



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

**OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131**

January 26, 2000

Ms. Jami Bailey
Division Director
Oil, Gas and Minerals Division
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Re: Oil Conservation Division
Proposed Amendment to Rule 303.C.
Downhole Commingling

Dear Ms. Bailey:

On February 25, 2000, the Oil Conservation Division will propose changes to its Rule 303.C. (Downhole Commingling) to the Oil Conservation Commission. The purpose of this letter is to provide you a summary of the proposed changes and to solicit any comments or concerns your agency may have regarding the proposed changes.

As part of its effort to streamline various application processes, the OCD formed a committee in June, 1999 to examine Rule 303.C. This committee is composed of personnel from the Oil Conservation Division, Bureau of Land Management and the oil and gas industry. The committee met numerous times during 1999, and has now formalized its recommendations in the form of a draft rule. During this process, I have been in communication with Mr. Pete Martinez of your staff with regards to the New Mexico State Land Office requirements for filing and approval of downhole commingling. The committee has taken into consideration NMSLO requirements in the process of amending Rule 303.C.

The following is a summary of the major revisions:

1. Certain pre-requisites to qualify for downhole commingling such as pressure criteria and marginal production criteria will be relaxed. Downhole commingling will be allowed if the pressure of the higher pressured zone does not exceed the fracture pressure of the lower pressured zone, and pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone. Pools will no longer have to be marginally productive to qualify for downhole commingling;

2. The committee will recommend the adoption of a "pre-approved pool" list. The approval process for wells within these "pre-approved pool" combinations or areas will be simplified so that downhole commingling may be approved by filing Division Form C-103, (Sundry Notice), with the appropriate Division district office. A copy of this Form C-103 will be required to be filed with the NMSLO for wells in spacing units containing state lands and with the USBLM for wells in spacing units containing Federal lands. A minimal amount of information will be required on Form C-103 described as follows:
 - a) Division order number that established "pre-approved pool" or area;
 - b) names of pools to be commingled;
 - c) perforated intervals;
 - d) allocation method and supporting data;
 - e) a statement that the value of production will not be decreased by commingling; and
 - f) notice to interest owners in the cases of uncommon interest in the zones to be commingled.
3. For wells not within "pre-approved pools", operators will be required to File Form C-107-A, (Application to Downhole Commingle) with the Santa Fe Office of the Division. A copy of Form C-107-A will be required to be filed with the NMSLO for wells in spacing units containing state lands and with the USBLM for wells in spacing units containing Federal lands;
4. With sufficient data available, an operator may file a Form C-107-A to qualify a pool combination for "pre approved pool" status; and
5. Form C-107-A will be amended to reflect the new relaxed requirements for downhole commingling.

The committee believes that the proposed rule change will have minimal effects on the NMSLO process for obtaining approval for downhole commingling. However, a thorough review of the draft rule is recommended in order to become familiar with the proposed changes. For your convenience, I have enclosed a copy of draft Rule 303.C., a list of pools to be recommended for "pre-approved pool" status, and a copy of revised Form C-107-A.

If you should have any questions or comments concerning the draft Rule 303.C.
please send them to me prior to the hearing on February 25, 2000.

Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, reading "David Catanach", followed by a horizontal line.

David Catanach
Chairman/DHC Committee

Xc: Ms. Lori Wrotenbery, OCC Chairman
Mr. Robert Lee, OCC Member
Mr. Pete Martinez, New Mexico State Land Office

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700

Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713

Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245

Fax (505) 827-5766



**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

COMMERCIAL RESOURCES

Phone (505) 827-5724

Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744

Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772

Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793

Fax (505) 827-5711

January 31, 2000

Energy, Minerals and Natural Resources Department
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Attention: Mr. David Catanach

Re: Proposed Amendment to Rule 303.C.
Downhole Commingling

Dear Mr. Catanach:

We are in receipt of your letter of January 26, 2000, regarding your agency's proposed changes to Rule 303.C. (Downhole Commingling).

