been marked as Applicant's Exhibit Number
8 One, identify it and state briefly what Mr. McHugh is seeking?

9 A This is just a map of the general area that we have
10 made our application for downhole commingling. The green
11 line shows the outline of the Navajo Indian Irrigation Project
12 and the red lines show the various pools that are in this
13 general area and the purpose of submitting this exhibit is
14 to show that the area is in the Irrigation Project and the
15 lands that we are dealing with, a lot of them will be cultiva-
16 ted sometime in the next few years and so location spaces will
17 be at a premium when the land does go into cultivation.

18 Q I refer you to what has been marked as Exhibit Number
19 Two and ask you to identify that?

20 A This is an exhibit showing the area where we have
21 applied for the permission to commingle and it shows the various
22 pools in this area and also shows the Gallegos Canyon Unit in
23 the area. The different pools are marked in different colors
24 and labeled just to give you a reference as to the area we
25 are talking about and the existing wells in the pools in the

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1 area.

2 Q The proposed area under concern includes what
3 existing pools, Mr. Dugan?

4 A Okay, it is the Gallegos-Fruitland Gas Pool, the
5 South Gallegos-Fruitland Gas Pool, the Waw-Pictured Cliff
6 Pool, Ojo-Pictured Cliff Pool, the Nipp-Pictured Cliff Pool,
7 Huerfano-Pictured Cliff Pool and also the Ballard and Fulcher-
8 Kutz and West Kutz Pools.

9 Q Okay. Are you aware of any orders by the
10 Commission involving granting permission to commingle produc-
11 tion from the Fruitland and Pictured Cliff formations in this
12 area?

13 A Not in this area, just to the north of this area
14 about eight miles, the Harper Hill-Fruitland-PC Pool has been
15 granted but I'm not aware of any wells in the area that we
16 are discussing that the Commission has okayed commingling.

17 MR. KELLAHIN: If the Examiner please, that Harper
18 Hill-Pictured Cliff-Fruitland order was entered March 1, 1971.
19 It is Commission Order No. R-4108.

20 MR. NUTTER: What is the location of that pool,
21 Mr. Dugan?

22 THE WITNESS: It's Section 1 of 29 North, 14 West.

23 MR. NUTTER: It's a one-section pool?

24 THE WITNESS: One section, yeah, there are two
25 wells in the pool right now.

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1 Q (Mr. Kellahin continuing.) What is the ownership
2 in the subject area, Mr. Dugan?

3 A It's pretty varied, particularly in the older areas.
4 It is generally Federal lands and then the Navajo Indian
5 Reservation, the boundary between the two is marked there
6 between Range 14 West and 13 West, but there are a lot of
7 different operators that operate in this general area.

8 Q I understand you to say that you are seeking
9 permission from the Commission to downhole commingle production
10 from Fruitland and Pictured Cliff only in those areas where
11 the ownership is the same as between those two formations?

12 A Yeah, on a particular well, if the ownership is the
13 same between both zones, we would like permission to commingle
14 it. If the ownership is different between the two zones, there
15 would be another problem involved and it couldn't be commingled.
16 As a general rule, I would say outside of the Gallegos Canyon
17 Unit, ownership is generally the same. I'm sure there are
18 exceptions, but the ownership, of course, is different in
19 the Gallegos Canyon Unit between the two zones.

20 Q I direct your attention to Exhibit Number Three.
21 Please identify Exhibit Number Three and explain what informa-
22 tion it contains?

23 A That is the same base map as Exhibit Number Two.
24 We have outlined the pools and have the Pictured Cliff Pools
25 in orange, the Fruitland Pools in blue and we have shown the

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1 approximate original shut-in casing pressures in these
2 different pools. So, the pressures vary from eight hundred
3 in the Gallegos-Fruitland Pool to one hundred in the Ojo-PC
4 Pool and as a general rule the Fruitland pressures, which
5 is higher in the section, are, and you would expect them to
6 be lower than the Pictured Cliff, but as a general rule they
7 are higher than the Pictured Cliff by some amount, it may be
8 from fifty to seventy-five pounds higher.

9 In the one case there with the Gallegos-Fruitland
10 Pool where the pressure was eight hundred, that seems awful
11 high but that is the best information we have, just the one
12 well average where it is located in the West Kutz-Pictured
13 Cliff Pool where its original shut-in pressure was four, fifty
14 That's quite a difference but in the South Gallegos-Fruitland
15 Pool that shut-in pressure was three, fifty and the Nipp-
16 Pictured Cliff Pool shut-in pressures were two, twenty-five.
17 They are in the same general area.

18 So, that might be the difference in pressure that
19 one might normally expect between the Fruitland and the
20 Pictured Cliff Pools.

21 Q Do you believe that pressure differential to be
22 large enough to create problems of production with regards to
23 these two formations?

24 A I really don't think it would create a problem. If
25 the wells were shut in there might be a small amount of gas go

1 from one zone to the other but I really don't think it would
2 be significant.

3 Q What is the spacing for the Pictured Cliff and
4 Fruitland in this area?

5 A About one hundred and sixty acres.

6 Q Based upon your knowledge of this area and upon that
7 spacing, what would you anticipate the reserves to be for
8 this production?

9 A In the Nipp and Waw Pool area where the Pictured
10 Cliffs are relatively shallow and the pressures are relatively
11 low, we are figuring a hundred to a hundred and fifty thousand
12 cubic feet reserves for one hundred and sixty acres.

13 Up in the older areas the reserves are higher than
14 that and the pressures are higher.

15 Q Based upon your estimate of reserves between a
16 hundred and a hundred and fifty thousand cubic feet of gas,
17 what would you anticipate the value of those reserves to be?

18 A Well, the gross value would be at the present price
19 for new gas, eighty to a hundred and twenty thousand dollars.

20 MR. NUTTER: You mean a hundred to a hundred and
21 fifty thousand MCF rather than cubic feet?

22 A I'm sorry, that's right, yeah. Okay, right, because
23 you are talking about eighty thousand dollars worth of gas,
24 approximately, upwards. I hope we've got eighty thousand
25 dollars worth of gas under those wells.

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1 MR. RAMEY: Is that just for the Pictured Cliffs?

2 A. Well, if you've got a little more gross sand, you
3 might have a little more reserves. That's a pretty rough,
4 rough estimate, just sort of an average but as I say, in the
5 Waw area I'm talking about the Fruitland and the Pictured
6 Cliff both.

7 Q (Mr. Kellahin continuing.) If the Commission denies
8 the application and you are required to produce the Fruitland
9 and the Pictured Cliff by a dual completion, what would you
10 anticipate the costs of a dually completed well?

11 A. Well, in the Waw area we are currently setting five-
12 and-a-half surface pipe, drilling a four-and-three-quarter hole
13 and setting two-and-seven-eighths tubing for casing and getting
14 a well of this type drilled for fifteen to twenty thousand
15 dollars. If we had to dual complete it, we would have to set
16 eight-and-five-eighths surface pipe and five-and-a-half casing
17 and run a packer and two strings of tubing. I would estimate
18 that it would cost fifty thousand dollars in that particular
19 area.

