

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

**APPLICATION FOR DOWNHOLE COMMINGLING  
SUBMITTED BY HILCORP ENERGY COMPANY**

**CASE NO. 20892  
ORDER NO. R-21338**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 14, 2019, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

**FINDINGS OF FACT**

1. Hilcorp Energy Company (“Applicant”) submitted an application to downhole commingle production from the Basin Dakota Gas pool (Pool Code 71599) and Blanco Mesaverde Gas pool (Pool Code 72319) with production from the Basin Fruitland Coal Gas pool (Pool Code 71629) within the wellbore of its Lambe 3M well (API 30-045-33680), located 1110 feet from the South line and 1885 feet from the East line (Unit O) of Section 21, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico.
2. Applicant requested that gas production for the downhole commingle be allocated using the subtraction method for the first four (4) years. Gas production allocated to the Basin Fruitland Coal Gas pool (Pool Code 71629) will be equal to the total gas production minus the projected historical production from the Basin Dakota Gas pool (Pool Code 71599) and Blanco Mesaverde Gas pool (Pool Code 72319). After four (4) years the allocation will be a fixed percentage.
3. Applicant also requested that oil production for the downhole commingle be allocated entirely to the Basin Dakota Gas pool (Pool Code 71599) and Blanco Mesaverde Gas pool (Pool Code 72319) using the current allocation formula detailed in Administrative Order DHC-2288.
4. Applicant appeared at the hearing through counsel and presented the following testimony and submitted evidence:
  - a. Applicant provided notice of the Application and the hearing as required by 19.15.12.11(C)(1) and 19.15.4.12(A)(6) NMAC.
  - b. The gas and liquid of the pools proposed to be commingled are compatible.
  - c. The addition of liquid from the Basin Fruitland Coal Gas pool (Pool Code 71629) will not hinder Applicant’s production from the other pools proposed to be commingled.
  - d. The pressure of the pools proposed to be commingled will not pose any danger to the Basin Fruitland Coal Gas pool (Pool Code 71629).

- e. The reservoir drive mechanism of the pools proposed to be commingled is compatible.
  - f. The proposed commingling will not cause a permanent loss of gas reserves or a decrease in gas value.
  - g. The proposed commingling will not harm any of the pools.
  - h. The proposed commingling will not impair correlative rights.
- 5. No other party appeared at the hearing or opposed the application.
  - 6. On July 2, 2006, OCD issued Administrative Order DHC-2288, which authorized the downhole commingling of oil and gas production from the Basin Dakota Gas pool (Pool Code 71599) and the Blanco Mesaverde Gas pool (Pool Code 72319) within the wellbore of the Lambe 3M well (API 30-045-33680).
  - 7. OCD routinely approves the downhole commingling of gas production from the Gallup (Mancos), Mesaverde, and Dakota formations within the San Juan Basin.

#### **CONCLUSIONS OF LAW**

- 8. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17.
- 9. Applicant satisfied the notice requirements for the Application and this hearing as required by 19.15.4.12(A)(6) NMAC.
- 10. Applicant's proposal to downhole commingle the wells, if conducted in accordance with this Order and Applicant's representations in the Application and the hearing, will prevent waste and protect correlative rights, public health, and the environment.

#### **ORDER**

- 1. Applicant may downhole commingle the production from the Basin Dakota Gas pool (Pool Code 71599) and Blanco Mesaverde Gas pool (Pool Code 72319) with the production from the Basin Fruitland Coal Gas pool (Pool Code 71629) within the wellbore of the Lambe 3M well (API 30-045-33680), located 1110 feet from the South line and 1885 feet from the East line (Unit O) of Section 21, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico.
- 2. No later than ninety (90) days after commencing to commingle the Basin Dakota Gas pool (Pool Code 71599), Blanco Mesaverde Gas pool (Pool Code 72319), and Basin Fruitland Coal Gas pool (Pool Code 71629), Applicant shall submit a Form C-103 to OCD with a gas analysis of the commingled gas. The gas analysis shall quantify the hydrogen sulfide content in the commingled gas. If applicant fails to submit the gas analysis, this Order shall terminate on the following day.
- 3. Applicant shall allocate the commingled gas production using the subtraction method until a different plan to allocate oil and gas production is approved by OCD.

- a. The gas production allocated to the Basin Fruitland Coal Gas pool (Pool Code 71629) shall be equal to the total gas production minus the sum of the projected historical gas production from the Basin Dakota Gas pool (Pool Code 71599) and the Blanco Mesaverde Gas pool (Pool Code 72319).
  - b. The gas production allocated to the Basin Dakota Gas pool (Pool Code 71599) shall be equal to ninety three (93) percent of the sum of the projected historical gas production from the Basin Dakota Gas pool (Pool Code 71599) and the Blanco Mesaverde Gas pool (Pool Code 72319).
  - c. The gas production allocated to the Blanco Mesaverde Gas pool (Pool Code 72319) shall be equal to seven (7) percent of the sum of the projected historical gas production from the Basin Dakota Gas pool (Pool Code 71599) and the Blanco Mesaverde Gas pool (Pool Code 72319).
4. Applicant shall calculate the gas production average during the fourth year after the commencement of commingling, which shall be used to establish a fixed percentage of the total gas production that shall be allocated to each of the pools ("fixed percentage allocation plan"). No later than ninety (90) days after the fourth year, Applicant shall submit a Form C-103 to OCD that includes the fixed percentage allocation plan and all data used to determine it. If Applicant fails to do so, this Order shall terminate on the following day. If OCD denies the fixed percentage allocation plan, this Order shall terminate on the date of such action. If OCD approves the percentage allocation plan with or without modifications, then the approved percentage allocation plan shall be used to determine oil and gas allocation starting on the date of such action until the Well is plugged and abandoned.
  5. Applicant shall allocate ten (10) percent of the total oil production to the Basin Dakota Gas pool (Pool Code 71599) and ninety (90) percent of the total oil production to the Blanco Mesaverde Gas pool (Pool Code 72319).
  6. This Order supersedes Administrative Order DHC-2288.
  7. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

  
\_\_\_\_\_  
**ADRIENNE SANDOVAL  
DIRECTOR**

**DATE:** 5/21/2020