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May 4, 1995

HAND DELIVERED

RECEIVED

MAY 5 1995

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Oil Conservation Division

Re: State A-2 Well No. 4, J-2-25S-37E
Application of Conoco Inc.
for downhole commingling,
Lea County, New Mexico

1129.3

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for June 1, 1995.

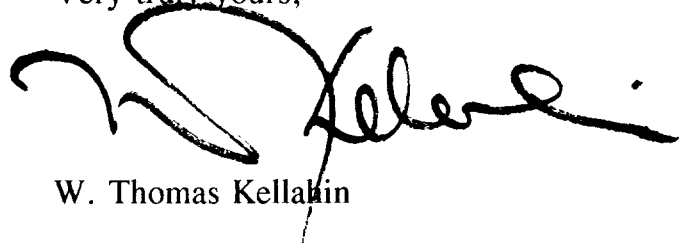
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date

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Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, May 26, 1995, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellakin', written over a horizontal line.

W. Thomas Kellakin

WTK/wtk
Enclosure

cc: Conoco Inc. and
By Certified Mail - Return Receipt
All Interested Parties

PROPOSED ADVERTISEMENT

Case 11293: Application of Conoco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle production from the North Justis-Abo Pool with its previously approved downhole commingling of production from the Justis Blinebry Pool and the Justis Tubb-Drinkard Pool (Administrative Order DHC-886) within the wellbore of its State A-2 Well No. 4 located 1980 feet from the East line and 2130 feet from the South line of (Unit J) of Section 2, Township 25 South, Range 37 East, NMPM. Said well is dedicated to a standard-40 acre spacing and proration unit consisting of the NW/4SE/4 of said Section 2. Applicant further seeks an exception to Rule 303(F) to establish a gas-oil ratio limit of 6,000 cubic feet of gas per barrel oil. Said unit is located approximately 5 miles northeast of Jal, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

**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.
FOR DOWNHOLE COMMINGLING,
LEA COUNTY, NEW MEXICO.**

CASE: 11293

APPLICATION

Comes now CONOCO INC., ("Conoco") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle production from the North Justis-Abo Pool with its previously approved downhole commingling of production from the Justis Blinebry Pool and the Justis Tubb-Drinkard Pool (Administrative Order DHC-886) within the wellbore of its State A-2 Well No. 4 located 1980 feet from the East line and 2130 feet from the South line of (Unit J) of Section 2, Township 25 South, Range 37 East, NMPM. Said well is dedicated to a standard-40 acre spacing and proration unit consisting of the NW/4SE/4 of said Section 2. Applicant further seeks an exception to Rule 303(F) to establish a gas-oil ratio limit of 6,000 cubic feet of gas per barrel oil.

In support of its application, Conoco states:

(1) Conoco is to be the operator of the State A-2 Well No. 4 located at a standard oil well location 1980 feet from the East line and 2130 feet from the South line (Unit J) of Section 2, T25S, R37E, NMPM. See Exhibits "A" and "B" attached.

(2) On April 5, 1993, the Division entered Administrative Order DHC-886 which approved the downhole commingling in the subject wellbore of production from the Justis-Blinebry Pool and the Justis Tubb-Drinkard Pool.

(3) Pursuant to Rule 303(F), Administrative Order DHC-886 authorized a 6000 to 1 GOR limit which is the limiting GOR established for both the Justis-Blinebry and Justis-Tubb-Drinkard pools.

(4) The well currently pumps 18 BOPD, 351 MCFGPD and 18 BWPD from the downhole commingled Justis-Blinebry and Justis Tubb-Drinkard pools.

(5) Conoco now seeks to downhole commingle in this wellbore any production from the North Justis-Abo Pool with the two previously approved pools.

(6) Pursuant to Rule 303(F), the addition of the Abo Pool, which is limited to a 2000 to 1 GOR, would require Conoco to reduce the GOR in this well to 2000 to 1 from the currently approved 6000 to 1.

(7) In addition, the North Justis-Abo Pool also produces water such that the total combined water production from the three pools in this wellbore would exceed 120 BWPD.

(8) Therefore, Conoco also seeks:

(a) an exception to Rule 303(F) to establish for this well a gas-oil ratio limit of 6,000 cubic feet of gas per barrel oil; and

(b) an exception to Rule 303(C)(1)(a)(iii) to allow for water production in excess of 120 BWPD for this well.

(9) The ownership is common for the well and its respective spacing and proration units in all three pools.

(10) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

1. the downhole commingling in this wellbore is necessary because evidence indicates that the Abo production from this well in this well is expected to be marginally productive and

any potential Abo production will have to be abandoned unless it is downhole commingled with the Justis-Blinebry and Justis Tubb-Drinkard pools' production. In addition, it is not economic to attempt to dually complete the Abo formation with the other two formations in this wellbore;

2. there will be no crossflow between the three pools commingled;

3. none of the commingled pools exposes any other to damage by produced liquids;

4. while the total water production is estimated to be approximately 200 BWPD which is more than the 40 BWPD allowed for each of the three commingled pools for a total limit of 120 BWPD, commingling will not cause any adverse affects;

5. the fluids from each pool are compatible with each other;

6. it is expected that the bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum;

7. the value of the commingled production will not be less than the sum of the values of the individual production.

