

CASE 4709: Appli. of CONTINENTAL
OIL CO. FOR DOWNHOLE COMMINGLING,
LEA COUNTY, NEW MEXICO.

Case Number

4709

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO GIL CONSERVATION COMMISSION
CONFERENCE HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 7, 1972

EXAMINER HEARING

IN THE MATTER OF:

The Application of Continental
Oil Company for downhole commingling,
Lea County, New Mexico.

CASE NO. 4709

BEFORE: Daniel Nutter
Examiner

TRANSCRIPT OF HEARING

1 MR. NUTTER: Call Case Number 4709.

2 MR. HATCH: Application of Continental Oil Company
3 for downhole commingling, Lea County, New Mexico.

4 MR. KELLAHIN: Jason Kellahin, appearing on behalf
5 of the Applicant, Continental Oil Company. I have one
6 witness, Mr. Examiner, that's been previously sworn.

7 MR. NUTTER: Are there any other appearances to
8 be noted?

9 (No response.)

10 MR. NUTTER: You may proceed, Mr. Kellahin.

11 * * * * *

12 VICTOR T. LYON,
13 called as a witness, having been previously sworn, testified
14 as follows:

15 DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Would you please state your name, address, and occupation?

18 A My name is Victor T. Lyon, I'm employed by Continental
19 Oil Company as conservation coordinator and my address
20 is Box 46, Hobbs, New Mexico.

21 Q Have you previously testified before the Oil Conservation
22 Commission or one of its examiners and made your
23 qualifications a matter of record?

24 A Yes, sir, I have.

25 Q You are familiar with the facts surrounding this

1 particular Application by Continental Oil Company?

2 A Yes, sir.

3 MR. KELLAHIN: Mr. Examiner, are the witness'
4 qualifications acceptable?

5 MR. NUTTER: Yes, they are.

6 Q (By Mr. Kellahin, continuing) Would you state briefly,
7 what is proposed in Case Number 4709?

8 A The Application of Continental Oil Company is for
9 authority to commingle production from the Eumont Gas
10 Pool and the Penrose Skelly Oil Pool in the wellbore of
11 its Lockhart A 17 Well Number 1, located in Unit L of
12 Section 17, Township 21 South, Range 37 East, Lea
13 County, New Mexico.

14 Q And have you prepared Exhibits 1 through 4 in support
15 of this Application?

16 A Yes, sir, I have.

17 Q Directing your attention to Exhibit Number 1, I'd ask
18 you to describe what information it contains.

19 A Exhibit Number 1 is the location of the ownership plat.
20 Lockhart A 17 is outlined in red. It consists of two
21 noncontiguous tracts, one of which is the E/2 of the
22 NW Quarter of Section 17, and the other tract is the
23 SW/4 of Section 17.

24 Lockhart A 17 Number 1 is shown circled in red,
25 and it is located 1,980 feet from the south line, 660

1 feet from the west line of Section 17. This well is
2 a dual completion in the Eumont gas pool and the Penrose
3 Skelly Oil Pool.

4 Q Directing your attention to Exhibit Number 2, I'll ask
5 you to identify this Exhibit and explain what information
6 it contains.

7 A Exhibit Number 2 is a schematic diagram showing the
8 manner in which the well has been completed. It shows
9 the size and setting depths of various strings of
10 casing, including surface casing, intermediate casing
11 and production casing.

12 Production casing was set at 3,597. The well was
13 drilled to a total depth of 3,816. The Penrose Skelly
14 formation is produced in the open hole interval between
15 the total depth and the production casing seat.

16 The Eumont perforations are shown from 3,507. The
17 Packer, which separates the zones, is shown at 3,580.

18 Q Directing your attention to Exhibit Number 3, can you
19 identify this Exhibit and explain what information it
20 contains?

21 A Exhibit Number 3 is a graph which is a production decline
22 curve on the Penrose Skelly zone of the Lockhart A 17
23 Number 1. The solid black line shows the oil production,
24 and it is red on the scale to the left, and, at the
25 time the well was shut-in, in January or February

1 of 1971, it was producing approximately 100 barrels of
2 oil per month. The dash line shows the gas production
3 from the well, and the month that it was shut-in.

4 The last month that it produced, at pool capacity,
5 December of 1970, it was producing approximately 3,000
6 barrels. I mean, 3,000 MCF of gas a month; about 100
7 MCF a day.

8 Q Directing your attention to Exhibit Number 4, identify
9 and explain what information it contains.

10 A Exhibit Number 4 is a graph showing the production and
11 decline of the Eumont gas completion in the Lockhart A
12 17 Number 1 well. The well was shut-in in February or
13 March of 1968, and the last month it produced at full
14 capacity, it produced approximately 800 MCF during that
15 month; about 3 MCF a day.

16 Q If you extrapolate that plug, what would be the decline
17 to the present time?

18 A The well would be producing somewhere in the area of
19 100 to 200 MCF a month.

20 Q Are the pressure differentials between the two zones
21 such that there would be no migration?

22 A The producing ratio and pressure of both zones are quite
23 low.

24 Q Both of the gas streams in this well are producing?

25 A The Skelly has a low pressure gathering system which

1 ranges in pressure from 15 to 25 pounds per square
2 inch so that actually the Eumont gas production has not
3 been inhibited by a high gas gathering pressure. It
4 was shut-in because it was not producing at economical
5 rates.

