

**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. 12868
ORDER NO. R-11833**

APPLICATION OF APACHE CORPORATION FOR APPROVAL OF A NON-STANDARD GAS SPACING AND PRORATION UNIT, UNORTHODOX GAS WELL LOCATIONS, SIMULTANEOUS DEDICATION, DOWNHOLE COMMINGLING, AND ASSIGNMENT OF A SPECIAL GAS ALLOWABLE, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of September, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Apache Corporation ("Apache") seeks:
 - (a) approval of an unorthodox gas well location in the Blinebry Oil & Gas and Tubb Oil & Gas Pools for its existing Thomas Long Well No. 5 (API No. 30-025-10230) located 919 feet from the South line and 1721 feet from the West line (Unit N) of Section 11, and for its proposed Thomas Long Well No. 6 to be drilled 900 feet from the South line and 2091 feet from the West line (Unit N) of Section 11, both in Township 22 South, Range 37 East, NMPM, Lea County, New Mexico;

- (b) approval of 40-acre non-standard gas spacing and proration units comprising the SE/4 SW/4 of Section 11 in the Blinebry Oil & Gas and Tubb Oil & Gas Pools, said units to be simultaneously dedicated to the Thomas Long Wells No. 5 and 6;
 - (c) authority to downhole commingle the Blinebry Oil & Gas and the Tubb Oil & Gas Pools within the Thomas Long Well No. 6; and
 - (d) the assignment of a special gas allowable for the proposed non-standard gas proration units of 428 MCF gas per day.
- (3) John H. Hendrix Corporation, an offset operator, appeared at the hearing through legal counsel, but did not oppose the application.
- (4) Apache presented evidence that demonstrates that:
- (a) its Thomas Long Well No. 5 is currently downhole commingled in and producing from the Blinebry Oil & Gas and Tubb Oil & Gas Pools. Downhole commingling authority for this well was granted by Division Order No. DHC-1236 dated May 2, 1996;
 - (b) the Thomas Long Well No. 5 is currently classified as an oil well in both the Blinebry Oil & Gas and Tubb Oil & Gas Pools; and
 - (c) the Thomas Long Well No. 5 currently produces at a rate of approximately 163 MCF of gas and 1 barrel of oil per day. Pursuant to Division Order No. DHC-1236, production from the well is allocated as follows:

Blinebry Oil & Gas Pool	96 MCF & .59 BO
Tubb Oil & Gas Pool	67 MCF & .41 BO
- (5) Apache further offered testimony that in 1995, Shell Western E & P Inc., the previous operator of the Thomas Long Well No. 5, conducted workover operations on the well in order to add additional perforations in the Blinebry formation. As a result of

this workover, the Tubb formation was damaged, and the operator was unable to re-establish the pre-workover producing rate from the Tubb formation.

(6) Apache estimates that there is approximately 1.16 BCF of recoverable Tubb gas reserves underlying the SE/4 SW/4 of Section 11. As a result of the Tubb formation damage in the Thomas Long Well No. 5, this well will only recover an additional 234 MMCF of gas.

(7) Apache proposes to drill the Thomas Long Well No. 6 in order to recover the remaining 926 MMCF of gas from the Tubb Oil & Gas Pool.

(8) The Blinebry Oil & Gas and Tubb Oil & Gas Pools are currently governed by the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Blinebry Oil and Gas Pool/Special Rules and Regulations for the Tubb Oil and Gas Pool*," as established by Division Order No. R-8170, as amended, which require:

	Blinebry Oil & Gas Pool	Tubb Oil & Gas Pool
Spacing (Oil Wells)	40 acres	40 acres
Spacing (Gas Wells)	160 acres	160 acres
Oil Allowable	107 BOPD	142 BOPD
Casinghead Gas Allowable	428 MCFGD	284 MCFGD
Gas-Oil Ratio Limit	4000:1	2000:1
Prorated Gas Allowable (Non-marginal 40-acre non-standard unit)	585 MCFGD	153 MCFGD
Producing Gas-Oil Ratio Limit (Classification as an Oil Well):	< 50,000:1 GOR	< 50,000:1 GOR
Producing Gas-Oil Ratio Limit (Classification as a Gas Well)	> 50,000:1 GOR	> 50,000:1 GOR

(9) In addition, oil wells in the Blinebry Oil & Gas and Tubb Oil & Gas Pools are required to be no closer than 330 feet to the outer boundary of the proration unit, and gas wells are required to be no closer than 660 feet to the outer boundary of the proration unit.

