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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 20, 1994

HAND DELIVERED

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

11035

Re: Graham C "WN" Federal Well No. 1A  
Unit O-9-27N-8W  
Application of Conoco Inc.  
for Downhole Commingling,  
San Juan County, New Mexico

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for July 21, 1994.

Notices are being sent certified mail, hereby we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Oil Conservation Division

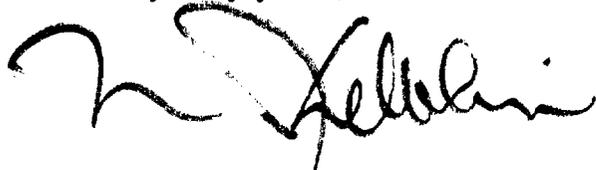
June 20, 1994

Page 2

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, July 15, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Thomas Kellahin

cc: Conoco Inc.

**PROPOSED ADVERTISEMENT**

**Case 11035** Application of Conoco Inc. for downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle Blanco Mesaverde Gas Pool production and with Otero-Chacra Pool production within the wellbore of its Graham C "WN" Federal Well No. 1A, located 1050 feet FSL and 1600 feet FEL (Unit 0) Sec. 9, T27N, R8W, with the E/2 of said Section 9 being dedicated to the Blanco Mesaverde Pool and the SE/4 being dedicated to the Otero-Chacra Pool. Said well is located approximately 6.5 miles northeast from Herfanito, New Mexico;

**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:

APPLICATION OF CONOCO INC.  
FOR DOWNHOLE COMMINGLING  
SAN JUAN COUNTY, NEW MEXICO.

CASE: 11035

**APPLICATION**

Comes now CONOCO INC., ("Conoco") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle Blanco Mesaverde Gas Pool production and with Otero-Chacra Pool production within the wellbore of its Graham C "WN" Federal Well No. 1A, located 1050 feet FSL and 1600 feet FEL (Unit 0) Sec. 9, T27N, R8W, with the E/2 of said Section 9 being dedicated to the Blanco Mesaverde Pool and the SE/4 being dedicated to the Otero-Chacra Pool.

In support of its application, Conoco states:

(1) Conoco is the operator of the Graham C "WN" Federal Well No. 1A which is an existing dually completed well producing from the Mesaverde formation (See Exhibit "A") and from the Chacra formation (See Exhibit "B").

(2) This well is to be reconfigured so that production from the Blanco-Mesaverde Pool and the Otero-Chacra Pool can be downhole commingled in the wellbore.

(3) The ownership is not common between these two spacing units.

(4) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

1. That this well is currently a dual completion in the Chacra formation and in the Mesaverde formation, is marginal and production cannot be economically continued unless it is done so by downhole commingling that production.

2. That there will be no crossflow between the two zones commingled.

3. That the value of the commingled production will not be less than the sum of the values of the individual production.

4. It is expected that the bottom hole 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.

(5) In order to salvage the remaining Chacra production and Mesaverde production from this spacing unit, Conoco seeks approval to produce this well as downhole commingled well.

(6) Conoco will submit at the hearing, its proposed 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.

(7) That in order to allocate the commingled production to each of the commingled zones in this well, Conoco requests a provision in the order delegating to the Supervisor of the Aztec District Office of the Division the authority to determine an allocation formula for each of the production zones.

(8) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for July 21, 1994.

(9) Notice of this application has been sent to all owners of production within each of the spacing units who may be affected by downhole commingling as identified on Exhibit "C" attached.

WHEREFORE Applicant requests that this matter be set for hearing on July 21, 1994 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