6 Q State briefly, then, why Continental Oil Company is
7 seeking approval of this Application.

8 A We have recently -- well, I guess about the time it
9 was shut-in, we had discovered that the two zones are
10 in communication. The well is producing at very marginal
11 rates, and it is not economically feasible to repair the
12 well so that the two zones can be segregated again.

13 We feel that, by commingling the production in the
14 wellbore, that we can continue to produce the well and
15 recover additional oil and gas economically. Unless we
16 are permitted to do this, it will be necessary for us to
17 abandon the well.

18 Q Should this Application be approved, do you have any
19 proposal with regard to allocation of the produced oil
20 and gas to any particular zone?

21 Yes, sir, the Eumont gas in the well is virtually
22 insignificant because of the fact that we were dealing
23 with a gas pool on the one hand, and an oil pool on the
24 other hand.

25 We feel that, for the simplicity of accounting, both

1 by the company and the Commission, it would be the
2 simplest thing to allocate all production to the Penrose
3 Skelly. The ownership of the two zones is identical,
4 and the gas was being sold as casinghead gas before,
5 so there's no loss in revenue, no disparity on the gas
6 by two different gatherers, and just for simplicity, we
7 would recommend that all production be allocated to the
8 Penrose Skelly.

9 Q Is it your opinion that the approval of this Application
10 will prevent waste and will not impair correlative rights?

11 A This is my opinion.

12 Q Were Exhibits 1 through 4 prepared by you?

13 A Yes, sir, they were.

14 MR. KELLAHIN: We'll move that Applicant's Exhibits
15 1 through 4 be admitted into evidence.

16 (Whereupon, Continental Oil Company's Exhibits 1
17 through 4 were admitted into evidence.)

18 MR. KELLAHIN: Have you opened up the Eumont to
19 see if it's even there anymore or not?

20 MR. LYON: They build up a little pressure, but
21 it quickly dissipates.

22 MR. NUTTER: It's been shut-in for about four
23 years?

24 MR. LYON: Well, it really hasn't, because the
25 zones have been in communication for probably -- well, sometime

1 before the well was shut-in, and the communication was
2 detected. That was at the time the Eumont -- the Penrose
3 Skelly was shut in.

4 MR. NUTTER: What about the Eumont? Why was that
5 shut-in?

6 MR. LYON: Lack of production; uneconomical.

7 MR. NUTTER: Now, you say that the Eumont builds
8 a little pressure and then it dissipates the casing?

9 MR. LYON: Yes.

10 MR. NUTTER: Was it producing any liquid?

11 MR. LYON: There's no record of any liquid
12 production from that zone.

13 MR. NUTTER: And the producing ratio, apparently,
14 on the Penrose Skelly, is about 30,000 to 1, right?

15 MR. LYON: Yes.

16 MR. NUTTER: Making it about a hundred barrels of
17 oil a month, and about 3,000 MCF?

18 MR. LYON: That's about right.

19 MR. NUTTER: Are there any other questions of this
20 witness?

21 (No response.)

22 MR. NUTTER: You may be excused.

23 (Witness excused.)

24 MR. NUTTER: Do you have anything further,
25 Mr. Kellahin?

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MR. KELLAHIN: Nothing.

MR. NUTTER: Does anyone have anything to offer?

(No response.)

MR. NUTTER: We'll take the Case under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO)

I, ROSALIE E. CLAUSSEN, a Shorthand Reporter, in and for
the County of Bernalillo, State of New Mexico, do hereby
certify;

That the foregoing and attached Transcript of Hearing
before the New Mexico Oil Conservation Commission was reported
by me;

That the same is a true and correct record of the said
proceedings to the best of my knowledge, skill and ability.

Rosalie E. Claussen
ROSALIE E. CLAUSSEN

Dated at Albuquerque, New Mexico,
this 31st day of July 1972.

I do hereby certify that the foregoing is
a correct and true copy of the proceedings in
the hearing held at _____ No. 4709
heard by me on 6/7 1972
[Signature]
New Mexico Oil Conservation Commission

I N D E X

WITNESS:

PAGE

VICTOR T. LYON

Direct Examination by Mr. Kellahin

3

* * * * *

E X H I B I T S

APPLICANTS: Continental Oil Company

INTRODUCED

OFFERED

Exhibit Number 1

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Exhibit Number 2

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Exhibit Number 3

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Exhibit Number 4

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
May 5, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Continental Oil
Company for downhole commingling,
Lea County, New Mexico.

CASE NO. 4709

BEFORE: Elvis Utz
Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: The Hearing will come to order, please.

2 MR. HATCH: We have one continued Case on the
3 Docket, I am sorry to say, that is Case 4709.

4 Case 4709 is the Application of Continental Oil
5 Company and they request the Case be continued to the Examiner
6 Hearing to be held June 7, 1972.

