

**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. 11991
Order No. R-11031**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 23 and August 6, 1998, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 18th day of August, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice having been given, the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation, seeks approval to downhole commingle Undesignated Kennedy Farms-Upper Pennsylvanian Gas (79525), Undesignated Kennedy Farms-Atoka Gas (79480), and Kennedy Farms-Morrow Gas (79520) Pool production in its Martin "ARH" Well No. 1 (API No. 30-015-29592) located 1980 feet from the South and East lines (Unit J) of Section 27, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico.

(3) Division records indicate that the Martin "ARH" Well No. 1 was drilled during the fourth quarter of 1997 to test the Kennedy Farms-Morrow Gas Pool. The well was completed in the Morrow formation in December, 1997, at an initial producing rate of 2612 MCFG per day. In March, 1998, the applicant perforated and completed the Upper Pennsylvanian and Atoka intervals in the well.

(4) At the present time, the Martin "ARH" Well No. 1 is capable of marginal production only from the Upper Pennsylvanian, Atoka and Morrow producing intervals, described as follows:

<u>Producing Interval</u>	<u>Oil</u>	<u>Gas</u>
Kennedy Farms-Upper Pennsylvanian Gas Pool	0 BOPD	67 MCFGD
Kennedy Farms-Atoka Gas Pool	0 BOPD	45 MCFGD
Kennedy Farms-Morrow Gas Pool	0 BOPD	41 MCFGD

(5) The applicant presented engineering evidence and testimony which indicate that:

- a) none of the commingled zones exposes the others to damage by produced liquids;
- b) the fluids from each zone are compatible with the others;
- c) the value of the commingled production will not be decreased by commingling; and,
- d) all cross-flowed production should ultimately be recovered.

(6) Applicant’s evidence and testimony further indicate that the commingling of the Upper Pennsylvanian, Atoka and Morrow producing intervals in the Martin “ARH” Well No. 1 is necessary in order to economically recover the oil and gas reserves in these formations which may otherwise not be recovered.

(7) Applicant testified that the interest ownership in the Upper Pennsylvanian, Atoka and Morrow formations within the Martin “ARH” Well No. 1 is common.

(8) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed downhole commingling.

(9) The applicant proposes to allocate production from the Martin “ARH” Well No. 1 as follows:

<u>Producing Interval</u>	<u>Oil</u>	<u>Gas</u>
Kennedy Farms-Upper Pennsylvanian Gas Pool	44%	44%
Kennedy Farms-Atoka Gas Pool	29%	29%
Kennedy Farms-Morrow Gas Pool	27%	27%

(10) The proposed production allocation is reasonable and should be adopted.

(11) The proposed downhole commingling will result in the recovery of oil and gas reserves which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(12) The operator should immediately notify the supervisor of the Hobbs District Office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present to the Division a plan for remedial action.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to downhole commingle Undesignated Kennedy Farms-Upper Pennsylvanian Gas (79525), Undesignated Kennedy Farms-Atoka Gas (79480), and Kennedy Farms-Morrow Gas (79520) Pool production within its Martin “ARH” Well No. 1 (API No. 30-015-29592) located 1980 feet from the South and East lines (Unit J) of Section 27, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico.

(2) The production from the Martin “ARH” Well No. 1 shall be allocated as follows:

<u>Producing Interval</u>	<u>Oil</u>	<u>Gas</u>
Kennedy Farms Upper-Pennsylvanian Gas Pool	44%	44%
Kennedy Farms-Atoka Gas Pool	29%	29%
Kennedy Farms-Morrow Gas Pool	27%	27%

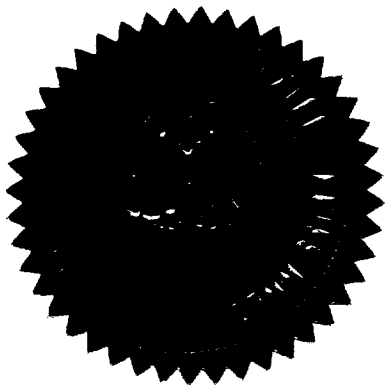
(3) The operator shall immediately notify the supervisor of the Hobbs District Office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present to the Division a plan for remedial action.

(4) 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

Lori Wrotenbery
LORI WROTENBERY
Director



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