

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

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JUL 11 1995

Oil Conservation Division

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION TO AMEND RULE 303.C.
OF THE DIVISION RULES AND REGULATIONS
TO PROVIDE FOR ADMINISTRATIVE APPROVAL OF
DOWNHOLE COMMINGLING APPLICATIONS.

CASE: 11353

APPLICATION

COMES NOW the New Mexico Oil Conservation Division and applies to the New Mexico Oil Conservation Commission to amend Rule 303.C. of the Division's rules and Regulations to provide for administrative approval of downhole commingling applications and in support thereof states:


(1) The New Mexico Oil Conservation Division has issued numerous orders approving downhole comminglings in the State of New Mexico.

(2) Those individual cases, many of which were conducted after notice and hearing, now constitute a substantial volume of technical information from which administrative rules and regulations can be formulated.

(3) That the granting of this type of application has been accomplished usually without opposition and has become a matter of routine.

(4) Based upon its experience, Applicant recommends that the Commission adopt the rule changes to Rule 303.C which are attached as Exhibit "A".

WHEREFORE, Applicant requests that this application be set for hearing before the New Mexico Oil Conservation Commission on this 3rd day of August, 1995, and that after notice and hearing the application be approved.



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Exhibit "A"

PROPOSED RULE CHANGES TO RULE NO. 303(C) - DOWNHOLE COMMINGLING

C. (1) The Director of the Division shall have the authority to grant an exception to Rule 303(A) to permit the commingling in the wellbore of multiple producing zones when the following facts exist and the following conditions are met:

Changes: multiple producing zones is substituted for oil-oil, gas-gas, or gas-oil zones in a well. This change will illustrate that the Division will approve more than two zones for downhole commingling.

C. (1)(a)(iii) No zone produces more water than the combined oil limit as determined in paragraph (i) above.

Changes: Substitute No for Neither.

C. (1)(a)(vi) Ownership of the zones to be commingled is common (including working interest, royalty and overriding royalty).

Changes: Delete this requirement. Due to the fact that so many downhole commingling applications were set to hearing due to diverse ownership, this is the requirement that operators wanted to see relaxed.

C. (1)(a)(vii) The commingling will not jeopardize the efficiency of present or future secondary operations in any of the zones to be commingled.

Changes: Substitute any for either.

C. (1)(b)(v) Ownership of the zones to be commingled is common (including working interest, royalty and overriding royalty).

Changes: Delete, same as above.

D. (5) A production decline curve for all zones showing that...etc.

Changes: Substitute all for both.

D. (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.

Changes: Adding a requirement that the State Land Office be notified of proposed downhole comminglings. The State Land Office does have a requirement that DHC's on state lands be approved by them. Many times operators do not apply to the SLO because they are unaware of such requirements.

D. (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.

Changes: This is a new requirement to assure that the correlative rights of interest owners are protected and that they have a chance to object to the 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.

Changes: Adding language. Self Explanatory.

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

Changes: Substituting the for both.