7 MR. UTZ: Case 4709 will be continued to June 7,
8 1972.

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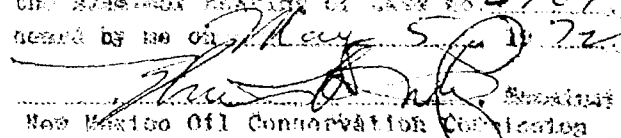
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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, RICHARD E. McCORMICK, a Certified Shorthand Reporter,
5 in and for the County of Bernalillo, State of New Mexico,
6 do hereby certify that the foregoing and attached Transcript
7 of Hearing before the New Mexico Oil Conservation Commission
8 was reported by me; and that the same is a true and correct
9 record of the said proceedings to the best of my knowledge,
10 skill and ability.

11 
12 CERTIFIED SHORTHAND REPORTER

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the hearing held at Case No. 4709,
heard by me on May 5, 1972.

New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

August 29, 1972

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMJO
MEMBER**

**STATE GEOLOGIST
A. L. PORTER, JR.**

SECRETARY - DIRECTOR

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4709
Order No. R-4363
Applicant:

CONTINENTAL OIL COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Parker

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

copy of order also sent to:

Hobbs OCC _____ x
Artesia OCC _____
Aztec OCC _____

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4709
Order No. R-4363

APPLICATION OF CONTINENTAL OIL
COMPANY FOR DOWNHOLE COMMINGLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 7, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 28th day of August, 1972, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Continental Oil Company, is the co-owner and operator of the Lockhart A-17 Well No. 1, located in Unit L of Section 17, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) That pursuant to authority granted by Administrative Order MC-1300, the subject well was completed as a dual completion to produce gas from the Eumont Gas Pool through the casing-tubing annulus and oil from the Penrose Skelly Pool through tubing.
- (4) That the applicant now proposes to complete the subject well in such a manner as to produce gas from the Eumont Gas Pool and to produce oil and gas from the Penrose Skelly Pool through a single string of tubing, commingling in the well-bore the production from the two zones.
- (5) That from the Eumont zone, the subject well is capable only of low marginal production.
- (6) That from the Penrose Skelly zone, the subject well is capable only of low marginal production.

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CASE NO. 4709
Order No. R-4363

(7) That the reservoir characteristics of the Eumont and Penrose Skelly zones are such that underground waste would not be caused by the proposed commingling.

(8) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the commingled zones, thereby preventing waste, and will not violate correlative rights.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 45% of the commingled gas production should be allocated to the Eumont Gas Pool, 55% of the commingled gas production to the Penrose Skelly Pool, and 100% of the commingled oil production to the Penrose Skelly Pool.

(10) That Administrative Order MC-1300 should be superseded.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is hereby authorized to complete its Lockhart A-17 Well No. 1, located in Unit L of Section 17, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, in such a manner as to produce gas from the Eumont Gas Pool and to produce oil and gas from the Penrose Skelly Pool through a single string of tubing, commingling in the well-bore the production from the Eumont and Penrose Skelly Pools.

PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order.

(2) That 45% of the commingled gas production shall be allocated to the Eumont zone, 55% of the commingled gas production shall be allocated to the Penrose Skelly zone, and 100% of the commingled oil production to the Penrose Skelly zone until further order of the Commission.

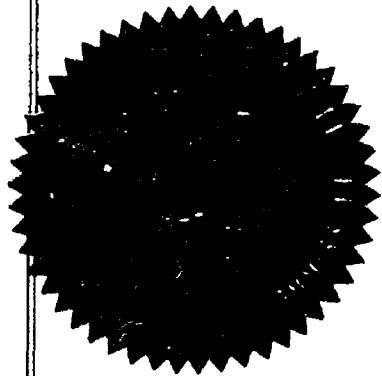
(3) That Administrative Order MC-1300 is hereby superseded.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-
CASE NO. 4709
Order No. R-4363

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



Bruce King
BRUCE KING, Chairman

Alex J. Armiijo
ALEX J. ARMIJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

(Case 4729 continued)

of Federal, State and Fee lands in Sections 19, 20, 21, 28, 29, 30, 31, 32, and 33, Township 21 South, Range 25 East, Eddy County, New Mexico.

CASE 4730: Application of Stoltz, Wagner & Brown for salt water disposal, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the Devonian formation in the interval from 11224 to 11234 feet in their Soldier Hill State AE Well No. 1 located 800 feet from the North line and 1800 feet from the West line of Section 23, Township 12 South, Range 32 East, East Caprock Devonian Pool, Lea County, New Mexico.

CASE 4731: Application of Continental Oil Company for rededication of acreage and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dedicate a standard 640-acre gas proration unit comprising all of Section 14, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to its Sanderson "A" Wells Nos. 12 and 13 located, respectively, in Units P and G of said Section 14. Applicant further seeks authority to produce the allowable for the unit from either well in any proportion. Applicant further seeks the establishment of a procedure whereby the allowable for the above-described proration unit may be produced by any or all Eumont gas wells located within said unit without the necessity of notice and hearing.

CASE 4732: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Skaggs-Glorieta, East Weir-Blinbry, and Skaggs-Drinkard Pools in the wellbore of its Skaggs "B" Well No. 5 located 990 feet from the North line and 1700 feet from the West line of Section 12, Township 20 South, Range 37 East, Lea County, New Mexico.