(11) The proposed downhole commingling is necessary in order for the applicant to economically recover Abo formation reserves underlying the subject proration unit.

(12) Conoco will propose an allocation of volumes from the three pools based upon a table of projected annual average rates for the already commingled Blinebry and Tubb-Drinkard pools with any incremental volumes in excess of that rate attributed to the Abo pool and will seek the adoption of said annual allocation formula to be presented at the time of the hearing.

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(13) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for June 1, 1995.

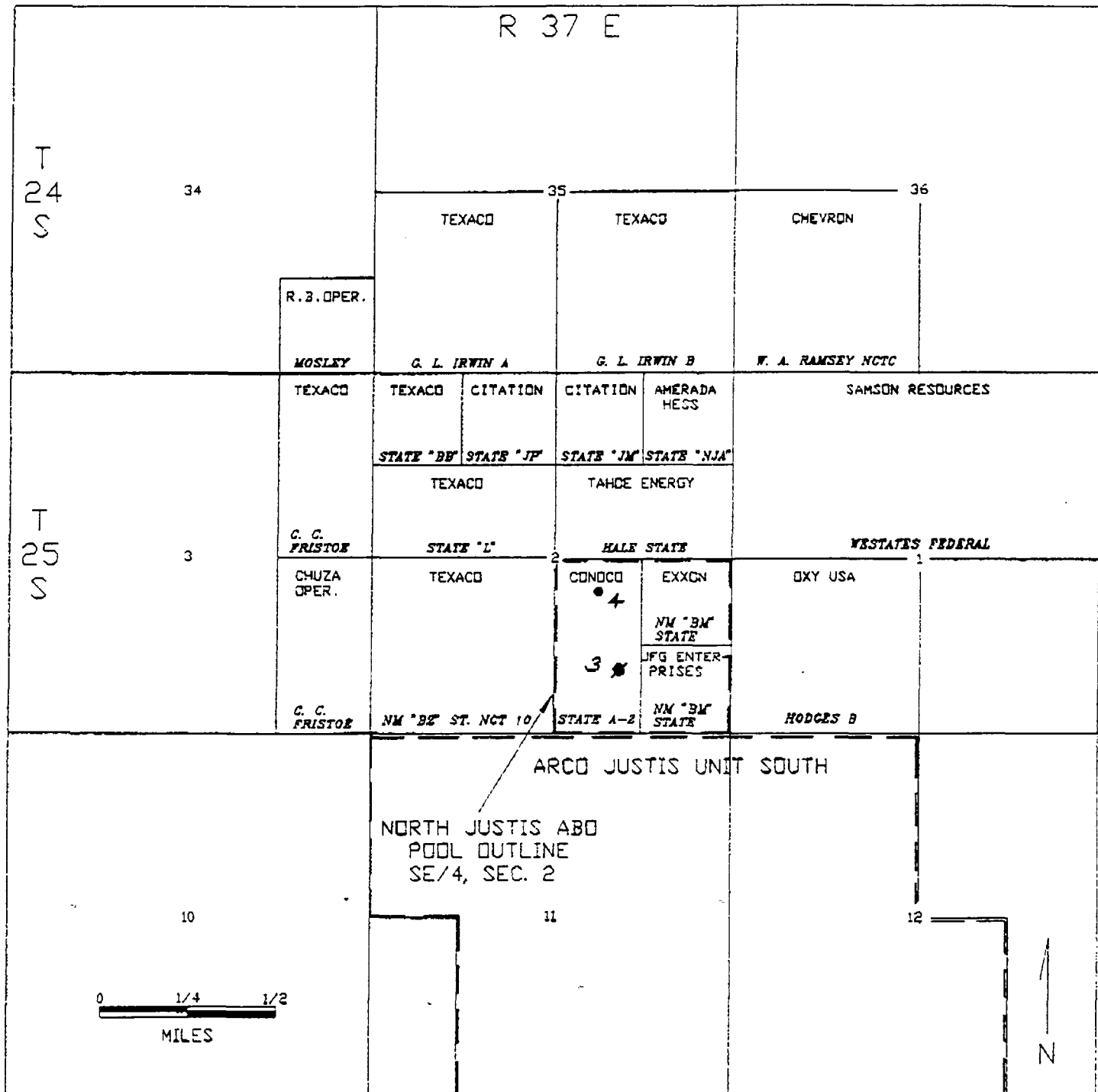
(14) Copy of this application has been sent to all offsetting operators to the spacing unit for the well as shown on Exhibit "C".

WHEREFORE Applicant requests that this matter be set for hearing on June 1, 1995 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

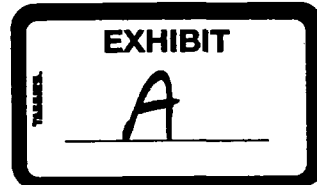
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and address.

