

CASE 5419: J. GREGORY MERRION &
ROBERT L. BAYLESS for downhole
commingling, Rio Arriba County

CASE No.

5419

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 19, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of J. Gregory Merrion &
Robert L. Bayless for down hole com-
mingling, Rio Arriba County, New
Mexico.

Case No.
5419

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Thomas Derryberry, Esq.
Legal Counsel for the
Commission
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

Robert L. Bayless, pro se

BAYLESS

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I N D E X

PAGE

ROBERT L. BAYLESS

Testimony by Mr. Bayless

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Cross Examination by Mr. Nutter

6

E X H I B I T S

Marked

Admitted

Exhibits 1 through 6

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MR. NUTTER: We call the next case, 5419.

MR. DERRYBERRY: Case 5419. Application of J. Gregory Merrion & Robert L. Bayless for downhole commingling, Rio Arriba County, New Mexico.

MR. BAYLESS: I am Robert L. Bayless of Merrion & Bayless, Farmington, New Mexico.

(Witness sworn.)

ROBERT L. BAYLESS

called as a witness, having been first duly sworn, was examined and testified as follows:

MR. BAYLESS: I have a letter to the Commission dated January 28, 1975, in which I set forth the history of this well and the request we've made to commingle the Mesaverde and the Pictured Cliffs Formations within the wellbore, and rather than flowing the wells, as the practice is now, to mechanically, artificially lift the liquids being produced and produce a gas from both zones off the casing annulus. This is quite an old well; it was drilled in 1958 by Humble Oil Company; we acquired it in about 1964; it had reached its economic limit for Humble at that time; I have decline curves showing the gas production, which I will submit to you, along with another copy of the letter of January 28th. Also, I will submit a

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C-102 showing the acreage dedicated, which is 160 acres to the Pictured Cliff and 320 acres to the Mesaverde Formation. There actually are three federal leases involved; no state or no fee lands. These three federal leases are communitized on both zones; we are the owners of 100 percent of the working interest of all three leases and consequently both zones.

I also will submit a completion card of the original completion back in 1957.

I also will submit a schematic drawing showing the casing in the well, the perforated intervals, and how we propose to run a single string of tubing in the well. At present there are two strings of tubing with a packer consequently separating the two zones. The well, each zone -- incidentally the Pictured Cliff is in the Gavilan-Pictured Cliffs area and the Mesaverde is Blanco-Mesaverde -- each zone makes approximately 30 mcf per day. It produces just enough liquid hydrocarbons and just enough water that through the history of the life of the well we cannot keep the well flowing. It tends to log off. Over the ten years that we have had it we've tried various techniques of shutting-in the well for periods of time, intermittently flowing it, and all of these things have

worked to some degree, as you will be able to tell from these decline curves, however, we have just --

MR. NUTTER: (Interrupting) Would you mind letting us see those things while you're discussing them, Mr. Bayless?

MR. BAYLESS: Sure.

MR. NUTTER: Thank you. Go ahead.

MR. BAYLESS: (Continuing) However, we have pretty well exhausted the ability of the well to produce by these various techniques. We feel that by commingling and using the artificial lift to remove the liquids from the wellbore we will reduce the back pressure against the producing formations sufficiently that it will increase production, and that is our proposal and that is our request.

Mobil Oil Company is the producer to the west of us and south. There is no production to the north or to the east; this is on the very fringe of the producing area in the San Juan Basin. We've advised Mobil and have had no objections from them; we also sent the letter that you have to the USGS for their comments and we have a letter back from them as to how we should file a sundry notice once we have obtained

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your permission on this, if we do so.

I believe that is all I can say, unless perhaps you have some questions.

MR. NUTTER: What types of means have you used to try to keep these liquids unloaded from the well except intermittent flow?

MR. BAYLESS: We used a piston at one time and we were not successful with the piston installation there. We do use piston installations at other places in the Basin; offhand I'd say that 75 percent of the time they worked and the other 25 percent for various reasons, usually which we don't understand, they don't seem to work.