(10) To support its request to establish 40-acre non-standard gas spacing and proration units in the Blinebry Oil & Gas and the Tubb Oil & Gas Pools, and to obtain approval for unorthodox gas well locations in these pools for its Thomas Long Wells No. 5 and 6, Apache presented evidence that demonstrates that:

- (a) although currently classified as an oil well, the Thomas Long Well No. 5 is currently producing at a gas-oil ratio of approximately 163,000 cubic feet of gas per barrel of oil in both the Blinebry Oil & Gas and Tubb Oil & Gas Pools. Consequently, this well should properly be classified as a gas well in both pools; and
- (b) the producing characteristics of both the Blinebry Oil & Gas and Tubb Oil & Gas Pools is such that wells routinely change classification from oil wells to gas wells and vice versa.

(11) The Thomas Long Wells No. 5 and 6 are located at standard oil well locations for the Blinebry Oil & Gas and Tubb Oil & Gas Pools, but are located at unorthodox gas well locations for these pools.

(12) The proposed unorthodox gas well location for the Thomas Long Well No. 6 is necessitated by topographic factors within the SE/4 SW/4 of Section 11.

(13) In accordance with an agreement between Apache and John H. Hendrix Corporation, total gas production from both the Blinebry Oil & Gas and Tubb Oil & Gas Pools within the Thomas Long Wells No. 5 and 6 shall not exceed 428 MCF gas per day.

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

(15) Approval of the application, subject to the reduced gas allowable, will provide Apache the opportunity to recover additional gas reserves within the Blinebry Oil & Gas and the Tubb Oil & Gas Pools underlying the SE/4 SW/4 of Section 11 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(16) Prior to producing the Thomas Long Well No. 6 as a downhole commingled producing well in the Blinebry Oil & Gas and Tubb Oil & Gas Pools, Apache should file a Division Form C-107-A (Application for Downhole Commingling) with the Santa Fe Office of the Division.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Apache Corporation, 40-acre non-standard gas spacing and proration units in the Blinebry Oil & Gas and Tubb Oil & Gas Pools comprising the SE/4 SW/4 of Section 11, Township 22 South, Range 37 East, NMPM, are hereby established.

(2) Apache is further authorized to drill its Thomas Long Well No. 6 at an unorthodox gas well location for the Blinebry Oil & Gas and Tubb Oil and Gas Pools 900 feet from the South line and 2091 feet from the West line (Unit N) of Section 11. Approval of an unorthodox gas well location in the Blinebry Oil & Gas and Tubb Oil & Gas Pools is also granted for Apache's Thomas Long Well No. 5 located 919 feet from the South line and 1721 feet from the West line (Unit N) of Section 11.

(3) The SE/4 SW/4 of Section 11 shall be simultaneously dedicated in the Blinebry Oil & Gas and Tubb Oil & Gas Pools to the Thomas Long Wells No. 5 and 6.

(4) The subject non-standard gas proration units are hereby assigned a gas allowable of 428 MCF gas per day for both the Blinebry Oil & Gas and Tubb Oil & Gas Pools. Combined gas production from both the Thomas Long Wells No. 5 and 6 shall not exceed 428 MCF gas per day, however, this gas allowable may be produced from the wells in any proportion.

(5) Apache is hereby authorized to downhole commingle Blinebry Oil & Gas and Tubb Oil & Gas Pool production within the Thomas Long Well No. 6; provided however that prior to producing the Thomas Long Well No. 6 as a downhole commingled producing well, Apache shall file a Division Form C-107-A (Application for Downhole Commingling) with the Santa Fe Office of the Division.

(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

LORI WROTENBERY
Director

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