20 Q Would you be able to develop this area if required
21 by the Commission to dually complete all production?

22 A. As I say, in the Waw area as an example, if we have
23 eighty thousand dollars gross of gas reserves and it costs
24 fifty thousand dollars to drill a well, I don't think we would
25 be doing it.

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1 Q In your opinion, would the most efficient and
2 effective way to develop this area be on the basis of commingled
3 production between the Fruitland and the Pictured Cliff?

4 A Very definitely.

5 Q Let's refer now to Exhibit Number Four, would you
6 identify this and explain what it is?

7 A This is a cross section. If you would refer back
8 to Exhibit Three it's AA Prime which is shown up there in
9 the Waw Pool. It is really a cross section across the Waw
10 Pool and we prepared this exhibit to illustrate how the
11 Fruitland and PC sands come and go in a relatively short
12 distance. So, in any wellbore you are liable to encounter
13 stray Fruitland sand that is not in another well and since
14 we are developing this acreage using slim-hole methods, it is
15 just impractical to dual complete the wells and it would be
16 a shame to leave the gas unproduced. Really you need all the
17 gas you can make to make these little wells commercial.

18 Q Who are the major operators in this particular area,
19 Mr. Dugan?

20 A Dugan Production Corporation is the major operator,
21 Jerome McHugh is second and there are a few other operators
22 that have drilled a well or two out there.

23 Q Okay. Please refer to Exhibit Number Five, I
24 believe it is?

25 A Yes, this is another cross section of logs that

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1 refer back to Exhibit Three, it's BB Prime and it's in the
2 Nipp-Pictured Cliff, in the area of the Nipp-Pictured Cliff
3 Pool and the South Gallegos-Fruitland Pool and it shows again,
4 the purpose was to show how these sands are unpredictable and
5 come and go and you are liable to pick up a different sand in
6 any particular wellbore.

7 And we have come to the conclusion that really the
8 only way that you can drill these wells economically is using
9 the slim-hole technique, by drilling small holes and setting
10 a small pipe and if you do come up with a Fruitland zone and
11 a Pictured Cliff zone it is just impractical to do it.

12 Q What do you anticipate to be your daily production
13 from this kind of a well?

14 A Well, we would like to get a hundred MCF a day as
15 an average. If we get a hundred MCF a day we feel we are
16 doing pretty good.

17 MR. NUTTER: From the combined two zones?

18 A Yeah. Well, we are varying in the wells that we
19 have completed to date, anywhere from twenty-five MCF up to
20 three hundred MCF per day. That's the best well we have.

21 Q (Mr. Kellahin continuing.) Are you aware of any
22 reservoir characteristics between these two formations that
23 would make the gas not compatible?

24 A No, the wells do not make oil and the gas is
25 essentially the same gas and they are both Upper Cretaceous

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1 sands, both are layed down in the same type of geological
2 environment so really for all practical purposes they are the
3 same geological horizon.

4 Q In your opinion, Mr. Dugan, will approval of this
5 application result in the recovery of additional gas that would
6 not otherwise be recovered?

7 A Very definitely.

8 Q In your opinion, will the approval of this application
9 be in the best interests of conservation, prevention of waste
10 and the protection of correlative rights?

11 A Yes.

12 Q Were Exhibits One through Five either prepared by
13 you directly or compiled under your direction and supervision?

14 A Yes, they were.

15 MR. KELLAHIN: If the Examiner please, we move
16 the introduction of Exhibits One through Five.

17 MR. NUTTER: Exhibits One through Five will be
18 admitted into evidence.

19 (THEREUPON, Applicant's Exhibits One through
20 Five were admitted into evidence.)

21 MR. KELLAHIN: That concludes our direct examination.

22

23 CROSS EXAMINATION

24 BY MR. NUTTER:

25 Q Mr. Dugan, this application is for a rather broad

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- 1 area?
- 2 A. Yes.
- 3 Q. I presume if we take, for example, Exhibit Number
- 4 Three which is a map.
- 5 A. All right.
- 6 Q. This starts with Range 9 West and continues to
- 7 Range 15 West?
- 8 A. Yes.
- 9 Q. And at the bottom of the exhibit it is Township 24
- 10 North and runs clear on up into Township 28 North?
- 11 A. Yes.
- 12 Q. Now, is that the general area that the application
- 13 is for?
- 14 A. Yes, sir.
- 15 Q. So, every township on here on this exhibit would be
- 16 covered by this application, except, as I understand the
- 17 application, you would exclude certain already designated
- 18 Pictured Cliff Pools, is that it?
- 19 A. The older pools such as the West Kutz, Fulcher-Kutz
- 20 and Ballard we would like to exclude.
- 21 Q. But then these new Pictured Cliff Pools like Ojo-PC,
- 22 Waw-PC, Nipp-PC and such as that, Huerfano-PC would not be
- 23 excluded?
- 24 A. That is what I would like, yes, sir.
- 25 Q. Now, why did you exclude the older Pictured Cliff

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1 Pools?

2 A. Well, mainly because they were discovered, well, as
3 long ago as 1925 and some of them like Fulcher-Kutz and
4 their old production fairly well stabilized with varied
5 interests and I thought it might complicate the application if
6 we included those older pools.

7 Q Well, now, as I recall the Pictured Cliff Pools for
8 the most part lie in a northwest-southeast trending formation?

9 A. Yes, sir.

10 Q And we see echelons of these pools lined up?

11 A. Yes, sir.

12 Q Now, does the Fruitland sand occur in this same
13 manner or is it a blanket sand?

14 A. No, it's neither. It is normally more isolated
15 and it is not near as blanket sand as the Pictured Cliff and
16 you will run into stringers of it in one well where it won't
17 even appear in the offset well.

18 Q Well, now, whereas the Pictured Cliff sands may be
19 long lenses, may be three or four miles wide and twenty miles
20 long, you would find your Fruitland sand in smaller, isolated
21 lenses, is this it?

22 A. Yeah, that is the way I look at it, yes, sir.

23 Q Now, if we take Exhibit Numbers Four and Five, will
24 you indicate on these exhibits the Pictured Cliff sands and
25 the Fruitland sands on the wells in which these sands occurred?

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1 A. Did you say, will I?

2 Q. Yes, please.

3 A. Okay.

4 Q. Which one are you on?

5 A. Four.

6 Q. Okay. The first well over here is the Ojo-He-He
7 No. 1?

8 A. Yes. Okay, you get in this area and it is pretty
9 difficult to distinguish between the Pictured Cliff and the
10 Fruitland. In fact, out in the middle of the basin in these
11 older pools we have always said that the Pictured Cliff is
12 the first sand underneath that last major coal in the Fruitland
13 but you get in a well like the Ojo-He-He 1 there really is no
14 coal there so it is kind of hard to distinguish between them
15 but in my opinion, which, like I say, since it is hard to
16 distinguish there are several different opinions but I would
17 say that the Pictured Cliff was probably on down there at
18 thirteen, twenty eight. Those other sands are stray Fruitland
19 sands or Fruitland sands.

