

**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:**

**CASE NO. 11920
Order No. R-10964**

**APPLICATION OF CAULKINS OIL COMPANY
FOR COMPULSORY POOLING AND DOWNHOLE
COMMINGLING, RIO ARriba COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 11897, 11899 and 11920 were consolidated at the time of the January 8th hearing for the purpose of testimony. No additional appearances were entered in this case at the February 5th hearing.

(3) The applicant, Caulkins Oil Company, seeks an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools. This unit is to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14.

(4) The applicant further seeks authority to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the subject well.

(5) By Order No. R-10961 issued in companion Case No. 11899 on February 18, 1998, the Division, upon application of Dugan Production Corporation, established two 160-acre non-standard gas spacing and proration units in the Blanco-Mesaverde and Basin-Dakota Gas Pools comprising the SE/4 and SW/4 of Section 14, Township 26 North, Range 7 West, NMPM.

(6) As a result of the issuance of Order No. R-10961, the portion of the immediate case seeking to compulsory pool the interests within the S/2 of Section 14, thereby forming a standard 320-acre gas spacing and proration unit for the Blanco-Mesaverde and Basin-Dakota Gas Pools, is unnecessary and should therefore be dismissed.

(7) The evidence and testimony presented in this case indicates that:

- a) Caulkins proposes to commingle the Blanco-Mesaverde and Basin-Dakota Gas Pools and dually complete these commingled zones with the Chacra formation within the subject Breech "B" 781 well;
- b) a well drilled within the S/2 of Section 14 should encounter marginal gas production only from the Blanco-Mesaverde and Basin-Dakota Gas Pools;
- c) the estimated bottomhole pressures within the Mesaverde and Dakota formations are expected to exceed the requirements set forth in Division Rule No. 303.C., which states that the Division may grant administrative approval for downhole commingling provided that the bottomhole pressure of the highest pressured commingled zone does not exceed the original reservoir pressure of any other commingled zone in the wellbore, adjusted to a common datum. Administrative notice was taken in this case of the engineering evidence and testimony presented in Case No. 11815, in which case Conoco Inc. demonstrated that even though the bottomhole pressure of the Dakota formation exceeds the original bottomhole pressure of the Mesaverde formation, there is no possibility of damage to the Mesaverde formation, nor will there be any loss of reserves, waste, or violation of correlative rights. Conoco presented this evidence in support of a downhole commingling request for its San Juan 28-7 Unit which is located approximately four miles northwest of the proposed Breech "B" 781 well.

(8) At this time, the applicant seeks only an exception to the pressure requirements contained within Division Rule No. 303.C., as described above. The applicant testified that it will file a Division Form No. C-107-A subsequent to the entry of this order.

(9) The evidence and testimony in this case is sufficient to grant an exception to the pressure requirements for administrative approval for downhole commingling within the proposed Breech "B" 781 well.

IT IS THEREFORE ORDERED THAT:

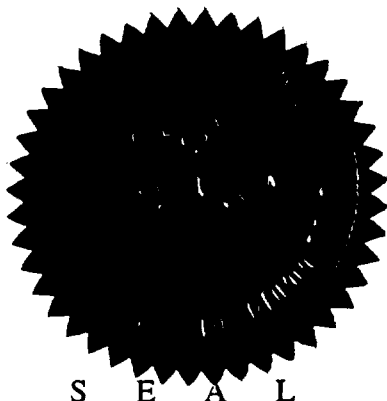
(1) The application of Caulkins Oil Company for an order pooling all mineral interests in the Blanco-Mesaverde and Basin-Dakota Gas Pools underlying the S/2 of Section 14, Township 26 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, thereby forming a standard 320-acre gas spacing and proration unit for said pools, said unit to be dedicated to its proposed Breech "B" 781 well to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, is hereby dismissed.

(2) The applicant, Caulkins Oil Company, is hereby granted an exception to the pressure requirements for administrative approval for downhole commingling as contained within Division Rule No. 303.C., for its proposed Breech "B" 781 well, which is to be drilled at a standard gas well location 1800 feet from the South line and 1150 feet from the West line (Unit L) of Section 14, and which is proposed to be downhole commingled in the Blanco-Mesaverde and Basin-Dakota Gas Pools.

(3) In order to obtain administrative approval to downhole commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production within the aforesaid Breech "B" 781 well, the applicant shall file a Division Form No. C-107-A complete with all attachments.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director