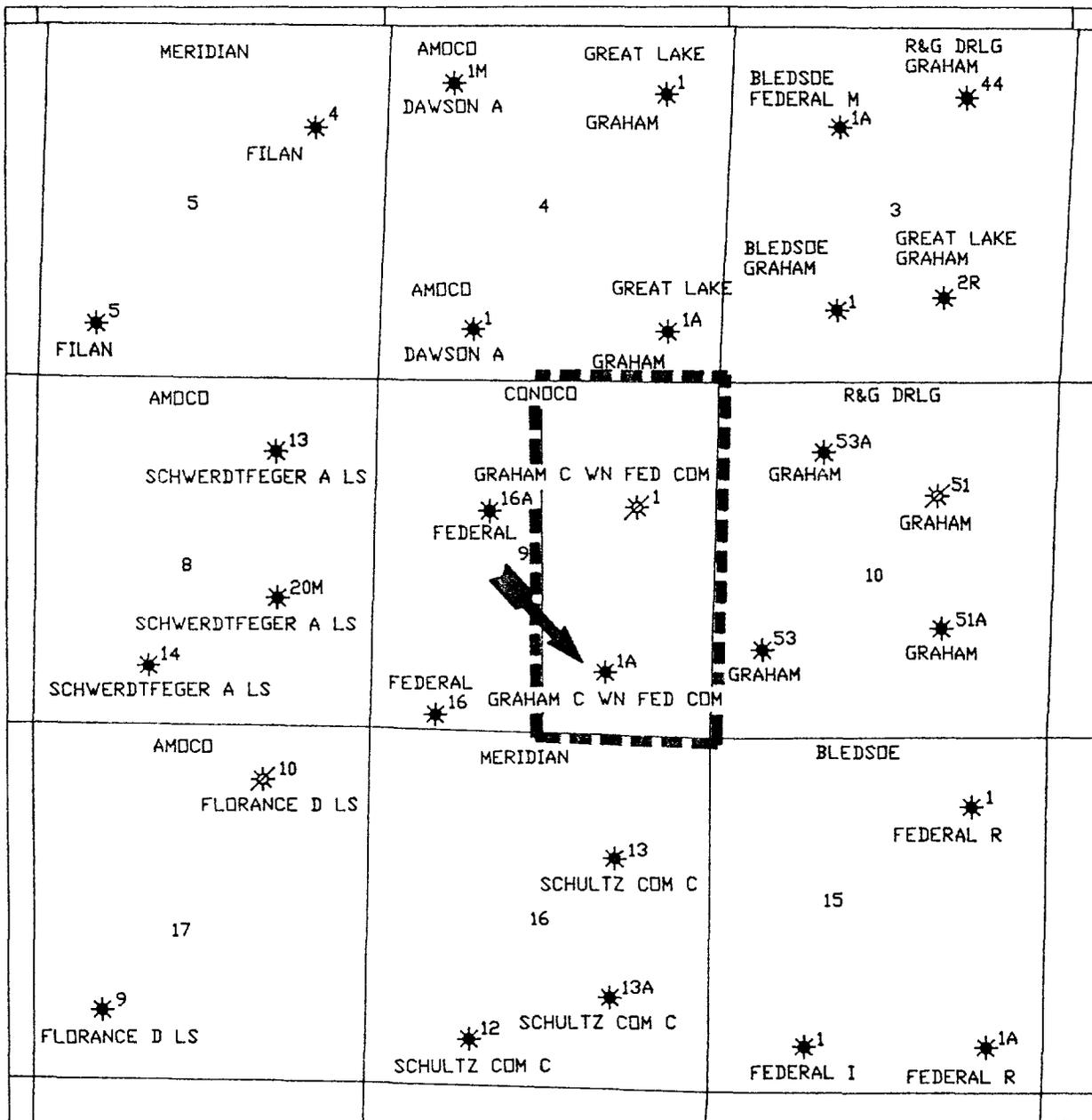
Respectfully submitted

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and "K".