20 Q. Okay, now, this kick that we've got commencing up
21 here at about twelve, forty or twelve, fifty and it runs on
22 down to about twelve, seventy?

23 A. Yeah.

24 Q. Do you call that a Fruitland sand?

25 A. Yes, I would.

1 Q And then you would say the Pictured Cliff would be
2 the major kick starting about thirteen hundred or below that?

3 A No, thirteen, twenty-eight.

4 Q Well, what would that kick be then from thirteen
5 hundred to thirteen, twenty?

6 A Well, I guess technically it would be a Fruitland.

7 Q That would be a Fruitland also, in your opinion?

8 A Yes. I'm sure you would get different opinions on
9 this particular well from different people because it is very
10 difficult to distinguish between the two.

11 Q And then the little body of porosity there where it
12 says, "Short, normal AM sixteen inch", that's the only PC
13 in there then?

14 A Yes, right.

15 Q Okay, now, this next well, the Waw 1?

16 A The Waw 1?

17 Q No, Fruitland I presume then?

18 A Yeah, no Fruitland and the PC is there at thirteen,
19 twenty-three.

20 Q Okay.

21 A So in this case I'm sure, I didn't put the perfs
22 on this, but I'm sure that we perforated the Ojo-He-He, it's
23 probably just a straight Fruitland well and that Waw is a
24 straight PC well if these tops that I'm giving you are
25 correct. So, we haven't tried to distinguish really between

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1 the two in this particular pool.

2 Q Well now, we have had the Waw, how about the
 3 Notso Waw?

4 A Okay, the Notso Waw is one of our best wells.

5 Q Where is the Fruitland from this?

6 A Well, I would say, in my opinion, the Pictured Cliff
 7 is thirteen, oh, six, the top of the Pictured Cliff would be
 8 thirteen, oh, six, although somebody might say it would be
 9 thirteen, twenty-two, because that is probably a coal there,
 10 at thirteen, eighteen.

11 Q And what about this little kick up here at twelve,
 12 seventy?

13 A Seventy?

14 Q Yes.

15 A I would say that would be a Fruitland.

16 Q That would be a Fruitland?

17 A Uh-huh.

18 Q Now, in the Ojo-He-He 3.

19 (THEREUPON, a discussion was held
 20 off the record.)

21 MR. NUTTER: Okay, back on the record.

22 Q (Mr. Nutter continuing.) Now, when we get to the
 23 Ojo-He-He No. 3 over here, what have we got for Fruitland and
 24 PC on that well?

25 A There again it is pretty difficult, you might say

1 that you ought to call it Pictured Cliff underneath that
2 second coal kick at thirteen, thirty-four or so. You might
3 call it underneath that first coal kick, that sand, it is
4 kind of difficult to say.

5 Q I see, and do you have any Fruitland developed in
6 this well?

7 A Yeah, I'm pretty sure that we probably perforated
8 the zone there at twelve, ninety.

9 Q I see. You would call that Fruitland then?

10 A Uh-huh.

11 Q How about on the No. 1 Thomas Jefferson?

12 A We plugged that well.

13 Q It didn't have much of anything?

14 A It was a dry hole. No, it didn't have much of
15 anything. Of course, now, here you can see, this is a more
16 typical Pictured Cliff there at fourteen, ten. That is more
17 of a typical Pictured Cliff, the way a typical Pictured Cliff
18 would look and it is pretty easy to call that the Pictured
19 Cliff. It's wet so we didn't attempt a completion and there
20 weren't any Fruitland sands.

21 Q It's wet which is what affects the resistivity
22 curve?

23 A Yes.

24 Q Okay, now, on Exhibit Number Five, do you have any
25 Pictured Cliff and Fruitland on any of these wells?

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1 A. Oh, yeah, we start with the Hard Deal 1, we've all
2 started to change the name of that to Bad Deal but anyway, we
3 didn't pick up anything in it, Fruitland or Pictured Cliff,
4 which is very unusual. That's very strange that you don't
5 pick up that Pictured Cliff sand, it pretty much covers the
6 whole area, but in that particular well we didn't have it and
7 the Sullivan 1-C is an old well drilled by El Paso to the
8 Gallup but it is really what started our thinking in the Nipp-
9 Pictured Cliff area and what we were shooting for was those
10 two little sands just beneath the coal there at like eleven,
11 fifteen and eleven, twenty-five, those two little sands there.

12 Q And you regard those to be Fruitland?

13 A. No, sir, they are Pictured Cliff beneath that coal
14 but in our opinion they should have produced gas and that's
15 what really started this particular log is what really started
16 drilling in this Nipp-Pictured Cliff area.

17 Q How about this --

18 A. That's not a Pictured Cliff well.

19 Q. It wasn't perforated in the Pictured Cliff?

20 A. No, sir. There hasn't been a Pictured Cliff well
21 completed in this particular half section but, in my opinion,
22 that's a typical Pictured Cliff and there isn't any Fruitland,
23 so the Nelson is the same. Below that coal kick there is a
24 Pictured Cliff sand that will probably produce and there
25 isn't any Fruitland.

1 Q Now, the coal kick in each of these cases is that
2 very high resistivity, is that it?

3 A Yes, sir.

4 Q So, you've got this Pictured Cliff just below it
5 and no Fruitland?

6 A Yes, sir. The Don Mack Well is another example of
7 the same.

8 Q A little Pictured Cliff developed under the coal
9 and no Fruitland?

10 A No Fruitland. The El Paso Sullivan 1-A, you can
11 see where that Fruitland zone up there at twelve, fifty is
12 starting to develop and you might have a Pictured Cliff there
13 underneath the coal that would produce.

14 Q That would be down below fourteen hundred?

15 A Yeah, so a well like that would be pretty marginal
16 in either zone.

17 Q And then over on this Goddard 9?

18 A It's also an old Gallup well but in this case there
19 is a pretty nice Fruitland sand.

20 Q At twelve hundred?

21 A Yeah, and it is pretty questionable as to whether you
22 could make a Pictured Cliff well here.

23 Q You do have that coal again at about thirteen,
24 twenty-five or something like that?

25 A Yes, right. But these logs are a little more

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1 typical as you get out to the base and you can distinguish
2 between the Pictured Cliff and the Fruitland pretty easily.

3 Q Okay, now, how about on this Goddard 4?

4 A Well, this looks like the Fruitland has disappeared
5 again and the Pictured Cliff is fairly massive and whether
6 you could make a producer or not, I don't know.

