

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. 11503
ORDER NO. R-10596

**APPLICATION OF AMOCO PRODUCTION COMPANY FOR AN EXCEPTION
TO DIVISION RULE 303.A TO PERMIT 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 April 4, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of May, 1996, the Division Director, having considered 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 subject matter 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.

(3) The applicant, Amoco Production Company ("Amoco"), is the owner and operator of the Hutchin "LS" Well No. 1A (API No. **30-045-22544**), located 800 feet from the South and East lines (Unit P) of Section 7, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico. Said well was drilled to a total depth of 5,200 feet in late 1977 and in early 1978 was dually completed in both the Blanco-Pictured Cliffs (standard gas well location) and Blanco-Mesaverde (non-standard gas well location approved by Division Administrative Order NSL-847, dated May 26, 1977) Pools in a conventional manner with two strings of tubing and a packer separating the two gas

streams.

(4) A standard 160-acre gas spacing and proration unit comprising the SE/4 of said Section 7 is dedicated to the Blanco-Pictured Cliffs Pool gas production from said well and the Blanco-Mesaverde gas production was dedicated to an existing standard 320-acre gas spacing and proration unit comprising the E/2 of said Section 7.

(5) The applicant now seeks authority to commingle Blanco-Pictured Cliffs and Blanco-Mesaverde Pool gas production from this well in a common gas sales line.

(6) According to the application provided the Division the working interests, royalty interests, and overriding royalty interests are not common between the two producing horizons.

(7) The application further indicates that prior to September, 1995 both the Pictured Cliffs and Mesaverde gas streams produced through a single two staged compressor. Low rates through the Pictured Cliffs side caused the compressor to shut down due to the high temperature alarm. This shut down caused lost production from both horizons. In September, 1995 the two staged compressor was replaced with a single stage allowing the Mesaverde to produce.

(8) Prior to shutting in the Pictured Cliffs interval, average gas production for the Blanco-Mesaverde Pool was 428 MCFPD and 89 MCFPD for the Blanco-Pictured Cliffs Pool.

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

(10) Based upon established decline rates, the applicant proposed that production from the subject well be allocated as follows:

| <u>PRODUCING HORIZON</u> | <u>% GAS</u> | <u>% CONDENSATE</u> |
|--------------------------|--------------|---------------------|
| Mesaverde | 83 % | 100% |
| Pictured Cliffs | 17 % | 0 % |

(11) In addition, the applicant proposed that an annual production test be conducted on the Hutchin "LS" Well No. 1A in order to obtain current data in which to adjust the allocation percentages described above.

(12) Applicant's proposed allocation percentages and allocation method allocates production to each respective producing horizon on a fair and reasonable basis and should be adopted.

(13) All interest owners of the Hutchin "LS" Well No. 1A were notified of the proposed commingling, and no interest owner appeared at the hearing in opposition to the application.

(14) Approval of the subject application will allow the applicant to reduce operating expenses on the Hutchin "LS" Well No. 1A, 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.

(15) All test data and recommended allocation percentages should be reported to the supervisor of the Division's Aztec District Office.

(16) 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 Hutchin "LS" Well No. 1A in order that the test may be witnessed.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to commingle Blanco-Pictured Cliffs and Blanco-Mesaverde Pool gas production from its Hutchin "LS" Well No. 1A (API No. 30-045-22544), located 800 feet from the South and East lines (Unit P) of Section 7, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, into a common gas sales line.

(2) Production from each of the producing horizons within the Hutchin "LS" Well No. 1A shall be allocated as follows:

| <u>PRODUCING HORIZON</u> | <u>% GAS</u> | <u>% CONDENSATE</u> |
|--------------------------|--------------|---------------------|
| Mesaverde | 83% | 100% |
| Pictured Cliffs | 17% | 0% |

(3) The applicant shall conduct an annual production test on the Hutchin "LS" Well No. 1A in order to obtain current data in which to adjust the allocation percentages described above.

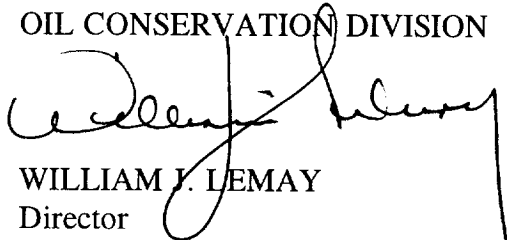
(4) All test data and recommended allocation percentages shall be reported to the supervisor of the Division's Aztec District Office.

(5) The applicant shall further notify the supervisor of the Division's Aztec District Office of the date and time of the conductance of all well tests on the Hutchin "LS" Well No. 1A in order that the test may be witnessed.

(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

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