CASE 4709: (Continued from the May 5, 1972, Examiner Hearing)

Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Eumont Gas Pool and the Penrose Skelly Oil Pool in the wellbore of its Lockhart A-17 Well No. 1 located in Unit L of Section 17, Township 21 South, Range 37 East, Lea County, New Mexico.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 7, 1972

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before DANIEL S. NUTTER, Examiner,
or ELVIS A. UTZ, Alternate Examiner:

CASE 4716 (Readvertised):

Application of Union Oil Company of California for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Owens Well No. 2, having a surface location in Unit I of Section 34, Township 14 South, Range 35 East, East Morton-Wolfcamp Pool, Lea County, New Mexico. Applicant proposes to set a whipstock at approximately 7200 feet and to directionally drill to bottom the well in the Wolfcamp formation within 100 feet of a point in Unit H 1730 feet from the North line and 560 feet from the East line of said Section 34. Applicant proposes to dedicate the E/2 NE/4 of Section 34 to the well. In the absence of objection an order will issue based upon testimony received in this case on May 17, 1972.

CASE 4726: Application of Shenandoah Oil Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formations through one well located in the SE/4 NW/4 of Section 27, Township 18 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.

CASE 4727: Application of Harper Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle oil production from the Blinbry, Drinkard, and Wantz-Abo Pools in the wellbore of its S. J. Sarkey Well No. 2 located in Unit H of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 4728: Application of Texaco Inc. for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the East Weir-Tubb Pool, Lea County, New Mexico, including provisions for 80-acre proration units and a limiting gas-oil ratio limitation of 4000 cubic feet of gas per barrel of oil.

CASE 4729: Application of American Trading and Production Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Round Mountain Unit Agreement comprising 5,757 acres, more or less,

CASE 4733: Application of David Fasken for pool contraction and creation of a new gas pool, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the horizontal limits of the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico, by the deletion therefrom of all of Sections 4 and 5, Township 21 South, Range 24 East. Applicant further seeks the creation of a new gas pool with horizontal limits comprising all of said Section 4 and 5 for the production of gas from the Morrow formation.

CASE 4734: Application of Hanagan Petroleum Corporation for pool extension, non-standard spacing unit, and unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order extending the horizontal limits of the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to include all of Section 24, Township 21 South, Range 25 East and all of Section 19, Township 21 South, Range 26 East. Applicant further seeks approval of a 636.38-acre non-standard gas spacing unit comprising all of said Section 19 to be dedicated to its Nan-Bet Well No. 1 located at an unorthodox location for said pool 1980 feet from the North line and 660 feet from the West line of said Section 19.

CASE 4735: Application of El Paso Natural Gas Company for capacity production, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rules 14 (A) 15 (A), and 15 (B) of the General Rules and Regulations for the prorated gas pools of Northwest New Mexico, to produce six wells located in Sections 29, 30, 31, and 32 of Township 32 North, Range 8 West and Section 36, Township 32 North, Range 9 West, Blanco-Mesaverde Pool, San Juan County, New Mexico, at full capacity for approximately one year from February 1, 1972.

Applicant further seeks authority to offset any overproduction accrued to the above-described six wells during the one-year period by underproduction attributable to any underproduced wells or marginal wells located within the participating area of the San Juan 32-9 Unit.

CASE 4736: Application of Dalport Oil Corporation for an exception to Order No. R-3221, as amended, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, to dispose into an unlined surface pit water produced from its Todhunter-Federal Well No. 1 located in the SE/4 NW/4 of Section 22, Township 15 South, Range 29 East, Double L Field, Chaves County, New Mexico.

- CASE 4700: Application of Penasco Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Penasco Shugart Queen Sand Unit Area, Shugart Pool, by the injection of water into the Queen formation through four wells located in Sections 8, 9, 16, and 17, Township 18 South, Range 31 East, Eddy County, New Mexico. Applicant further seeks a procedure whereby additional injection wells within the unit area may be approved administratively.
- CASE 4701: Application of Wynn Oil Company for an unorthodox location and a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion of its Largo Federal Well No. 2 to produce gas from the Blanco-Mesaverde and Basin-Dakota Pools at an unorthodox location for the Blanco-Mesaverde Pool 1500 feet from the South line and 1100 feet from the East line of Section 13, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 4702: Application of Penroc Oil Corporation for a special gas-oil ratio limitation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment of the special rules and regulations for the Hobbs-Drinkard Pool, Lea County, New Mexico, to provide for a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil for said pool.
- CASE 4703: Application of Continental Oil Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Lindrith Gallup-Dakota Oil Pool, Rio Arriba County, New Mexico, including provisions defining a gas well in the pool as one producing with a gas-liquid ratio of 30,000 cubic feet of gas per barrel of oil or one which produces oil with a gravity of 60° API or greater, a gas-oil ratio limitation for oil wells of 10,000 cubic feet of gas per barrel of oil, and 160-acre spacing units for both oil and gas wells.
- CASE 4709: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Eumont Gas Pool and the Penrose Skelly Oil Pool in the wellbore of its Lockhart A-17 Well No. 1 located in Unit L of Section 17, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 4710: Application of Hanson Oil Corporation for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, to dispose into unlined surface pits water produced by 22 wells located

Docket No. 10-72

DOCKET: EXAMINER HEARING - FRIDAY - MAY 5, 1972

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 4689: (Continued from the April 5, 1972, Examiner Hearing)

Application of Petroleum Corporation of Texas for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, to dispose into unlined surface pits water produced by its Dexter Federal Well No. 15 located in Unit J of Section 15, and all of its wells located or to be located in the NW/4 of Section 20, Township 17 South, Range 30 East, Grayburg-Jackson Pool, Eddy County, New Mexico.

