

Entered November 24, 1981.

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7376
Order No. R-6825

APPLICATION OF DUGAN PRODUCTION
CORPORATION FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 21, 1981, at Santa Fe, New Mexico, before Examiner Richard J. Stamets.

NOW, on this 24th day of November, 1981, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Dugan Production Corporation, is the owner and operator of the Big 8 Well No. 1-E, to be drilled in Unit C of Section 8, Township 24 North, Range 9 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant seeks authority to commingle Basin-Dakota and Bisti-Lower Gallup production within the wellbore of the above-described well.
- (4) That from the Basin-Dakota zone, the subject well is expected to be capable of low marginal production only.
- (5) That from the Bisti-Lower Gallup zone, the subject well is expected to be capable of low marginal production only.
- (6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

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(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That the supervisor of the Division's district office at Aztec should be furnished with appropriate completion data on each zone in order to determine whether the zones should be separated by use of a check valve.

(10) That in order to allocate the commingled production to each of the commingled zones in the well, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

IT IS THEREFORE ORDERED:

(1) That the applicant, Dugan Production Corporation, is hereby authorized to commingle Basin-Dakota and Bisti-Lower Gallup production within the wellbore of the Big 8 Well No. 1-F, to be drilled in Unit O of Section 8, Township 24 North, Range 9 West, NMPM, San Juan County, New Mexico.

PROVIDED HOWEVER:

(1) That the applicant shall furnish the supervisor of the Division's district office at Aztec with all completion information on each of the commingled zones including pressures and production of gas, oil and water.

(2) That said district supervisor may require the installation of a check valve downhole in said Big 8 Well No. 1-F if the same appears necessary to protect either zone from excessive pressure differential or damaging crossflow.

(3) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells.

(4) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall

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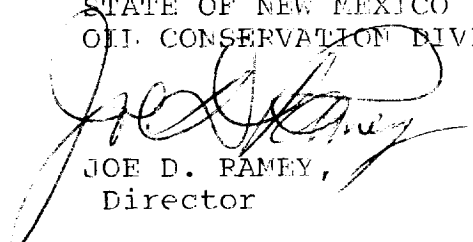
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concurrently present, to the Division, a plan for remedial action.

(5) That 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



JOE D. RAMEY,
Director

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