7 Q Okay, now we are over on Navajo 1-F?

8 A Yeah. Here again there are a couple of Fruitland
9 sands that showed up.

10 Q Is that a Fruitland sand at eleven, forty, or ten,
11 forty, I mean?

12 A Yeah, at ten, forty and eleven, sixty, both.

13 Q Okay.

14 A And then Pictured Cliff.

15 Q And then Pictured Cliff down below the heavy line?

16 A Yes.

17 Q I guess that heavy line is supposed to represent the
18 top of the Pictured Cliff?

19 A No, no, that's a structural, we were lining these up
20 structurally, you know.

21 Q It just happens to lie at the top of the Pictured
22 Cliff in this well?

23 A They're not structurally, that is a subsea datum,
24 excuse me.

25 Q And then what about Goddard 11?

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1 A Well, there again you can see that the Fruitland
2 disappeared and the Pictured Cliff is still there, whether
3 you could make a well out of it or not, I don't know.

4 Q What are these, all deeper wells, Mesaverde wells?

5 A These are all Gallup wells.

6 Q Gallup?

7 A Uh-huh, except for Don Mack, I guess it is the only
8 shallow one, and Hard Deal. Hard Deal and Don Mack are the
9 only shallow wells.

10 Q Was the Don Mack completed as a Pictured Cliff
11 well?

12 A Unsuccessfully.

13 Q So it and the Hard Deal are neither one producers?

14 A That's right.

15 Q Now, we see on these cross sections, we take this
16 cross section, Number Five, Mr. Dugan, and in most cases the
17 Pictured Cliff occurs from twelve to thirteen hundred feet.
18 Now, as we go on up into the northeast portion of your Exhibit
19 Number Two, wouldn't the Pictured Cliff be considerably deeper?

20 A Yes, it gets deeper in that direction.

21 Q What is the depth of the average well in Fulcher-
22 Kutz-Pictured Cliffs?

23 A Fulcher-Kutz probably fifteen hundred to two
24 thousand.

25 Q And the Fruitland would be correspondingly deeper also?

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1 A. No, the Fruitland is above the PC.

2 Q. Yeah, I mean it would be correspondingly deeper as
3 it goes --

4 A. Oh, excuse me, yes, sir, right.

5 Q. Now, if the Commission should approve the combining
6 of these two zones into an approved blanket downhole
7 commingling, what about the wells that are inside of these
8 pools that you are excluding, doesn't that put those operators
9 at a disadvantage in that they would not be permitted to
10 perforate the Fruitland if they have got the Fruitland present
11 in their wells, where they may be offset by wells which would
12 be perforated in the Fruitland?

13 A. Well, it's possible, yeah. I really don't want to
14 exclude them if they want in. The only reason that we came
15 up with that idea was because of their older status and the
16 more complicated lease picture in those general areas. But
17 really I think it would be advantageous to everybody if the
18 two zones have the same interests that they ought to be
19 allowed to commingle.

20 Q. Now, on this Exhibit Number Two I only see two
21 Fruitland Pools, being the South Gallegos-Fruitland and the
22 Gallegos-Fruitland on this map?

23 A. Yes.

24 Q. How many actual Fruitland wells have been developed
25 in this area?

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1 A. Straight Fruitland?

2 Q. Well, either developed as Fruitland or developed to
3 produce with the Pictured Cliff where downhole commingling has
4 been approved, how many Fruitland wells are we talking about
5 so far?

6 A. I'm not positive but I would estimate ten to twelve
7 with the exception of the Waw area where it's sort of
8 questionable as to what's Fruitland, what's Pictured Cliff and
9 also the Ojo area where we are producing out of coal and a
10 sand that are right together. In this case it is kind of
11 questionable as to whether it is Fruitland or PC.

12 Q. It's right in between the two?

13 A. Yeah, if you use the definition that the Pictured
14 Cliff is the sand right below the coal, out in the Ojo area
15 we are producing out of the coal and the sand which are just
16 right together so you might say. Some purist might say, well,
17 that sand is PC.

18 Q. Why wasn't the Fruitland developed years ago and
19 perforated if it had gas in it, when the Pictured Cliff wells
20 were being completed, why wasn't the original application
21 in the field made for Fruitland and Pictured Cliff combined?

22 A. I really don't know, there are a lot of cases where
23 they both exist and it would be advantageous to produce them
24 both.

25 Q. Is there any danger now for future production if we

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1 combine these and expose that coal to possible pressuring,
2 would this endanger the coal if the coal were to be mined
3 later?

4 A. Oh, I don't think so, it is already pressured.

5 Q. It is?

6 A. Yes, it has either got gas or water in it normally,
7 so it was that way originally.

8 Q. It's lying in between these two gas sands?

9 A. Yes, sir.

10 Q. It may be pressured from the top and most usually
11 is pressured from the bottom?

12 A. Yes, every new well that I'm familiar with the
13 coal is already pressured up.

14 Q. How many wells are producing gas from the coal?

15 A. Four in the Ojo area.

16 Q. They are actually perforated right into the
17 coal?

18 A. Yes, sir. And then there are other places in the
19 San Juan Basin that produce out of the coal, as for instance,
20 the Ignacio-Fruitland Pool that's in Colorado. It actually
21 produces from the coal.

22 Q. Now, Mr. Dugan, I also notice in the application
23 in this case that a request was made to exclude the lands
24 committed to the Gallagos Canyon Unit?

25 A. Yeah, the only reason we did that was because the

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1 ownership is different in the Fruitland and the PC.

2 Q In other words, does the unit have the Pictured
 3 Cliff unitized?

4 A Yes, sir.

5 Q But it does not have the Fruitland unitized?

6 A No, there is also a Fruitland Unit but it doesn't
 7 cover -- the participating area is not the same.

8 Q But the formations are unitized?

9 A Yes, sir.

10 Q It's just a difference in participating areas?

11 A Yes, sir.

12 Q I see.

13 A I would really like to include it because I've got
 14 a well over there.

15 Q But there is a difference in ownership?

16 A Yes, the ownership is different and the operators
 17 are different in the two pools.

18 Q Well, it would be different if it is two different
 19 participating areas?

20 A Yes, it is and the Fruitland in the Unit is operated
 21 by Amoco and the Pictured Cliffs is operated by Clinton or
 22 whatever their name is.

23 Q The old Clinton?

24 A Yes, the old Clinton.

25 MR. NUTTER: Are there any further questions of

1 Mr. Dugan?

2 MR. KENDRICK: Yes, sir.

3 MR. NUTTER: Mr. Kendrick.

4

5 CROSS EXAMINATION

6 BY MR. KENDRICK:

7 Q If you will clarify a few questions. The pools you
8 showed on here are strictly the pools of the Fruitland and
9 the Pictured Cliff and you did not show the Gallup Pool and
10 the deeper pools that are developed in the area?

11 A No, sir.

12 Q Do you know that all of the Fruitland pools are
13 shown back beyond the edge of the West Kutz and Ballard-
14 Pictured Cliff Pools?

15 A No, I'm not.

16 Q That might exist?

17 A No, there might be somemore pools up there in the
18 northeast corner that we didn't get on there. There is a
19 Bloomfield-Fruitland Pool right in that -- maybe just off
20 that map.

21 Q Because you restricted the application to stay
22 outside the Ballard, the Fulcher-Kutz and the West Kutz Pools,
23 did you by that imply that those people should not be allowed
24 to downhole commingle?