CASE 4697: Application of Texaco Inc. for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (tubingless) of its V. M. Henderson Well No. 9 located in Unit G of Section 30, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock and Tubb Pools through parallel strings of casing, cemented in a common well-bore.

CASE 4698: Application of David Fasken for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of his Arco "9" Morrison Well No. 1 located in Unit B of Section 9, Township 19 South, Range 25 East, Eddy County, New Mexico, in such a manner as to produce gas from an undesignated Cisco gas pool through tubing and gas from the Boyd-Morrow Gas Pool through the casing-tubing annulus.

CASE 4711: Application of Shell Oil Company for commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle North Vacuum Abo production from its State VB Com Well No. 1 located in Unit B of Section 19, Township 17 South, Range 35 East, Lea County, New Mexico, and from its State K Lease comprising the SE/4 of said Section 19 after separately metering the State VB Com production and determining the State K production by means of the subtraction method.

CASE 4699: Application of Penasco Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Penasco Shugart Queen Sand Unit Area comprising 520 acres, more or less, of Federal and State lands in Sections 8, 9, 16, and 17, Township 18 South, Range 31 East, Shugart Pool, Eddy County, New Mexico.

(Case 4710 continued)

or to be located in Sections 24, 25, 26, 34, and 35, Township 18 South, Range 30 East, Shugart Pool, Eddy County, New Mexico.

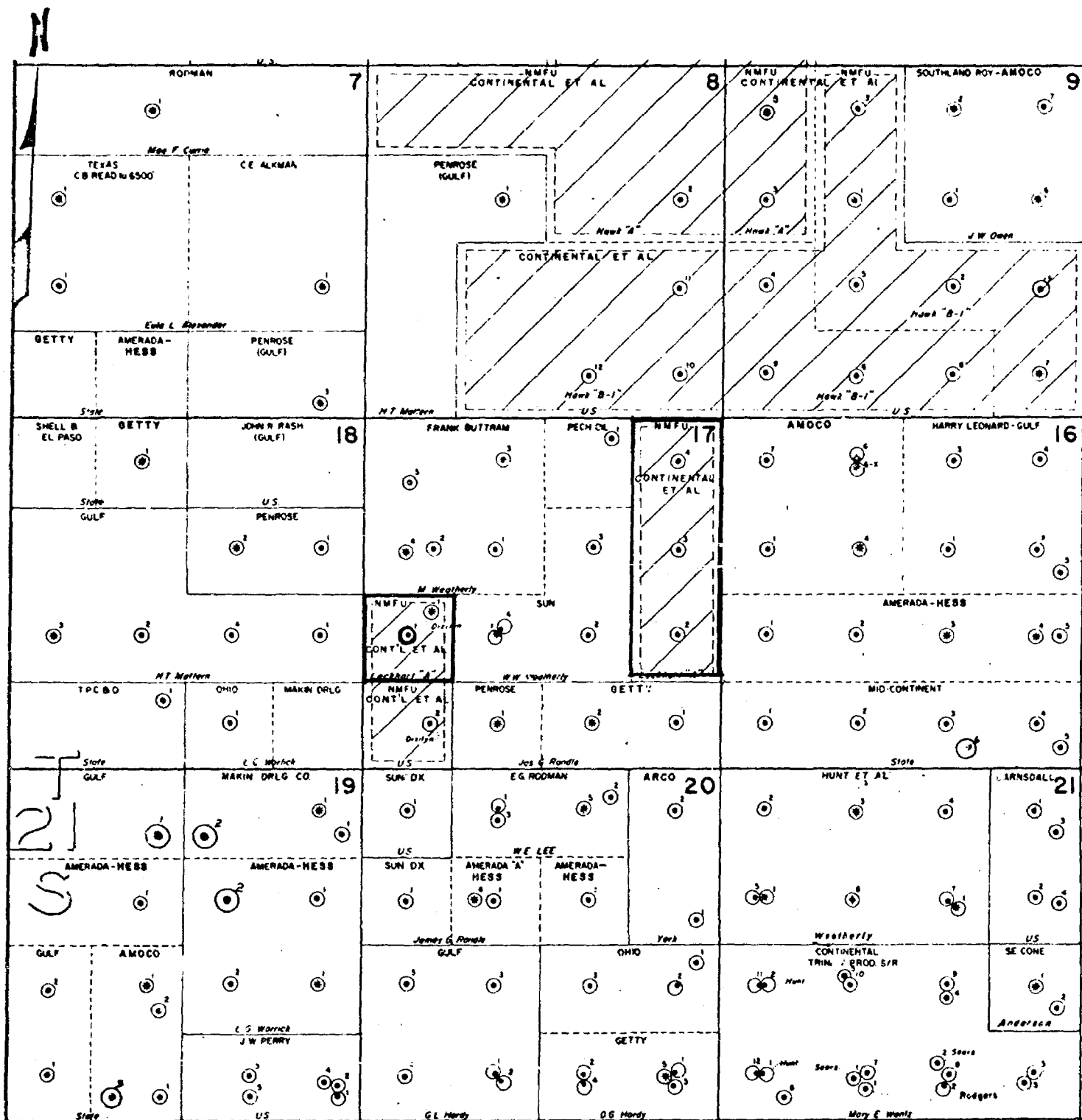
CASE 4704: Application of Atlantic Richfield Company for rededication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-1932 to permit the 240-acre non-standard gas proration unit comprising the NE/4 NE/4 of Section 33 and the NW/4 and NW/4 NE/4 of Section 34, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, established by said order to be dedicated simultaneously to its J. H. Williams "Com" Well No. 3 and its J. H. Williams Well No. 5 located, respectively, in Units E and F of said Section 34.