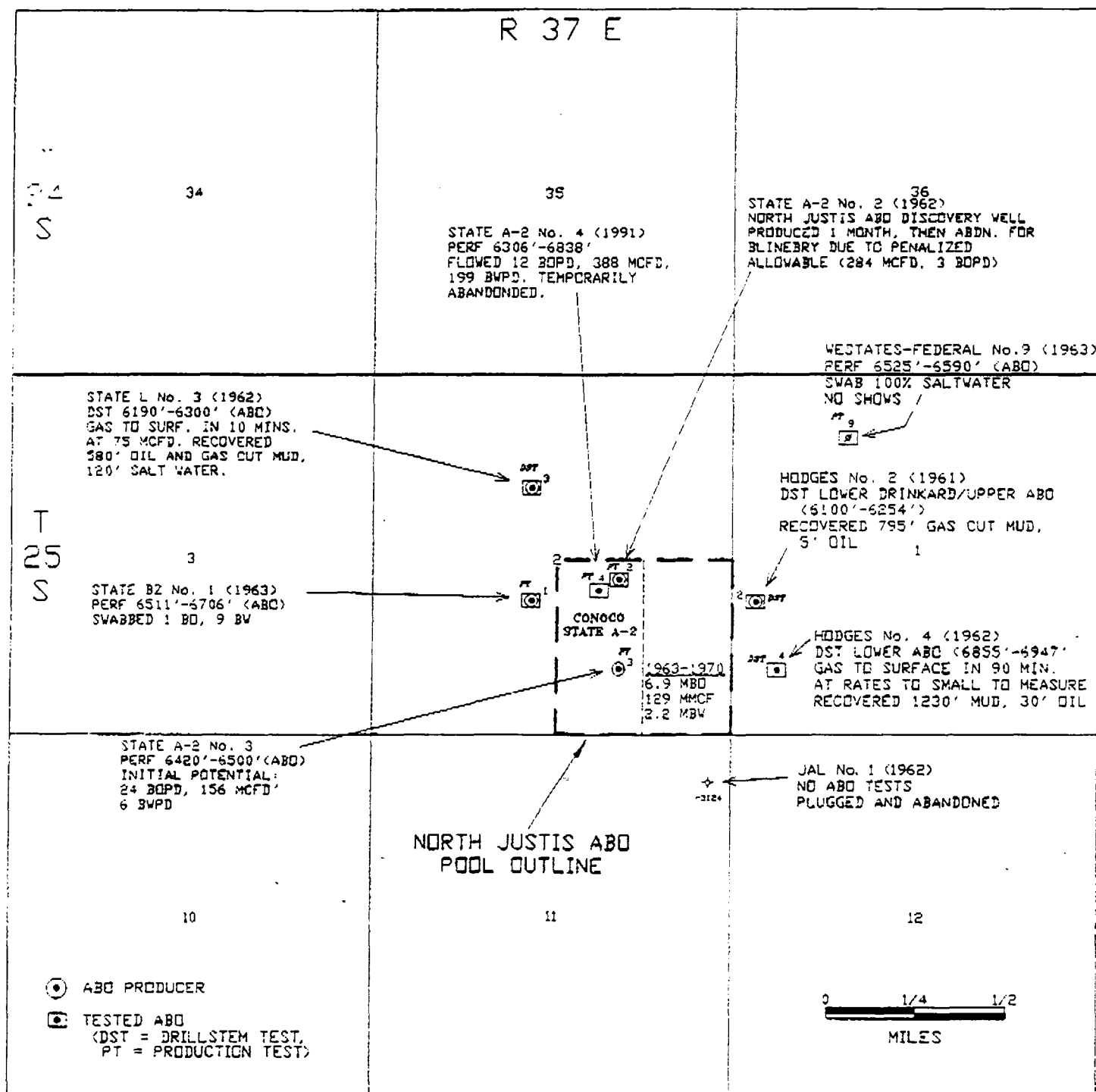
W. Thomas Kellahin
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P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant



LAND PLAT
JUSTIS TUBB / DRINKARD
JUSTIS BLINEBRY
NORTH JUSTIS ABO POOL
CENTRAL BASIN PLATFORM

PL1226





ABO PRODUCTION MAP STATE A-2/NORTH JUSTIS POOL

CENTRAL BASIN PLATFORM



PL1226

STATE A-2 WELL NO. 4

**APPLICATION TO AMEND
ADMINISTRATIVE ORDER DHC-886**

TO

**DOWNHOLE COMMINGLE ABO, TUBB-DRINKARD, & BLINEBRY PRODUCTION
AND PROVIDE FOR EXCEPTIONS TO RULES 303 C.(a)(iii) and 303 F.**

NOTIFICATION LIST

OFFFSET OPERATORS

Arco Oil & Gas
P.O. Box 1610
Midland, TX 77701

Exxon Company USA
P.O. Box 2180
Houston, TX 77252

JFG Enterprises
P.O. Box 100
Artesia, NM 88211

Tahoe Energy
3909 Industrial Blvd.
Midland, TX 79703

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