25 A No, I didn't mean to imply that.

1 Q Just merely to expedite the passage of this case
2 and if those people in those areas wanted to ask for a case
3 and do their own downhole commingling they should feel free
4 to do so?

5 A I would recommend it.

6 MR. KENDRICK: I think that's all of the questions.
7 Thank you.

8 MR. NUTTER: Does anyone have any further questions?
9 The witness may be excused.

10 (THEREUPON, the witness was excused.)

11 MR. NUTTER: Do you have anything further, Mr.
12 Kellahin?

13 MR. KELLAHIN: No, sir.

14 MR. NUTTER: Does anyone have anything they wish
15 to offer in Case Number 5693?

16 MR. DUGAN: There are other Fruitland Pools that
17 would be encompassed in the area of Exhibit Three.

18 MR. NUTTER: That were not excluded?

19 MR. DUGAN: They were not shown on this exhibit.

20 MR. NUTTER: They were excluded by the application?

21 MR. DUGAN: Yes, sir. they would be excluded because
22 they were back beyond the boundary of those other pools and,
23 therefore, not included.

24 MR. NUTTER: Well, are they within the area of
25 that as defined as being 9 West and 15 West and 24 North to

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1 28 North?

2 MR. DUGAN: Yes, but they are north and east of the
3 boundaries of the pools, the pools in 28, 10 and 28, 11 but
4 they are not shown because they are northeast of the Pictured
5 Cliff Pool boundary that he asked be the limitation.

6 MR. NUTTER: Well, he asked that the thing not
7 apply to the Ballard, the Fulcher-Kutz and the West Kutz and
8 the lands within the Gallegos Canyon Unit that are not
9 included in those pools, everything else in that 9 West to
10 15 West and 24 North to 28 North would be covered by the
11 Order.

12 MR. DUGAN: These are in lands encompassed within
13 the Fulcher-Kutz Pool and possibly in the West Kutz Pool, there
14 are Fruitland Pools defined within those areas that are not
15 shown on the map but they are in areas that would not apply
16 with those limitations.

17 MR. NUTTER: Okay.

18 MR. CARR: Mr. Examiner, we have received a telegram
19 from Merrion & Bayless by J. Gregory Merrion which reads:
20 We wholeheartedly support the application of Jerome P. McHugh
21 in Case 5693 to commingle in the Farmington Pool in the
22 Pictured Cliffs formation in Townships 24 through 28 North
and Ranges 9 through 15 West. Approval of the application
24 would encourage us to develop otherwise marginal reserves.
25 (End of reading.)

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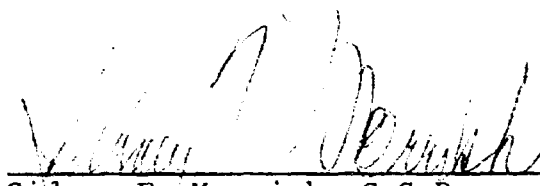
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MR. NUTTER: Thank you.

Does anyone else have anything to offer in Case
Number 5693? We will take the case under advisement.

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 3693,
heard by me on 6/9, 19 76.

, Examiner
New Mexico Oil Conservation Commission

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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501



DIRECTOR
JOE D. RAMEY

LAND COMMISSIONER
PHIL R. LUCERO
January 26, 1977

STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5693
ORDER NO. R-5359

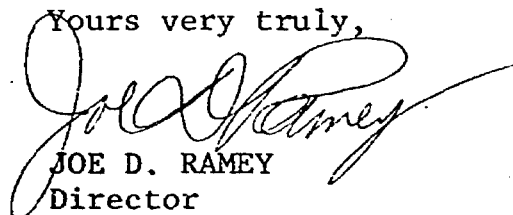
Applicant:

Jerome P. McHugh

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

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. 5693
Order No. R-5359

APPLICATION OF JEROME P. McHUGH
FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 9, 1976,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of January, 1977, 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 applicant, Jerome P. McHugh, seeks an order
authorizing the downhole commingling of Fruitland and Pictured
Cliffs production in the well-bores of wells drilled anywhere
within Townships 24 North through 28 North, Ranges 24 West
through 28 West, NMPM, San Juan County, New Mexico, except that
said commingling authority would not apply to lands included
within the horizontal boundaries, as defined by the Commission,
of that portion of the Ballard-Pictured Cliffs Pool, the Fulcher-
Kutz Pictured Cliffs Pool or the West Kutz-Pictured Cliffs Pool
lying within the above described townships and ranges, nor to
lands not within the horizontal boundaries of said pools but
within the horizontal boundaries of the Gallegos Canyon Unit
Area.

(3) That in portions of the area sought by applicant to
be authorized for downhole commingling of Fruitland and Pictured
Cliffs production, there appear to be marginal reserves of

Case No. 5693
Order No. R-5359

hydrocarbon gas present in said formations; and that development of said reserves by production through single completions or even by dual completions in said formations is uneconomic.

(4) That in portions of the area sought by applicant to be authorized for downhole commingling of Fruitland and Pictured Cliffs production, reservoir pressures in said formations appear to be virtually equal, and differential pressures between the formations of negligible magnitude.

(5) That in the aforesaid areas of marginal reserves and virtually equal pressures, the downhole commingling of Fruitland and Pictured Cliffs production should result in the recovery of otherwise unrecoverable reserves of natural gas, and should be permitted through administrative approval by the Secretary-Director of the Commission upon a showing that a well is of low marginal productive capacity from both the Fruitland and Pictured Cliffs formations and that there is no substantial difference in the reservoir pressures of the two formations.

(6) That of the lands sought by applicant for approval for downhole commingling of the Fruitland and Pictured Cliffs formations, it appears that the following described lands in San Juan County, New Mexico, meet the prerequisite conditions outlined in Findings Nos. (3) through (5) above, and should be authorized for administrative approval of such commingling:

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM
Sections 1 through 5: All
Sections 10 through 14: All
Section 24: All

TOWNSHIP 25 NORTH, RANGE 9 WEST, NMPM
Sections 2 through 36: All

TOWNSHIP 25 NORTH, RANGE 10 WEST, NMPM
Sections 1 through 18: All
Sections 20 through 27: All
Section 36: All

TOWNSHIP 25 NORTH, RANGE 11 WEST, NMPM
Sections 1 through 6: All
Section 7: N/2
Sections 8 through 13: All
Section 14: N/2
Section 15: N/2

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TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM

Sections 1 and 2: All

Section 3: N/2

Section 4: N/2

Section 12: N/2

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM

Section 19: All

Section 28: SW/4

Section 29: S/2

Sections 30 through 33: All

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM

Sections 19 through 36: All

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Sections 5 through 8: All

Sections 13 through 36: All

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM

Sections 1 through 30: All

Section 31: N/2

Sections 32 through 36: All

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM

Sections 1 through 17: All

Section 18: N/2

Section 21: N/2

Sections 22 through 25: All

Section 26: N/2

TOWNSHIP 26 NORTH, RANGE 14 WEST, NMPM

Sections 1 through 3: All

Sections 11 and 12: All

TOWNSHIP 27 NORTH, RANGE 11 WEST, NMPM

Section 31: W/2

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM

Section 17: S/2

Sections 18 through 21: All

Section 22: W/2

Section 25: W/2

Sections 26 through 36: All

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM

Sections 4 through 11: All

Sections 13 through 36: All

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TOWNSHIP 27 NORTH, RANGE 14 WEST, NMPM
Sections 1 through 29: All
Sections 33 through 36: All