CASE 4705: Application of Atlantic Richfield Company for waterflood projects, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to institute three waterflood projects on its leases in Sections 19 and 30, Township 17 South, Range 31 East, Grayburg-Jackson Pool, Eddy County, New Mexico, by the injection of water into the Grayburg formation through five wells located in said Sections 19 and 30.

CASE 4706: Application of Kennedy Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Grayburg-Jackson Pool by the injection of water into the Grayburg formation through its State "B" Well No. 1 located in the NW/4 SW/4 of Section 19, Township 17 South, Range 31 East, Eddy County, New Mexico.

CASE 4708: Application of Jake L. Hamon for salt water disposal, Lea County, New Mexico. Applicant- in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian and Devonian formations in perforated and open-hole interval from 10,492 feet to 13,100 feet in his State B-2330 Well No. 1 located in Unit C of Section 31, Township 16 South, Range 36 East, East Shoebar-Devonian Field, Lea County, New Mexico.

CASE 4707: Application of Blackrock Oil Company for a dual completion, salt water disposal, and unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Bates McIntyre Federal Well No. 1 at an unorthodox location 1980 feet from the North line and 660 feet from the East line of Section 9, Township 6 South, Range 27 East, Chaves County, New Mexico, in such a manner as to produce gas from the Haystack Cisco Gas Pool through tubing and to dispose of salt water down the casing-tubing annulus into the San Andres and other formations in the open-hole interval from 1186 feet to 4389 feet, the N/2 of said Section 9 would be dedicated to the well.



