

C. DOWNHOLE COMMINGLING

(1) The Director of the Division shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well bore of ~~oil oil, gas gas, or gas oil zones in a well~~ multiple producing zones when the following facts exist and the following conditions are met:

(a) For Wells Involving Oil Zones:

- (i) The total combined daily oil production from oil zones before commingling (as determined in accordance with Section D, paragraphs (4) and (5) below) does not exceed the following:

OCD EXHIBIT NO. 1

CASE NO. 11353

BEFORE THE OIL CONSERVATION
COMMISSION

AUGUST 3, 1995

Bottom perforation, lowermost pool Bbls/day oil

Less than 4,999 feet	20
5,000 feet to 5,999 feet	30
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

- (ii) Oil zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception to this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artificial lift prior to commingling.)
- (iii) ~~Neither~~ No zone produces more water than the combined oil limit as determined in paragraph (i) above.
- (iv) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.
- (v) The total value of the crude will not be reduced by commingling.
- ~~(vi) Ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).~~

~~(vii)~~ (vi) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in ~~either~~ any of the zones to be commingled.

(b) For Wells Involving A Gas Zone:

- (i) That the commingling is necessary to permit a zone or zones to be produced which would not otherwise be economically producible.
- (ii) That there will be no crossflow between the zones to be commingled.
- (iii) That any zone which is producing from fluid-sensitive sands, which may be subject to damage from water or other produced liquids, is protected from contact from such liquids produced from other zones in the well.
- (iv) The fluids from each zone are compatible with the fluids from the other(s), and combining the fluids will not result in the formation of precipitates which might damage any of the reservoirs.
- ~~(v) That ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).~~
- ~~(vi)~~ (v) The bottomhole 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.

D. To obtain approval for downhole commingling, the operator of the well shall submit the following in DUPLICATE to the Division Director plus one copy to the appropriate District Office of the Division.

- (1) Name and address of the operator.
- (2) Lease name, well number, well location, name of the pools to be commingled.
- (3) A plat of the area showing the acreage dedicated to the well and the ownership of all offsetting leases.
- (4) A current (within 30 days) 24-hour productivity test on Division Form C-116 showing the amount of oil, gas, and water produced from each zone.

(5) A production decline curve for ~~both~~ all zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)

(6) Estimated bottomhole pressure for each artificially lifted zone. A current (within 30 days) measured bottomhole pressure for each zone capable of flowing.

(7) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.

(8) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.

(9) A formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.

(10) A statement that all offset operators and, in the case of a well on ~~state or federal lands, the Commissioner of Public Lands for the State of New Mexico or the United States Bureau of Land Management~~, have been notified in writing of the proposed commingling.

(11) In a case where there is diversity of ownership between the zones to be commingled (including working, royalty, or overriding royalty interest), the applicant shall submit a statement that all such interest owners have been notified in writing of the proposed commingling.

E. The Division Director may approve the proposed downhole commingling in the absence of a valid objection from ~~any offset operator and/or interest owner~~ within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures or other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section D, paragraphs 10 and 11.

F. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from a well with commingled oil zones shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. The production attributable to an oil zone commingled with a gas zone shall be subject to the daily gas-oil ratio

limitation applicable to such oil zone or pool. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually.

G. The Division Director may rescind authority to commingle production in the wellbore and require ~~both~~ the zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for downhole commingling under the provision of Section (1)(a) or (1)(b).