TOWNSHIP 27 NORTH, RANGE 15 WEST, NMPM
Sections 1 through 3: All
Sections 11 through 13: All

TOWNSHIP 28 NORTH, RANGE 13 WEST, NMPM
Partial Sections 7 and 8: All
Sections 17 through 20: All
Section 28: S/2
Sections 29 through 33: All

TOWNSHIP 28 NORTH, RANGE 14 WEST, NMPM
Partial Sections 7 through 12: All
Sections 13 through 36: All

TOWNSHIP 28 NORTH, RANGE 15 WEST, NMPM
Partial Sections 7 through 12: All
Sections 13 through 29: All
Sections 33 through 36: All

(7) That adoption of an administrative procedure for the approval of downhole commingling of Fruitland and Pictured Cliffs production in the above described area under the conditions outlined in Findings Nos. (3) through (5) above, should result in the recovery of otherwise unrecoverable hydrocarbons thereby preventing waste, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the Secretary-Director of the Commission is hereby authorized to approve commingling of Fruitland and Pictured Cliffs production in the wellbore of any well drilled in the following described area in San Juan County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM
Sections 1 through 5: All
Sections 10 through 14: All
Section 24: All

TOWNSHIP 25 NORTH, RANGE 9 WEST, NMPM
Sections 2 through 36: All

TOWNSHIP 25 NORTH, RANGE 10 WEST, NMPM
Sections 1 through 18: All
Sections 20 through 27: All
Section 36: All

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TOWNSHIP 25 NORTH, RANGE 11 WEST, NMPM

Sections 1 through 6: All

Section 7: N/2

Sections 8 through 13: All

Section 14: N/2

Section 15: N/2

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM

Sections 1 and 2: All

Section 3: N/2

Section 4: N/2

Section 12: N/2

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM

Section 19: All

Section 28: SW/4

Section 29: S/2

Sections 30 through 33: All

TOWNSHIP 26 NORTH, RANGE 10 WEST, NMPM

Sections 19 through 36: All

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Sections 5 through 8: All

Section 13 through 36: All

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM

Sections 1 through 30: All

Section 31: N/2

Sections 32 through 36: All

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM

Sections 1 through 17: All

Section 18: N/2

Section 21: N/2

Sections 22 through 25: All

Section 26: N/2

TOWNSHIP 26 NORTH, RANGE 14 WEST, NMPM

Sections 1 through 3: All

Sections 11 and 12: All

TOWNSHIP 27 NORTH, RANGE 11 WEST, NMPM

Section 31: W/2

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Case No. 5693
Order No. R-5359

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM

Section 17: S/2
Sections 18 through 21: All
Section 22: W/2
Section 25: W/2
Sections 26 through 36: All

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM

Sections 4 through 11: All
Sections 13 through 36: All

TOWNSHIP 27 NORTH, RANGE 14 WEST, NMPM

Sections 1 through 29: All
Sections 33 through 36: All

TOWNSHIP 27 NORTH, RANGE 15 WEST, NMPM

Sections 1 through 3: All
Sections 11 through 13: All

TOWNSHIP 28 NORTH, RANGE 13 WEST, NMPM

Partial Sections 7 and 8: All
Sections 17 through 20: All
Section 28: S/2
Sections 29 through 33: All

TOWNSHIP 28 NORTH, RANGE 14 WEST, NMPM

Partial Sections 7 through 12: All
Sections 13 through 36: All

TOWNSHIP 28 NORTH, RANGE 15 WEST, NMPM

Partial Sections 7 through 12: All
Sections 13 through 29: All
Sections 33 through 36: All

(2) That to obtain approval for the downhole commingling of Fruitland and Pictured Cliffs production in the wellbore of any well completed in the aforesaid area, the operator of said well shall file one copy of the request for such approval with the Secretary-Director of the Commission and one copy with the Supervisor of the Commission District Office at Aztec. Such request shall contain evidence as to the productivity or expected productivity of each of the aforesaid formations proposed to be commingled, as well as reservoir pressures encountered or expected to be encountered. In addition, data shall be submitted which will enable the Secretary-Director to prescribe an allocation formula for allocating production to each of the formations to be commingled.

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Case No. 5693
Order No. R-5359

(3) The Secretary-Director of the Commission shall have authority to rescind downhole commingling authority granted for any well prior to its completion if data available upon completion of the well indicates greater than marginal production from either or both of the commingled formations or a pressure differential between the commingled formations which might cause waste.

(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 hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman



Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/

Dockets Nos. 17-76 and 18-76 are tentatively set for hearing on June 16 and June 23, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 9, 1976

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. Mutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 5690: Application of Mobil Oil Corporation for amendment of Order No. R-5120, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-5120, which order provided for the simultaneous dedication of a 320-acre non-standard gas proration unit, comprising the W/2 SW/4 and SE/4 SW/4 of Section 28 and the NW/4 and the SW/4 NE/4 of Section 33, Township 21 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to applicant's E. O. Carson Wells Nos. 4 and 22, located at unorthodox locations in Units M and L, respectively, of said Section 28. Applicant seeks amendment of said Order No. R-5120 by authorizing the simultaneous dedication of said unit to the previously approved E. O. Carson Wells Nos. 4 and 22 and to its E. O. Carson Well No. 23 located 1980 feet from the North line and 2640 feet from the West line of Section 33, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 5689: Application of Dalport Oil Corporation for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jones Federal Well No. 4 to be drilled 990 feet from the South line and 1477 feet from the West line of Section 22, Township 15 South, Range 29 East, South Lucky Lake-Queen Pool, Chaves County, New Mexico.
- CASE 4843: (Reopened)
In the matter of Case 4843 being reopened pursuant to the provisions of Order No. R-4435-A, which order extended the special pool rules for the Southeast Chaves Queen Gas Area, Chaves County, New Mexico, including a provision for 320-acre spacing and proration units for gas wells. All interested parties may appear and show cause why said Order No. R-4435 should not be rescinded.
- CASE 5691: Application of Hanson Oil Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 990 feet from the North line and 2600 feet from the West line of Section 25, Township 26 South, Range 31 East, North Mason-Delaware Pool, Eddy County, New Mexico.
- CASE 5692: Application of Cities Service Oil Company for a dual completion and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Owen "A" Well No. 1 located in Unit P of Section 35, Township 21 South, Range 37 East, Lea County, New Mexico, completing said well in such a manner as to commingle Blinberry and Drinkard oil production and to dually complete said zones with the Wantz-Granite Wash Pool.
- CASE 5670: (Continued from May 12, 1976 Examiner Hearing)
Application of Real & Stevens, Inc. for an unorthodox location and directional drilling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to deviate its Harris-Federal Well No. 3, the surface location of which is 660 feet from the South line and 1980 feet from the East line of Section 27, Township 15 South, Range 28 East, Chaves County, New Mexico, by directionally drilling said well from a kick-off point at approximately 6000 feet and bottoming it at an unorthodox location in the Pennsylvanian formation within 250 feet of a point 900 feet from the South line and 1650 feet from the East line of said Section 27, the S/2 of the Section to be dedicated to the well.
- CASE 5688: Application of Dugan Production Corporation for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Tapacito-Pictured Cliffs and Blanco-Mesa Verde production in the wellbore of its Jicarilla E Well No. 1, located in Unit M of Section 21, Township 26 North, Range 3 West, Rio Arriba County, New Mexico.
- CASE 5693: Application of Jerome P. McKugh for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to downhole commingle Fruitland and Pictured Cliffs production in that area described as being all of Township 24 through 28 North, Ranges 9 through 15 West, San Juan County, New Mexico, excluding however, those lands within the boundaries of the Ballard-, Fulcher Kutz-, and West Kutz- and also those lands within the boundary of the Gallegos Canyon Unit Area.