R37E

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 4709

Submitted by Continental Oil Co

Hearing Date June 7, 1972

conoco

PRODUCTION DEPARTMENT

HOBBS DIVISION

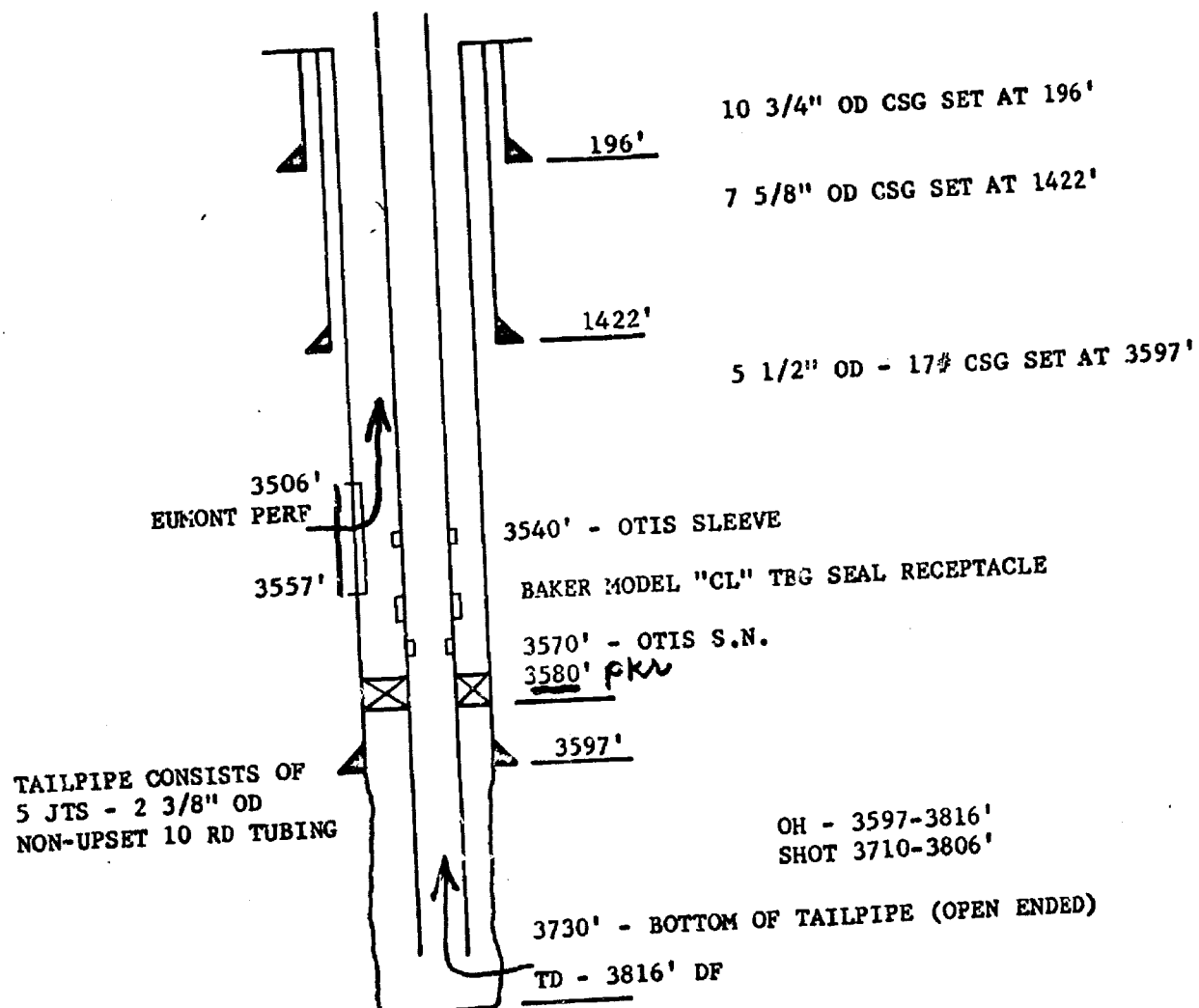
LEA COUNTY, NEW MEXICO

LOCKHART A-17 LEASE

SCALE

0 1000' 2000'

LOCKHART A-17 NO. 1
 UNIT L - 1980' FSL & 660' FWL
 SEC. 17-21S-37E ELEV. 3496 DF
 (10' AGL)



BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION

EXHIBIT NO. 2

CASE NO. 4709

Submitted by Continental Oil Co.

Hearing Date June 7, 1972

EXHIBIT NO. 2

BARRELS OIL PER MONTH

1000

100

10

34

65

66

67

68

69

70

71

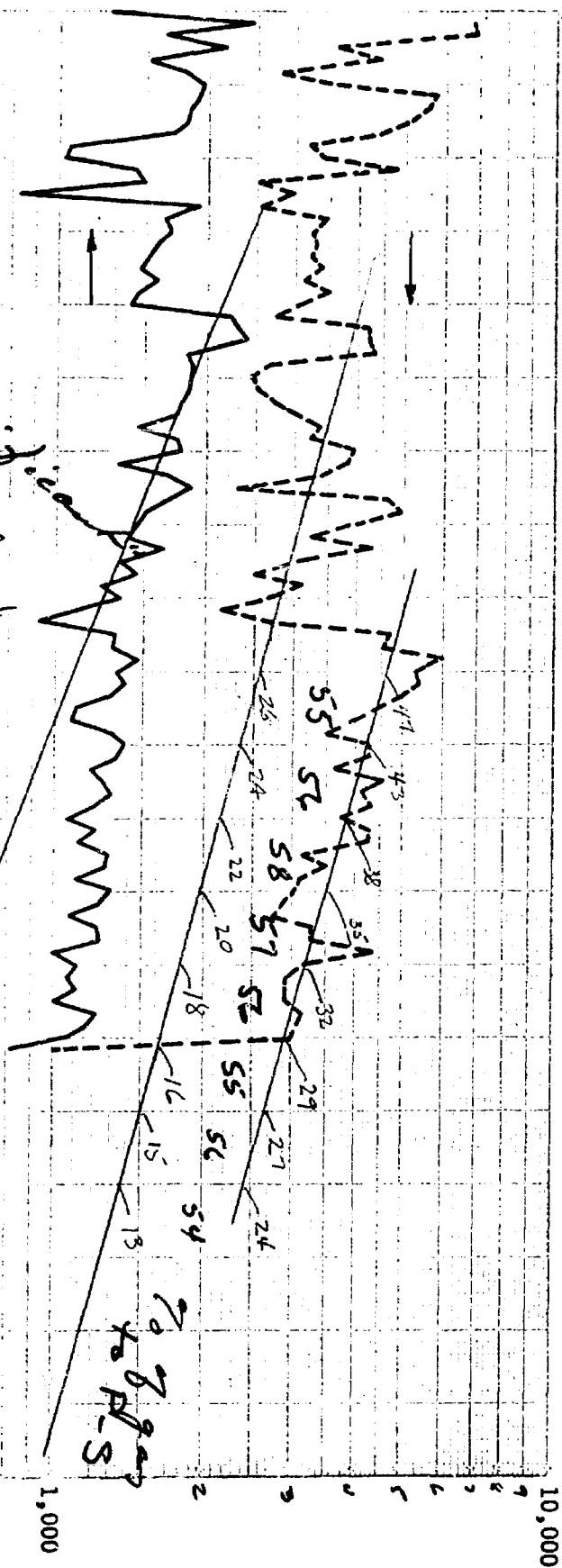
72

73

SI

*all oil from
Penrose Skelly
change all prod
to Penrose Skelly*

*1000
3000000*

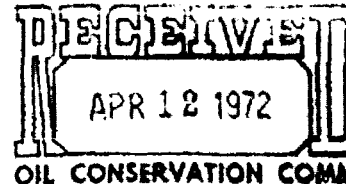


LOCKHART A-17 NO. 1
PENROSE SKELLY OIL

EXHIBIT NO. 3

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
CONTINENTAL OIL COMPANY FOR AUTHORITY
TO COMMINGLE IN THE WELLBORE PRODUCTION
FROM THE EUMONT GAS POOL AND THE PENROSE
SKELLY OIL POOL IN ITS LOCKHART A-17
WELL NO. 1, LOCATED IN UNIT L OF SECTION
17, TOWNSHIP 21 SOUTH, RANGE 37 EAST,
LEA COUNTY, NEW MEXICO.