W. Thomas Kellahin  
KELLAHIN and KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285  
Attorneys for Applicant

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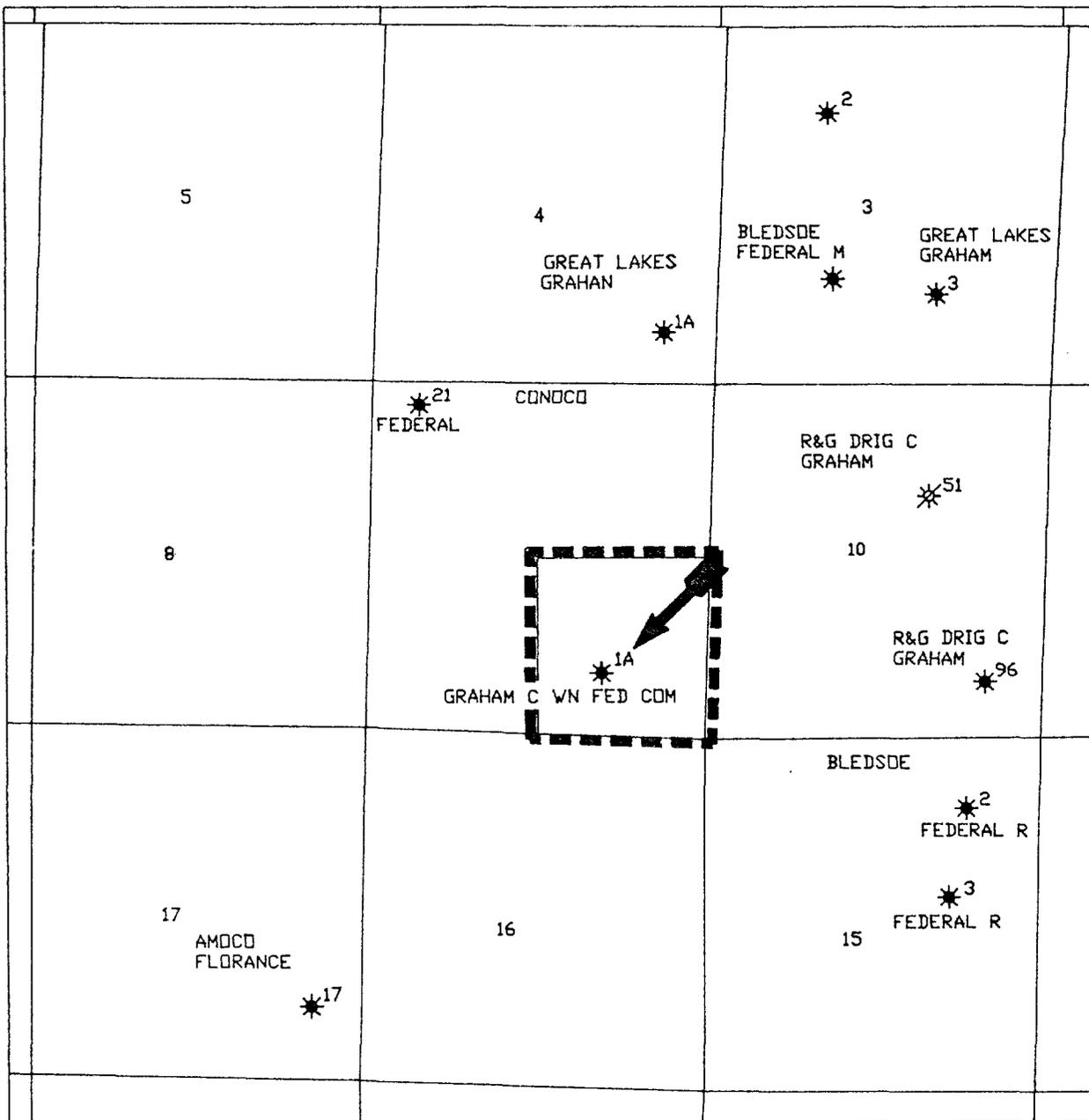
----- MESAVERDE PRORATION UNIT