Case 5693

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

TELEPHONE 982-4315
AREA CODE 505

May 17, 1976

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

Re: Jerome P. McHugh Application

Dear Bill:

Please find enclosed for filing on behalf of Mr.
Jerome P. McHugh, an application for downhole commingling.

We would appreciate the application being set for
hearing on June 9, 1976.

Very truly yours,


W. Thomas Kellahin

CC: Mr. Rick Tully
Dugan Production Corporation

WTK:kjf

Enclosure

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF JEROME P.
McHUGH FOR DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

A P P L I C A T I O N

COMES NOW JEROME P. McHUGH and applies to the Oil Conservation Commission of New Mexico for approval to downhole commingle production from the Fruitland and Pictured Cliffs formations in San Juan County, New Mexico, and in support thereof would show the Commission:

1. Applicant is an owner and operator of acreage involved in this application.

2. That Applicant seeks permission to downhole commingle production in the Fruitland and Pictured Cliffs formations for the following areas:

All lands covered by Township 24 North through Township 28 North, inclusive, and Range 9 West through Range 15 West, inclusive, N.M.P.M., San Juan County, New Mexico.

3. The subject application includes but is not limited to the following existing pools:

Gallegos-Fruitland Gas Pool
Scuth Gallegos-Fruitland Gas Pool
WAW-Pictured Cliffs Gas Pool
OJO-Pictured Cliffs Gas Pool
Nipp-Pictured Cliffs Gas Pool
Huerfano-Pictured Cliffs Gas Pool

4. The subject application excludes the following existing pools and areas:

Ballard-Pictured Cliffs Gas Pool
Fulcher-Kutz Pictured Cliffs Gas Pool

West Kutz Pictured Cliffs Gas Pool
and all other lands committed to the Gallegos
Canyon Unit which are not otherwise excluded
above, being generally described as follows:

Township 28 North, Range 13 West

Section 23: S/2
Section 24: S/2
Section 25: All
Section 26: All
Section 35: All
Section 36: W/2

5. That approval of this application will conform to the requirements of New Mexico Oil Conservation Commission Rule No. 303(c), will result in the production of hydrocarbons that would not otherwise be produced, will prevent waste, and will not cause any damage to either the Fruitland or Pictured Cliffs formations. Correlative rights including those of offset operators will not be impaired.

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as provided by law, the Commission enter its order approving commingling as prayed for.

Respectfully submitted,

JEROME P. McHUGH

By 

KELIAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF JEROME P.
McHUGH FOR DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

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Section 24: S/2
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Section 26: All
Section 35: All
Section 36: W/2

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JEROME P. McHUGH

By


KELLAM & FOX

P. O. Box 1769

Santa Fe, New Mexico 87501

Attorneys for Applicant

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF JEROME P.
McHUGH FOR DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

A P P L I C A T I O N

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Township 28 North, Range 13 West

Section 23: S/2
Section 24: S/2
Section 25: All
Section 26: All
Section 35: All
Section 36: W/2

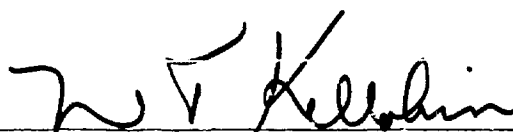
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Respectfully submitted,

JEROME P. McHUGH

By



KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

Attorneys for Applicant

Telegram

SSA315(2227) (2-064571E160) PD 06/08/76 2227

ICS IPHENGZ CSP

5058272533 TDEM FARMINGTON NH 06-08 1027P CDT

PMS THE NEW MEXICO OIL CONSERVATION COMMISSION, ATTN MR JOE RAMEY,
DLR ASAP

STATE LAND OFFICE BLDG

SANTA FE NH 87501

DUPLICATE OF TELEPHONED TELEGRAM

RECEIVED

JUN 3 - 1976

OIL CONSERVATION COMMISSION

WE WHOLE-HEARTEDLY SUPPORT THE APPLICATION OF JEROME P MCHUGH IN
CASE 5693 TO COMINGLE THE FARMINGTON, FRUITLAND, AND PICTURED CLIFFS
FORMATIONS IN TOWNSHIPS 24 THROUGH 28 NORTH RANGES 9 THROUGH 15 WEST
APPROVAL OF THE APPLICATION WOULD ENCOURAGE US TO DEVELOP OTHERWISE
MARGINAL RESERVES

HERRION AND DAYLESS BY J GREGORY HERRION (BOX 507 FARMINGTON
NH 87401

DRAFT

dr/

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. 5693

Order No. R- 5359

APPLICATION OF JEROME P. MCHUGH
FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 9,
19 76, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of _____, 19____, 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 applicant, Jerome P. McHugh, seeks an order
authorizing the downhole commingling of Fruitland and Pictured
Cliffs production in the well-bores of wells drilled anywhere
within Townships 24 North through 28 North, Ranges 24 West
through 28 West, NMPM, San Juan County, New Mexico, except that
said commingling authority would not apply to lands included
within the horizontal boundaries, as defined by the Commission,
of that portion of the Ballard-Pictured Cliffs Pool, the Fulcher-
Kutz Pictured Cliffs Pool or the West Kutz-Pictured Cliffs Pool
lying within the above described townships and ranges, nor to
lands not within the horizontal boundaries of said pools but
within the horizontal boundaries of the Gallegos Canyon Unit Area.

(3) That in portions of the area sought by applicant to be authorized for downhole commingling of Fruitland and Pictured Cliffs production, there appear to be marginal reserves of hydrocarbon gas present in said formations; and that development of said reserves by production through single completions or even by dual completions in said formations is uneconomic.

(4) That in portions of the area sought by applicant to be authorized for downhole commingling of Fruitland and Pictured Cliffs production, reservoir pressures in said formations appear to be virtually equal, and differential pressures between the formations of negligible magnitude.

