

**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. 11412
Order No. R-10523**

**APPLICATION OF AMOCO PRODUCTION
COMPANY FOR SURFACE 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 November 16, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st day of December, 1995, 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 approval to surface commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production from its dually completed Houck Com Well No. 1 located at a standard gas well location 1580 feet from the South line and 890 feet from the East line (Unit I) of Section 1, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

(3) The subject application was advertised in such a manner that the application and supplemental data provided the Division would be considered and taken under advisement in the absence of objection.

(4) Division records indicate that the Houck Com Well No. 1 was drilled by Tenneco Oil Company in July-August, 1984, and was dually completed in the Blanco-Mesaverde and Basin-Dakota Gas Pools at initial producing rates of approximately 2,231 and 2,258 MCF gas per day, respectively.

(5) Blanco-Mesaverde Gas Pool production from the Houck Com Well No. 1 is currently dedicated to a standard 320-acre gas spacing and proration unit comprising the E/2 of Section 1, and Basin-Dakota Gas Pool production is currently dedicated to a standard 320-acre gas spacing and proration unit comprising the S/2 of Section 1.

(6) According to information contained within the application, the working, royalty and overriding royalty interest ownership between the two producing horizons in the Houck Com Well No. 1 is not common.

(7) At the current time, the Blanco-Mesaverde Gas Pool is on compression, and the Basin-Dakota Gas Pool is not.

(8) According to the application, the applicant seeks to utilize a single train of production equipment, including a single compressor, to reduce operating expenses from both formations.

(9) The applicant proposed that production from the subject well be allocated as follows:

- a) since the Basin-Dakota Gas Pool does not have an established decline on compression, this horizon will be tested on a six month basis in order to arrive at an accurate decline rate;
- b) once accurate decline rates are established for both producing horizons, the ratio of Dakota to Mesaverde production will be determined from an annual well test. The ratio established by the annual well test will be utilized to allocate production to each respective horizon for the succeeding twelve month period;
- c) all test data and recommended allocation percentages will be reported to the supervisor of the Division's Aztec District Office and to the United States Bureau of Land Management.

(10) All interest owners of the Houck Com Well No. 1 were notified of the proposed commingling, and no interest owner appeared at the hearing in opposition to the application.

(11) Approval of the subject application will allow the applicant to reduce operating expenses on the Houck Com Well No. 1, thereby extending the economic life of the well which may result in the recovery of additional gas reserves from the subject proration units, thereby preventing waste.

(12) The applicant's proposed method of allocation appears to allocate production from the producing horizons on a fair and reasonable basis, however, in order to verify the accuracy of the proposed allocation method, the Houck Com Well No. 1 should be tested quarterly during the first year of commingling. At the end of the first year of commingling, the supervisor of the Division's Aztec District Office should review the test data and, depending on the test results, should determine the appropriate frequency of well tests to be utilized by the applicant on a permanent basis.

(13) The applicant should notify the supervisor of the Division's Aztec District Office of the date and time of the conductance of any well tests on the Houck Com Well No. 1 in order that the test may be witnessed.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to surface commingle Blanco-Mesaverde and Basin-Dakota Gas Pool production from its dually completed Houck Com Well No. 1 located at a standard gas well location 1580 feet from the South line and 890 feet from the East line (Unit I) of Section 1, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) Production from the Houck Com Well No. 1 shall be allocated as follows:

- a) the Dakota and Mesaverde intervals shall be tested quarterly during the first year of commingling. The ratio of Dakota to Mesaverde production determined from these well tests shall be utilized to allocate production during the succeeding four month period;
- b) at the end of the first year of commingling, the supervisor of the Division's Aztec District Office shall review the test data, and, depending on the test results, shall determine the appropriate frequency of well tests to be utilized by the applicant on a permanent basis.

(3) All test data and recommended allocation percentages shall be reported to the supervisor of the Division's Aztec District Office and to the United States Bureau of Land Management.

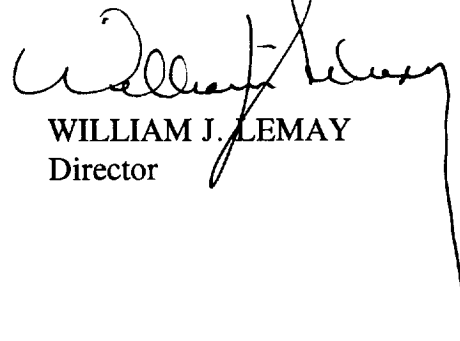
(4) The applicant shall notify the supervisor of the Division's Aztec District Office of the date and time of the conductance of all well tests on the Houck Com Well No. 1 in order that the test may be witnessed.

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(5) 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

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