

**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. 11990
Order No. R-11030**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR DOWNHOLE
COMMINGLING, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 23, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of August, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice having been given, the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval to downhole commingle North Morton-Atoka Gas (96676), Undesignated East Morton-Morrow Gas (96395) and Morton-Mississippian Gas (96593) Pool production in its Morton Unit Well No. 1 (API No. 30-025-33314) located 770 feet from the North line and 2150 feet from the East line (Unit B) of Section 5, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) Division records indicate that the Morton Unit Well No. 1 was drilled in April, 1996 to test the North Morton Permo-Pennsylvanian Pool. The well was completed in the Mississippian formation in July, 1996 at an initial producing rate of 1020 MCF gas per day. In December, 1996, the applicant perforated and completed the Morrow interval, and in January, 1997, the applicant perforated and completed the Atoka interval.

(4) At the present time, the Morton Unit Well No. 1 is capable of marginal production only from the Atoka, Morrow and Mississippian producing intervals, described as follows:

| <u>Producing Interval</u> | <u>Oil</u> | <u>Gas</u> |
|-------------------------------|------------|------------|
| North Morton-Atoka Gas Pool | 30 BOPD | 500 MCFGD |
| East Morton-Morrow Gas Pool | 0 BOPD | 94 MCFGD |
| Morton-Mississippian Gas Pool | 0 BOPD | 136 MCFGD |

(5) According to applicant's testimony, additional pay will be perforated and completed in the Atoka formation prior to commingling. As a result, the applicant expects production from the North Morton-Atoka Gas Pool to increase to approximately 1,000 MCF gas per day.

(6) The applicant presented engineering evidence and testimony which indicate that:

- a) none of the commingled zones exposes the others to damage by produced liquids;
- b) the fluids from each zone are compatible with the others;
- c) the value of the commingled production will not be decreased by commingling; and,
- d) all cross-flowed production should ultimately be recovered.

(7) Applicant's evidence and testimony further indicate that commingling of the Atoka, Morrow and Mississippian producing intervals in the Morton Unit Well No. 1 is necessary in order to economically recover the oil and gas reserves in these formations which may otherwise not be recovered.

(8) The subject well is located within the Morton Unit, a State exploratory unit which is operated by the applicant.

(9) Applicant testified that the interest ownership in the Atoka, Morrow and Mississippian formations within the Morton Unit Well No. 1 is common.

(10) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed downhole commingling.

(11) The proposed downhole commingling will result in the recovery of oil and gas reserves which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(12) The applicant should consult with the supervisor of the Hobbs District Office of the Division at the conclusion of completion and testing operations on the Morton Unit Well No. 1 in order to determine a proper allocation of production from each of the commingled zones.

(13) The applicant should submit the production allocation to the Santa Fe Office of the Division subsequent to approval by the district office.

(14) The operator should immediately notify the supervisor of the Hobbs District Office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present to the Division a plan for remedial action.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to downhole commingle North Morton-Atoka Gas (96676), Undesignated East Morton-Morrow Gas (96395) and Morton-Mississippian Gas (96593) Pool production in its Morton Unit Well No. 1 (API No. 30-025-33314) located 770 feet from the North line and 2150 feet from the East line (Unit B) of Section 5, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) The applicant shall consult with the supervisor of the Hobbs District Office of the Division at the conclusion of completion and testing operations on the Morton Unit Well No. 1 in order to determine a proper allocation of production from each of the commingled zones.

(3) The applicant shall submit the production allocation to the Santa Fe Office of the Division subsequent to approval by the district office.

(4) The operator shall immediately notify the supervisor of the Hobbs District Office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present to the Division a plan for remedial action.

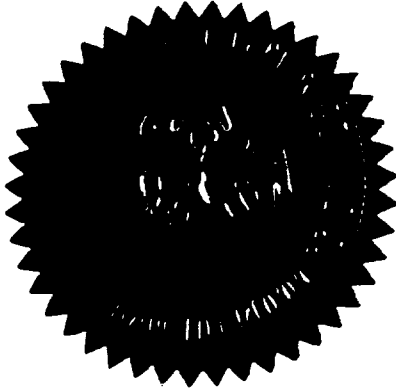
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 11990
Order No. R-11030
Page -4-

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



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