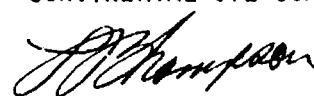
A P P L I C A T I O N

Applicant, Continental Oil Company, respectfully requests authority to commingle in the wellbore production from the Eumont Gas Pool and the Penrose Skelly Oil Pool in its Lockhart A-17 Well No. 1, located in Unit L of Section 17, Township 21 South, Range 37 East, Lea County, New Mexico; and in support thereof would show:

1. Applicant is operator and co-owner of the Lockhart A-17 Lease which, in addition to other lands, includes the NW/4 SW/4 Section 17, Township 21 South, Range 37 East, Lea County, New Mexico.
2. Applicant has drilled and dually completed in the Eumont Gas Pool and Penrose Skelly Oil Pool its Lockhart A-17 No. 1 Well on said lease under the authority of Administrative Order MC-1300.
3. Production from said well has declined to the point that it is no longer economic to continue producing on a segregated basis and therefore, Applicant desires to commingle production from the two pools in the wellbore.
4. That the granting of this application will prevent waste and will not impair correlative rights.

WHEREFORE, Applicant respectfully requests that this application be set for hearing before the Commission's duly appointed Examiner and that upon hearing, an order be entered authorizing the commingling in the wellbore of the production from the Lockhart A-17 Well No. 1 as described above.

Respectfully submitted,
CONTINENTAL OIL COMPANY


L. P. Thompson
Division Manager

DOCKET MAILED

DOCKET MAILED

Date 5-24-72

Date 4-21-72

DRAFT
GMH/dr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4709

Order No. R- 4363

APPLICATION OF CONTINENTAL OIL
COMPANY FOR DOWNHOLE COMMINGLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 7, 1972,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz DSN.

NOW, on this May day of May, 1972, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Continental Oil Company, is the
Co-owner and operator of the Lockhart A-17 Well No. 1, a completion,
located in Unit L of Section 17, Township 21 South,
Range 37 East, NMPM, Lea County, New Mexico.

(3) That pursuant to authority granted by Administrative Order, ~~MC-1300~~ ^{MC-1300}, the subject well was completed as a ~~single~~ ^{deal} completion to produce gas from the Eumont Gas Pool, ~~and oil from the Penrose Skelly Pool through parallel strings of tubing.~~ ^{through the tubing}

(4) That the applicant now proposes to complete the subject well in such a manner as to produce gas from the Eumont Gas Pool ~~through one string of tubing~~ and to produce ^{oil and gas from} the Penrose Skelly Pool through a single ~~parallel~~ string of tubing, commingling in the well-bore the production from the two zones.
~~gas zones, with separation of the~~

(5) That from the Eumont zone, the subject well is capable ^{only} of ~~extremely low~~ ^{low} marginal production.

(6) That from the Penrose Skelly zone, the subject well is capable ^{only} of ~~extremely low~~ ^{low} marginal production, ^{only}.

(7) That the reservoir characteristics of the Eumont and Penrose Skelly zones are such that underground waste would not be caused by the proposed commingling.

(8) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the commingled zones, thereby preventing waste, and will not violate correlative rights.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 45% of the commingled gas production should be allocated to the Eumont Gas Pool, ^{55% of the commingled gas production to the Penrose Skelly Pool} 100% of the commingled oil production to the Penrose Skelly Pool.

(10) That Administrative Order ~~MC-1300~~ ^{MC 1300} should be ^{enforced} ~~placed in~~ ^{placed in} ~~abeyance.~~

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, is hereby authorized to complete its Lockhart A-17 Well No. 1, located in Unit L of Section 17, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, in such a manner as to produce gas from the Eumont Gas Pool ~~through one string of tubing~~ and to produce oil ^{and gas} from the Penrose Skelly Pool through a single ~~parallel~~ string of tubing, commingling in the well-bore the production from the Eumont and Penrose Skelly Pools, ~~with separation of the _____ zone and the commingled zones by means of a packer.~~

PROVIDED HOWEVER, that the applicant shall complete, operate, and produce said well in accordance with the provisions of Rule 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order;

PROVIDED FURTHER, that the applicant shall take packer-leakage tests upon completion and annually thereafter during the Annual Gas-Oil Ratio Test Period for the Eumont Gas Pool.

(2) That ~~45%~~ ^{55%} of the commingled gas production shall be allocated to the Eumont zone, and ~~100%~~ ^{55%} of the commingled oil production to the Penrose Skelly zone ~~until further order of the Commission.~~

~~(3) That the commingling in the well-bore authorized by this order shall continue only so long as the commingled production of the two zones does not exceed _____ barrels of oil per day nor _____ barrels of water per day.~~

~~(4) That the maximum amount of gas which may be produced daily from the commingled zones in the subject well shall be determined by multiplying 2,000 by the top-unit allowable for the Eumont Pool.~~

~~(3) ^{MC-1300} That Administrative Order PC-90 is hereby ^{superseded.} placed in abeyance.~~

~~(4) ^{MC-1300} That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.~~

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

Handwritten note: "referred to the Penrose Skelly zone."