

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. 10418
Order No. R-9620

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR AN EXCEPTION TO RULES
303-A AND 309-A, SURFACE COMMINGLING
OF CONDENSATE, RIO ARriba COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of December, 1991, 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) The applicant, Amoco Production Company, seeks an exception to Division General Rule Nos. 303-A and 309-A to allow the surface commingling of Blanco-Mesaverde, Blanco-Pictured Cliffs, South Blanco-Pictured Cliffs, Basin-Dakota and Otero-Chacra Gas Pool condensate production from 28 dually completed wells and 4 pairs of wells located in close proximity (as more fully described in Exhibit No. (2) submitted by the applicant) within its San Juan 28-7 Unit located in all or portions of Townships 27 and 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(3) The applicant further seeks authority to surface commingle the condensate production from the above-described pools in newly drilled wells and/or additional existing wells within the unit in the future as may be deemed necessary by the applicant in order to economically recover said fluids.

(4) The applicant is the operator of the San Juan 28-7 Unit which encompasses all of Township 28 North, Range 7 West, and a substantial portion of Township 27 North, Range 7 West.

(5) According to applicant's evidence and testimony, the low volumes of condensate production originating from the Pictured Cliffs and other producing formations within the San Juan 28-7 Unit does not economically justify the installation of tanks for the recovery and storage of said production.

(6) As a result, some of the condensate production, originating mainly from the Pictured Cliffs formation, is not currently being recovered.

(7) The applicant proposes to install separators, where needed, and commingle the condensate production in a common tank at each of the 28 dually completed wellsites and at one of the wellsites at each of the four pairs of wells as described in Finding No. (2) above.

(8) Applicant estimates that an additional 90 barrels of condensate per month can be recovered if the proposed commingling is approved.

(9) The applicant proposes to allocate the condensate production attributable to each zone or well in the following manner:

- a) Conduct annual GOR test on each zone or well;
- b) Calculate theoretical monthly condensate production for each zone or well utilizing actual monthly gas production and GOR test data;
- c) Calculate allocation factors for each zone or well utilizing theoretical monthly condensate production, and;
- d) Calculate allocated monthly condensate production for each zone or well utilizing actual condensate production and allocation factors.

(10) The proposed method of allocation is fair and reasonable and should result in the proper disposition of revenues to the various interest owners within the unit.

(11) The applicant testified that it will continue to individually meter the gas production from each zone or well.

(12) The San Juan 28-7 Unit is a Federally controlled unit which has existing participating areas for the Mesaverde, Dakota, Pictured Cliffs and Chacra formations.

(13) According to applicant's evidence, the ownership among the various participating areas within the unit is not common.

(14) The applicant has notified approximately 194 interest owners within the San Juan 28-7 Unit of its proposal to commingle, and as of the date of the hearing, no interest owner has expressed any concern or objection to the proposal.

(15) Approval of the application will result in the recovery of additional condensate from the San Juan 28-7 Unit which would not otherwise be recovered, thereby preventing waste, will benefit the interest owners in the unit, and will not violate correlative rights.

(16) At such future date when additional newly drilled wells or additional existing wells are commingled, the applicant should be required to notify the Division and the Bureau of Land Management of such commingling.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to surface commingle Blanco-Mesaverde, Blanco-Pictured Cliffs, South Blanco-Pictured Cliffs, Basin-Dakota and Otero-Chacra Gas Pool condensate production from 28 dually completed wells and 4 pairs of wells located in close proximity (as more fully described in Exhibit No. (2) submitted by the applicant) within its San Juan 28-7 Unit located in all or portions of Townships 27 and 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) The applicant is further authorized to surface commingle the condensate production from the above-described pools in newly drilled wells and/or additional existing wells within the San Juan 28-7 Unit in the future as may be deemed necessary by the applicant in order to economically recover said fluids.

(3) Condensate production attributable to each zone or well shall be determined monthly in the following manner:

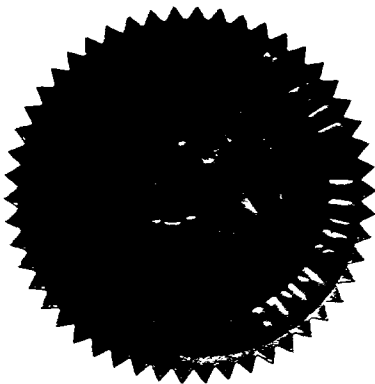
- a) Conduct annual GOR test on each zone or well;
- b) Calculate theoretical monthly condensate production for each zone or well utilizing actual monthly gas production and GOR test data;
- c) Calculate allocation factors for each zone or well utilizing theoretical monthly condensate production, and;
- d) Calculate allocated monthly condensate production for each zone or well utilizing actual condensate production and allocation factors.

(4) Gas production from each zone or well shall continue to be individually metered.

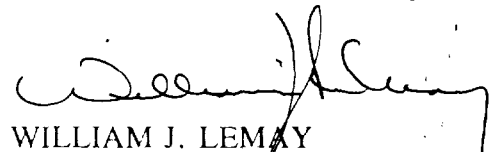
(5) At such future date when additional newly drilled wells or additional existing wells are commingled, the applicant shall notify the Division and the Bureau of Land Management of such commingling.

(6) Jurisdiction is hereby 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