

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. 10132
Order No. R-9385

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN EXCEPTION TO
DIVISION GENERAL RULE 303-A TO PERMIT
DOWNHOLE COMMINGLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 28, 1990, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 7th day of December, 1990, 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 an exception to Division General Rule 303.A. whereby perforated intervals in both the Wolfcamp formation and the South Dagger Draw-Upper Pennsylvanian Associated Pool would be allowed to remain in communication in the wellbore of its Hillview AHE Com Well No. 3 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 23, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.
- (3) The Hillview AHE Com Well No. 3 was previously operated by Conoco Inc. The well name while Conoco operated it was the Penny Federal Com Well No. 1. Conoco produced the well from perforations in the South Dagger Draw-Upper Pennsylvanian Associated Pool until 1982.
- (4) In 1983 Conoco recompleted the well by setting a retrievable bridging plug above the Upper Pennsylvanian interval and perforating and testing the Wolfcamp from 6,676 to 6,718.

(5) Based on test results from Conoco's records, applicant's witness estimates the daily productive capacity of the Wolfcamp at one to two barrels of oil, 10 to 20 barrels of water and 60 to 70 MCF of gas.

(6) There are no other wells in the area which produce from the Wolfcamp.

(7) The applicant operates or owns the working interest in all leases which offset the Hillview AHE Com well.

(8) Applicant's witness testified that 1200 to 1500 barrels of oil and 150 to 200 MMCF of gas would be recovered from the Wolfcamp interval if this application is approved.

(9) In August 1990, the applicant recompleted the well by removing the bridging plug and perforating, acidizing, and testing the Upper Pennsylvanian formation. During a 24-hour test on August 25, 1990, the well produced 89 barrels of oil, 2,083 barrels of water and 216 MCF of gas. The Wolfcamp perforations were also open to the wellbore, but most of the production is believed to have come from the Upper Pennsylvanian.

(10) Applicant's witness testified that no cross flow or compatability problems are expected based on comparative analyses of produced water from the well with and without the Wolfcamp perforations open to the wellbore and the applicant's plans to keep the well pumped down using a submersible pump.

(11) Expected rates of production and total estimated recovery from the Wolfcamp would not provide economic justification for a dual completion. Wolfcamp reserves would therefore not be recovered unless this request is approved.

(12) Test information indicates that the water and oil producing rates will exceed those rates set out as maximum rates for downhole commingling in Division General Rule 303.C.

(13) Ownership in the Wolfcamp and Upper Pennsylvanian zones is common (including working interest, royalty interest and overriding royalty interests).

(14) Applicant proposed that 90% of commingled gas production be allocated to the Upper Pennsylvanian and 10% to the Wolfcamp and that 100% of oil production be allocated to the Upper Pennsylvanian. Based on test information and estimated producing rates, allocation of commingled production should be as follows:

<u>Pool</u>	<u>Oil</u>	<u>Gas</u>
Undesignated Wolfcamp	2%	24%
South Dagger Draw-Upper Penn.	98%	76%

(15) No interested party appeared at the hearing and objected to the application.

(16) Approval of this application for downhole commingling will prevent waste and will not harm correlative rights.

IT IS THEREFORE ORDERED THAT:

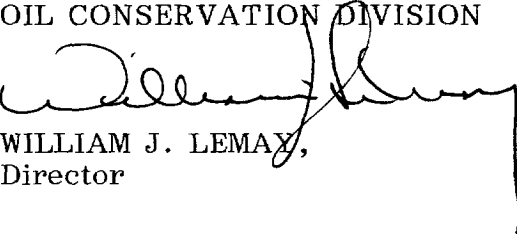
(1) The applicant, Yates Petroleum Corporation, is hereby authorized to commingle oil production from the Undesignated Wolfcamp formation and the South Dagger Draw-Upper Pennsylvanian Associated Pool within the wellbore of its Hillview AHE Com Well No. 3 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 23, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.

(2) Allocation of commingled production from the subject well shall be as follows:

<u>Pool</u>	<u>Oil</u>	<u>Gas</u>
Undesignated Wolfcamp	2%	24%
South Dagger Draw-Upper Penn.	98%	76%

(3) 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

WILLIAM J. LEMAY,
Director

S E A L

dr/