

**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. 11781
Order No. R-10811**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR DOWNHOLE
COMMINGLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 15, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of June, 1997, 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, Yates Petroleum Corporation, seeks approval to downhole commingle production from the Queen, Grayburg and San Andres formations within its Pawnee "APW" State Well No. 1 located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) According to applicant's evidence and testimony, the Pawnee "APW" State Well No. 1 was drilled in November/December, 1996 to a total depth of 6,850 feet. The Delaware formation was perforated from 6,534 feet to 6,549 feet and tested dry. A CIBP was set at 6,500 feet and capped with 30 feet of cement. The San Andres, Grayburg and Queen formations were perforated and tested as follows:

Formation	Perforated Interval	Production Test
San Andres	5,140'-5,358'	46 BOPD & 123 BWPD
Grayburg	4,738'-4,742'	No shows
Queen	4,374'-4,388'	2 BOPD & 36 BWPD

(4) According to Division records, the subject well is located within the West Reeves-Queen Gas Pool. Division records further indicate that the subject well and proration unit are not located within or within one mile of an existing Division designated Grayburg or San Andres Pool.

(5) The applicant testified that it originally filed for administrative approval for downhole commingling the Pawnee "APW" State Well No. 1 (Form C-107-A) on March 4, 1997, however, by letter dated April 10, 1997, it was informed that current Division policy does not allow administrative approval of downhole commingling in the event one or more of the zones/pools is non-productive.

(6) The subject well was tested at a commingled producing rate of approximately 25 BOPD and 58 BWPD.

(7) Applicant testified that if allowed to commingle, it expects to ultimately recover approximately 10,000 barrels of oil from the subject well over a period of approximately 2-3 years.

(8) Applicant further testified that the current producing rates and marginal reserves are insufficient to economically justify squeeze cementing the Grayburg perforations prior to commingling.

(9) Applicant further testified that if it is required to squeeze cement the Grayburg perforations prior to commingling, it will permanently plug and abandon the wellbore.

(10) Applicant's further engineering evidence and testimony indicates that leaving the Grayburg perforations open should not pose a problem for commingling in terms of pressure or crossflow situations.

(11) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(12) Approval of downhole commingling as proposed will allow the applicant to recover oil and gas reserves from the Queen and San Andres formations which would otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(13) Production from the subject well should be allocated as follows:

<u>Formation</u>	<u>Production Allocation</u>	
	<u>Oil</u>	<u>Gas</u>
Queen	10%	0%
Grayburg	0%	0%
San Andres	90%	100%

(14) Upon cessation of production operations, the applicant should be required to properly abandon the Queen, Grayburg and San Andres formations within the Pawnee “APW” State Well No. 1 in accordance with Division rules and regulations.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to downhole commingle production from the Queen, Grayburg and San Andres formations within its Pawnee “APW” State Well No. 1 located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 35 East, NMPM, West Reeves-Queen Gas Pool and Wildcat Grayburg and San Andres Pools, Lea County, New Mexico.

(2) Production from the subject well shall be allocated as follows:

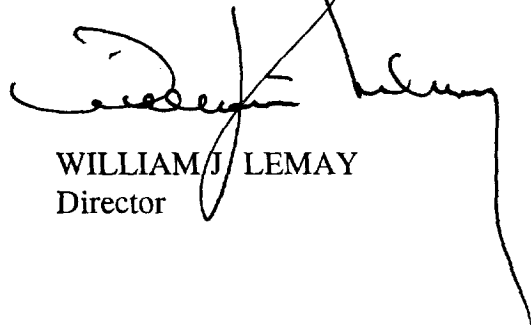
<u>Formation</u>	<u>Production Allocation</u>	
	<u>Oil</u>	<u>Gas</u>
Queen	10%	0%
Grayburg	0%	0%
San Andres	90%	100%

(3) Upon cessation of production operations, the applicant shall properly abandon the Queen, Grayburg and San Andres formations within the Pawnee “APW” State Well No. 1 in accordance with Division rules and regulations.

(4) Jurisdiction of this cause is 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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director

S E A L