(5) That in the aforesaid areas of marginal reserves and virtually equal pressures, the downhole commingling of Fruitland and Pictured Cliffs production should result in the recovery of otherwise unrecoverable reserves of natural gas, and should be permitted through administrative approval by the Secretary-Director of the Commission upon a showing that a well is of low marginal productive capacity from both the Fruitland and Pictured Cliffs formations and that there is no substantial difference in the reservoir pressures of the two formations.

(6) That of the lands sought by applicant for approval for downhole commingling of the Fruitland and Pictured Cliffs formations, it appears that the following described lands in San Juan County, New Mexico, meet the prerequisite conditions outlined in Findings Nos. (3) through (5) above, and should be authorized for administrative approval of such commingling:

Township 24 North, Range 9 West, NMPM
Section 1 through 5: all
Section 10 through 14: all
Section 24: all

Township 25 North, Range 9 West, NMPM
Sections 2 through 36: all

Township 25 North, Range 10 West NMPM
Sections 1 through 18: all
Sections 20 through 27: all
Section 36: all

Township 25 North, Range 11 West, NMPM

Sections 1 through 6: all

Section 7: $N/2$

Sections 8 through 13: all

Section 14: $N/2$

Section 15: $N/2$

Township 25 North, Range 12 West, NMPM

Sections 1 and 2: all

Section 3: $N/2$

Section 4: $N/2$

Section 12: $N/2$

Township 26 North, Range 9 West, NMPM

Section 19: all

Section 28: $SW/4$

Section 29: $S/2$

Sections 30 through 33: all

Township 26 North, Range 10 West, NMPM

Sections 19 through 36: all

Township 26 North, Range 11 West, NMPM

Sections 5 through 8: all

Sections 13 through 36: all

Township 26 North, Range 12 West, NMPM

Sections 1 through 30: all

Section 31: $N/2$

Sections 32 through 36: all

Township 26 North, Range 13 West, NMPM
Sections 1 through 17: all
Section 18: N/2
Section 21: N/2
Sections 22 through 25: all
Section 26: N/2

Township 26 North, Range 14 West, NMPM
Sections 1 through 3: all
Sections 11 and 12: all

Township 27 North, Range 11 West, NMPM
Section 31: ~~West~~ W/2

Township 27 North, Range 12 West, NMPM
Section 17: S/2
Sections 18 through 21: all
Section 22: W/2
Section 25: W/2
Sections 26 through 36: all

Township 27 North, Range 13 West, NMPM
Sections 4 through 11: all
Sections 13 through 36: all

Township 27 North, Range 14 West, NMPM
Sections 1 through 29: all
Sections 33 through 36: all

Township 27 North, Range 15 West, NMPM
Sections 1 through 3: all
Sections 11 through 13: all

Township 28 North, Range 13 West, NMPM
Partial Sections 7 and 8: all
Sections 17 through 20: all
Section 28: 5/2
Sections 29 through 33: all

Township 28 North, Range 14 West, NMPM
Partial Sections 7 through 12: all
Sections 13 through 36: all

Township 28 North, Range 15 West, NMPM
Partial Sections 7 through 12: all
Sections 13 through 29: all
Sections 33 through 36: all

(7) That adoption of an administrative procedure for the approval of downhole commingling of Fruitland and Pictured Cliffs production in the above described area under the conditions outlined in Findings Nos. (3) through (5) above, should result in the recovery of otherwise unrecoverable hydrocarbons thereby preventing waste, will not impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the Secretary-Director of the Commission is hereby authorized to approve commingling of Fruitland and Pictured Cliffs production in the wellbore of any well drilled in the following described area in San Juan County, New Mexico:

Township 24 North, Range 9 West, NMPM

Section 1 through 5: all

Section 10 through 14: all

Section 24: all

Township 25 North, Range 9 West, NMPM

Sections 2 through 36: all

Township 25 North, Range 10 West, NMPM

Sections 1 through 18: all

Sections 20 through 27: all

Section 36 all

Township 25 North, Range 11 West, NMPM

Sections 1 through 6: all

Section 7: N/2

Sections 8 through 13: all

Section 14: N/2

Section 15: N/2

Township 25 North, Range 12 West, NMPM

Sections 1 and 2: all

Section 3: N/2

Section 4: N/2

Section 12: N/2

Township 26 North, Range 9 West, NMPM

Section 19: all

Section 28: SW/4

Section 29: S/2

Sections 30 through 33: all

Township 26 North, Range 10 West, NMPM

Sections 19 through 36: all

Township 26 North, Range 11 West, NMPM

Sections 5 through 8: all

Section 15 through 36: all

Township 26 North, Range 12 West, NMPM

Sections 1 through 30: all

Section 31: N/2

Sections 32 through 36: all

Township 26 North, Range 13 West, NMPM

Sections 1 through 17: all

Section 18: N/2

Section 21: N/2

Sections 22 through 25: all

Section 26: N/2

Township 26 North, Range 14 West NMPM

Sections 1 through 3: all

Sections 11 and 12: all

Township 27 North, Range 11 West, NMPM

Section 31: ~~West~~ W/2

Township 27 North, Range 12 West, NMPM

Section 17: S/2

Sections 18 through 21: all

Section 22: W/2

Section 25: W/2

Sections 26 through 36: all

Township 27 North, Range 13 West, NMPM

Sections 4 through 11: all

Sections 13 through 36: all

Township 27 North, Range 14 West, NMPM

Sections 1 through 29: all

Sections 33 through 36: all

Township 27 North, Range 15 West, NMPM

Sections 1 through 3: all

Sections 11 through 13: all

Township 28 North, Range 13 West, NMPM
Partial Sections 7 and 8: all
Sections 17 through 20: all
Section 28: 5/2
Sections 29 through 33: all

Township 28 North, Range 14 West, NMPM
Partial Sections 7 through 12: all
Sections 13 through 36: all

Township 28 North, Range 15 West, NMPM
Partial Sections 7 through 12: all
Sections 13 through 29: all
Sections 33 through 36: all

(2) That to obtain approval for the downhole commingling of Fruitland and Pictured Cliffs production in the wellbore of any well completed in the aforescribed area, the operator of said well shall file one copy of the request for such approval with the Secretary-Director of the Commission and one copy with the Supervisor of the Commission District Office at Aztec. Such request shall contain evidence as to the productivity or expected productivity of each of the aforesaid formations proposed to be commingled, as well as reservoir pressures encountered or expected to be encountered. In addition, data shall be submitted which will enable the Secretary-Director to prescribe an allocation formula for allocating production to each of the formations to be commingled.

-9-
Case No. 5693
Order No. R-

(3) The Secretary-Director of the Commission shall have authority to rescind downhole commingling authority granted for any well prior to its completion if data available upon completion of the well indicates ^{greater than marginal} ~~prolific~~ production from either or both of the commingled formations or a pressure differential between the commingled formations which might cause waste.

(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 hereinabove designated.