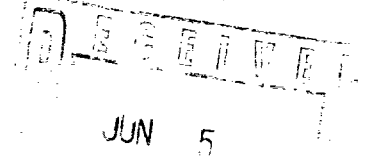


STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
 CALLED BY THE OIL CONSERVATION)
 DIVISION FOR THE PURPOSE OF)
 CONSIDERING:)
 APPLICATION OF CONOCO, INC.)

CASE NO. 11,293



ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 1st, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, June 1st, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

June 1st, 1995
 Examiner Hearing
 CASE NO. 11,293

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* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	-
Exhibit 2	4	-
Exhibit 3	4	-
Exhibit 4	4	-
Exhibit 5	4	-
Exhibit 6	4	-
Exhibit 7	4	-
Exhibit 8	4	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:45 a.m.:

3 EXAMINER CATANACH: Call Case 11,293.

4 MR. CARROLL: Application of Conoco, Inc., for
5 downhole commingling, Lea County, New Mexico.

6 EXAMINER CATANACH: Are there appearances in this
7 case?

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
9 the Santa Fe law firm of Kellahin and Kellahin, appearing
10 today on behalf of the Applicant.

11 EXAMINER CATANACH: Any additional appearances?
12 There being none, Mr. Kellahin?

13 MR. KELLAHIN: Mr. Examiner, I've distributed the
14 written testimony and exhibits of Conoco to be considered
15 by you in this Case. Exhibit 8 is the notification.

16 This is a request to downhole commingle
17 production. The notifications were sent to the offsetting
18 operators.

19 The ownership in all three of these pools is
20 common. I am not aware of any opposition.

21 There are two reasons that you cannot process
22 this case administratively under Rule 303, and that is, one
23 of the three pools will have a gas-oil ratio limit less
24 than desired by the Applicant.

25 And the second issue is, the expected total

1 combined water production will exceed the water limit
2 permitted by Rule 303.

3 When you look at the exhibit package, you'll find
4 that this wellbore is already approved for downhole
5 commingling as to two of the pools. They are the Justis-
6 Blinebry Pool and the Justis Tubb-Drinkard Pool.

7 That production has been commingled pursuant to
8 Division authority by administrative order DHC-886, which
9 is Exhibit 1. It was issued back in April of 1993.

10 What Conoco proposes to do with this wellbore is
11 to add the North Justis-Abo Pool production to this well.

12 The written testimony will demonstrate to you
13 that the expected production out of the additional zone is
14 approximately 4 barrels of oil a day, 100 MCF of gas a day,
15 and 130 barrels of water a day.

16 That pool, the North Justis-Abo Pool, is subject
17 to a 2000-to-1 gas-oil ratio. The two pools that are
18 already approved for commingling are subject to a 6000-to-1
19 GOR.

20 And so what we would like to do is to have
21 approval to add the Abo and to let the commingled
22 production stream be subject to a 6000-to-1 GOR, as opposed
23 to the lowest GOR applied for any of the pools.

24 The water component is the other exception. The
25 current order allows us to produce 80 barrels of water a

1 day. By adding the Abo, it's expected that the total
2 combined water production is approximately 150 barrels a
3 day.

4 So we're seeking authority to exceed what would
5 otherwise be the calculated maximum under Rule 303.

6 As I indicated, there is common ownership, that
7 in the event the North Justis Abo Pool is not allowed to be
8 commingled in this wellbore, then the written testimony
9 will demonstrate there's no other way to produce the Abo,
10 and they'll have to abandon the Abo zone. It is of such
11 marginal potential that they can't get it later. They need
12 to get it now, while they have the capacity to lift that
13 production in combination with the other two pools.

14 The exhibits finally, then, will show you what
15 I've just described.

16 In addition, there will be an allocation formula.
17 In essence, they simply have forecasted for the next 25
18 years what the current combined production is from the
19 Justis-Blinebry Pool, with the Justis Tubb-Drinkard pool,
20 and anything above that would be attributable to the Abo.

21 They would continue to allocate production
22 between the Blinebry and the Tubb-Drinkard as previously
23 approved.

24 I'll attempt to answer any questions, if you have
25 any, Mr. Examiner.

1 If you do not, we would at this time move the
2 introduction of Exhibits 1 through 8, and we believe the
3 written testimony and exhibits should complete this matter.

4 If not, we certainly welcome you to call us, and
5 we will supplement the record.

6 EXAMINER CATANACH: Mr. Kellahin, is this a new
7 completion of the North Justis-Abo Pool, or has it been
8 producing from this pool?

9 The reason I'm asking is, if it's got some
10 production history associated with it, I would rather see a
11 set decline percentage than a -- type that they proposed.

12 MR. KELLAHIN: I think, if memory serves me
13 correct, Mr. Examiner, there is nothing in the Abo by which
14 to give you an analogy or information from this wellbore on
15 the Abo.

16 It is not possible to shut off the existing
17 production and take a separate test on the Abo and work out
18 an extrapolated decline.

19 Apparently there's some production limitation on
20 that option, and so they have chosen to simply attribute
21 everything above what they know is historic production to
22 the new pool that's commingled.

23 I don't think there's any way to achieve what
24 you've just asked.

25 EXAMINER CATANACH: I have nothing further in

1 this case.

2 Anything further, Mr. Kellahin?

3 MR. KELLAHIN: No, sir.

4 EXAMINER CATANACH: There being nothing further,
5 Case 11,293 will be taken under advisement.

6 (Thereupon, these proceedings were concluded at
7 9:52 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1693,
heard by me on June 1, 1998.

David R. Catanach, Examiner
Oil Conservation Division


CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 2nd, 1995.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998