

(10) The applicant proposes to perforate and complete the Drinkard zone and selectively perforate and complete additional Blinebry oil pay within the wellbores of its N.G. Penrose Wells Nos. 1 and 2 and also proposes to perforate and complete the Blinebry, Tubb, and Drinkard zones within the wellbore of its N.G. Penrose Well No. 4.

(11) The applicant further proposes to perforate and complete the zones described in Finding No. (10) above without separately testing the productive capabilities of these zones.

(12) The applicant presented evidence and testimony which indicate that a requirement by the Division to separately test each newly completed zone in the subject wells prior to commingling would result in a substantially greater expense which would consequently make the proposed downhole commingling uneconomic.

(13) As an alternate method of allocating production to each zone within the subject wellbores, the applicant proposes to utilize ratios calculated from 1986 average production data obtained from wells producing from these zones and located in the area of the N.G. Penrose Lease.

(14) The evidence presented indicates that the Tubb zone, which will be produced from the N.G. Penrose Wells Nos. 1, 2, and 4, will be classified as gas zones and therefore subject to the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Order No. R-8170, as amended.

(15) While the allocation method proposed by the applicant represents a reasonable method of allocating production to the non-prorated pools within the subject wells, a more accurate method of determining Tubb Oil and Gas Pool production is necessary in order to ensure the protection of correlative rights of the various operators in said pool.

(16) In order to accurately determine the productive capability of the Tubb Oil and Gas Pool within the N.G. Penrose Well No. 4, the applicant should be required to separately test said zone until such time as the production has stabilized prior to commingling.

(17) Inherent in the approval of the subject application is the possibility of the N.G. Penrose Wells Nos. 1, 2, and 4 being shut in due to overproduction of gas from the Tubb Oil and Gas Pool.

(18) The applicant presented evidence and testimony at the hearing which indicate that should the subject wells be shut in as described above, cross flow may likely occur within the wellbores; however, the applicant further testified that the amount of reserves lost due to crossflow would be insignificant compared to the amount of additional reserves recovered under the proposed plan.

(19) Approval of the proposed commingling, unorthodox well location, and simultaneous dedication will result in the recovery of additional reserves from the Blinebry, Tubb, and Drinkard Pools, thereby preventing waste, and will protect correlative rights.

(20) Upon completion of the workover operations in the subject wells, the applicant should be required to consult with the supervisor of the Hobbs district office of the Division to make adjustments and/or corrections to the allocation percentages submitted as evidence in this case.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Exxon Corporation, is hereby authorized to commingle production from the Drinkard, Tubb Oil and Gas, and Blinebry Oil and Gas Pools within the wellbores of its N. G. Penrose Wells Nos. 1 and 2 located, respectively, 660 feet from the North line and 1980 feet from the East line (Unit B) and 1980 feet from the North line and 660 feet from the East line (Unit H), of Section 13, Township 22 South, Range 37 East, NMPM, and is further authorized to commingle production from the Drinkard, Wantz-Granite Wash, Blinebry Oil and Gas, and Tubb Oil and Gas