		EPNGNA MIDLAND DIVISION
GRAHAM C WN FED CDM #1A MESAVERDE WELLS ONLY		
		DRAWING NO. PL1159

EXHIBIT A

R8W

T  
27  
N



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 CHACRA PRORATION  
 UNIT

<b>CONOCO</b>		EPNGNA MIDLAND DIVISION
GRAHAM C WN FED COM #1A		
CHACRA WELL ONLY		
		DRAWING NO. PL1158

EXHIBIT B

**GRAHAM C WN FED 1A**

**Wham, a Partnership**  
8801 South Yale, Suite 150  
Tulsa, OK 74137-3575

**Lalo Enriquez**  
P.O. Box 735  
Santa Fe, NM 87504-0735

**Texaco Exploration & Production Inc.**  
P.O. Box 2100  
Denver, CO 80201

**Dawson Family Trust**  
% Robbin R. Dawson  
P.O. Box 1507  
Panhandle, TX 79068-1507

**Rutter and Wilbanks Corporation**  
P.O. Box 3186  
Midland, TX 79702-3186

**Union Oil Company of California**  
P.O. Box 4551  
Sugarland, TX 77478

**Bureau of Land Management**  
Farmington Resource Area  
1235 La Plata Highway  
Farmington, NM 87401

**Amoco Production Company**  
P.O. Box 800  
Denver, CO 80201

**Bledsoe Energy Corporation**  
5850 Bank One Center  
1717 Main Street  
Dallas, TX 75201

**Great Lakes Chemical Corp.**  
P.O. Box 2200  
West Lafayette, IN 47906

**R&G Drilling Company**  
% M&G Drilling Company  
P.O. Box 9560  
Palm Springs, CA 92263

**Meridian Oil Inc.**  
P.O. Box 4289  
Farmington, NM 87499-4289

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

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E 40.00  Federal owned	F 40.00  Federal owned A A A	G 40.00  Federal owned A	H 40.00  Federal owned

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PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

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M 40.00  Federal owned A	N 40.00  Federal owned	O 40.00  Federal owned A	P 40.00  Federal owned

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PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

PF04 GoTo  
PF10 SDIV

PF05  
PF11

PF06  
PF12

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:

*WJT*  
*9/29*

*RA 9/28*  
*DC*

CASE NO. 11035  
ORDER NO. R-10267

**APPLICATION OF CONOCO, INC. FOR DOWNHOLE COMMINGLING, SAN JUAN  
COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 1, 1994 at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this \_\_\_\_\_ day of September, 1994 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

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) Case Nos. 11028, 11029, 11030, 11031, 11032, 11033, 11035 and 11036 were consolidated for the purpose of presenting testimony at the hearing.

(3) In Case No. 11035, the applicant, Conoco, Inc. (Conoco), seeks approval for the downhole commingling of production from the Otero Chacra and Blanco Mesaverde Pools in its Graham C "WN" Federal Well No. 1A, located 1050 feet from the South line and 1600 feet from the East line (Unit O) of Section 9, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico.

(4) The SE/4 of said Section 9 (160 acres) is dedicated to the Otero Chacra completion and the E/2 of Section 9 (320 acres) is dedicated to the Blanco Mesaverde completion. The same working interests and royalty interests share ownership in both completions but the division of ownership among the owners is different for the two completions.

(5) Conoco submitted data showing that the owners of interests in the well and offset operators have been notified of the application. No interest owner or offset operator appeared at the hearing in opposition to the application. A letter of approval from the Bureau of Land Management was submitted into the record.

(6) Data was presented at the hearing showing that both completions are low volume producers and that the Otero Chacra completion is below the economic limit. The proposed commingling is necessary to permit the zone to be produced economically.

(7) Based on the bottomhole pressure data presented at the hearing, there should be no cross flow between zones. The bottomhole pressures in the Otero Chacra are 98% that of the Mesaverde.

(8) No reservoir damage due to incompatibility of reservoir fluids is expected.

(9) Commingling is expected to increase total recovery by 25.2 MMCF in 10 years.

(10) Conoco proposed a method of allocating gas production to the two zones based on current producing rates and relative BTU values. Using current tests, 14.37% of production would be allocated to the Otero Chacra and 85.63% to the Mesaverde. Final percentages would be determined based on a combined test following commingling. It is expected that total commingled production will show an increase due to the removal of the packer from the well. Conoco proposes that any increase be attributed to the lower (Mesaverde) zone. Final percentages for gas allocation would be determined after consulting with the supervisor of the Aztec District Office of the Division.

(11) Conoco submitted tests and production records to support their proposal that any condensate production be allocated to the Mesaverde following commingling.

(12) Approval of this application is in the best interest of conservation and will serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Conoco, Inc. for authority to downhole commingle production from the Otero Chacra and Blanco Mesaverde Pools in its Graham C "WN" Federal Well No. 1A, located 1050 feet

from the South line and 1600 feet from the East line (Unit O) of Section 9, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) Conoco shall consult with the Supervisor of the Aztec District Office in determining the proper allocation of gas production using the method discussed in Finding Paragraph No. (10) of this order.

(3) Final gas allocation percentages shall be reported by Conoco to the Santa Fe Office of the Division referencing this case and order number.

(4) The operator is responsible for reporting the monthly gas production from the subject well using the allocation method herein adopted.

(5) Any condensate production shall be allocated entirely to the Mesaverde interval.

(6) 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

WILLIAM J. LEMAY  
Director

S E A L