We have a concern that this agency may not be notified of downhole commingling requests and approvals, which are required pursuant to NMSLO Rule Nos. 1.053, 1.054 and 1.055.

We suggest that Article 303.C(3)(a)(iii) be amended as to state lands to read as follows:

Prior to approval of the downhole commingling application, the applicant shall send copies of Form C-107-A to the Commissioner of Public Lands for the State of New Mexico for wells in spacing units containing state lands or the Bureau of Land Management for wells in spacing units containing federal lands.

We also suggest that Article 303.C(3)(b)(vii) be amended as to state lands to read as follows:

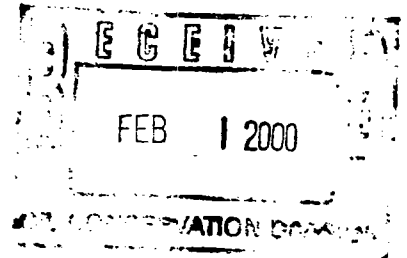
Prior to approval of the downhole commingling application, a copy of the Division Form C-103 shall be sent to the Commissioner of Public Lands for the State of New Mexico for wells in spacing units containing state lands or the Bureau of Land management for wells in spacing units containing federal lands using Sundry notice Form 3160-5.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: *Anthony H. Nash*
ANTHONY NASH, Deputy Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm
xc: Reader File



NEW MEXICO OIL CONSERVATION DIVISION

COMMISSION HEARINGSANTA FE, NEW MEXICOHearing Date MARCH 24, 2000 Time 9:00 A.M.

NAME	REPRESENTING	LOCATION
Gene Balliger	Gillette, Wynn & Fitch	SF
William A. Davis	Gillette, Wynn & Fitch	Santa Fe
David Pearson	Yates, Inc.	A. T. Co.

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION COMMISSION FOR THE)
PURPOSE OF CONSIDERING:) CASE NO. 12,346
)
APPLICATION OF THE OIL CONSERVATION)
DIVISION TO AMEND RULE 303.C THROUGH)
303.H (19 NMAC 15.E.303))
_____)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

March 24th, 2000

Santa Fe, New Mexico

00 APR -5 AM 8:21

OIL CONSERVATION DIV

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, March 24th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 24th, 2000
Commission Hearing
CASE NO. 12,346

PAGE

REPORTER'S CERTIFICATE

5

* * *

A P P E A R A N C E S

FOR THE COMMISSION:

CHERYL BADA
Assistant General Counsel
Energy, Minerals and Natural Resources Department
2040 South Pacheco
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:03 a.m.:

3
4 CHAIRMAN WROTENBERY: Then we also had on the
5 agenda the Application of the Oil Conservation Division to
6 amend Rule 303.C through 303.H. This is Case 12,346.

7 This matter was continued from the February 25th,
8 2000, Commission hearing.

9 We will accept any testimony today if there is
10 anybody here who would like to present any testimony.

11 We have not received any written comments at all
12 on this proposal to date. We had requested initially that
13 comments be submitted in writing by last Friday, but we
14 will be extending the comment period.

15 We were unable to proceed to adopt these rule
16 amendments today because of some changes that the State
17 Records Center has made in the formatting requirements for
18 rules, and we're having to make some adjustments in format,
19 nonsubstantive changes.

20 So we will accept comments in writing on the
21 proposed amendments to the downhole commingling rules until
22 April 21st, 2000. That's a week before the Commission's
23 meeting on April 28th.

24 And then at that point we should be able to
25 proceed to consider adoption of the amendments to the

1 downhole commingling rule at the April 28th Commission
2 meeting.

3 (Thereupon, these proceedings were concluded at
4 9:05 a.m.)

5 * * *

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

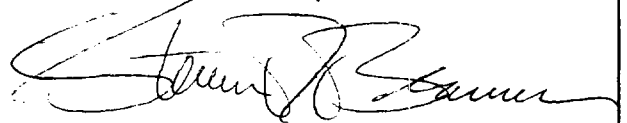
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 24th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002