MR. NUTTER: It appears that there are just too much liquids for the pressure that is available to lift the piston here?

MR. BAYLESS: This is a fairly deep well for the zone. The Pictured Cliffs isn't the deepest part of the Basin. The Pictured Cliffs is perforated from 3778 down to 3842. Ordinarily the Basin Pictured Cliffs is much shallower. The same thing, the Mesaverde is almost as deep going down to 6086 as the Dakota is in much of the Basin.

MR. NUTTER: Well, now, at the present time are there two strings of tubing, one to each zone?

MR. BAYLESS: That's correct.

MR. NUTTER: And they both flowed up?

MR. BAYLESS: They both flowed up. The well, surprisingly enough -- and we've checked carefully our pressures in the past because it seemed rather strange -- each zone makes almost identical amounts of gas.

MR. NUTTER: How about liquids now; you mentioned that each zone would load up with liquids. What is the composition of liquids from each?

MR. BAYLESS: We're probably getting a barrel a day out of the two zones together. Our liquids go into a common storage; we're probably getting that much water. It doesn't seem like a lot of liquids, but we have done some work that indicate that we're staying well logged off. All we're doing is percolating gas through the fluids.

MR. NUTTER: Are there any hydrocarbon liquids here or is it all water?

MR. BAYLESS: No, sir. About a barrel a day is liquid hydrocarbons.

MR. NUTTER: And about a barrel of water?

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MR. BAYLESS: And about a barrel of water.

MR. NUTTER: Now, it is your proposal then to run one string of tubing and it would be set down into the bottom of the hole, is that correct?

MR. BAYLESS: There are two strings of tubing now, one is strung into a packer and one hanging free. We would withdraw both strings of tubing, go in and drill out the packer and go back in with one string of tubing and cement and so forth all the way to the bottom, and then run sucker rods and a beam pump on the top and beam pump the liquids from the bottom, hoping that we will get fairly good separation within the wellbore, flow the gas from both zones out the annulus.

MR. NUTTER: I see. I presume your proposed allocation would be 50, 50 for each of the two zones?

MR. BAYLESS: That's really what I propose and we have decline curves -- well, you have them -- going back a good many years, and I think it is an equitable thing. We own 100 percent of each zone and the royalty, USGS, is identical. The only room for any kind of discrepancy is that there is a slight difference in overriding royalty on the leases. However, most of the people have common overriding royalty and we have obtained

permission from 5 of the 6 overriding royalty owners, and I will submit this also . These are the letters showing the schedule and their approval, 5 of the 6; this is the original the way it is now, these people and their percent by zone; this is what we propose how to allocate and we did it just on the matter of the dollars, working backwards in the dollars' income in '73. Everybody has agreed, except these people, who have 4 tenths of a percent in one side --

MR. NUTTER: (Interrupting) Now, for the sake of the record, we will identify them as being Benson, and Arlene Altschuler, is that correct?

MR. BAYLESS: That's correct.

MR. NUTTER: All the other overriding royalty owners have agreed to your allocation system?

MR. BAYLESS: That is correct, and I have copies of their letters in here that I am submitting. The people you have referred to on the Pictured Cliffs side have .4 percent overriding royalty, on the Mesaverde side they have .25 percent overriding royalty, and we propose to do one of two things -- I believe we can accomplish it either way: To use this combined royalty rate -- overriding royalty rate -- or to arbitrarily split the production

between the two zones 50, 50, and continue to pay the overriding royalty on those splits.

MR. NUTTER: I see.

MR. BAYLESS: This is rather marginal property and we felt that by doing this remedial work we can prolong the economic life of the property and recover some reserves that are otherwise going to be lost; there is no way that somebody could go in and drill a new well for this type of reserve.

MR. NUTTER: Well, now, these other overriding royalties have agreed to the first system you were talking about.

MR. BAYLESS: They have agreed to the first system and obviously they would have no objection if we make the split on the 50 - 50 basis, so I can go either way with them. I have my hands tied a little bit with the Altschulers.

MR. NUTTER: What has been the reaction of these Altschulers? Have they refused to agree to it or you just haven't heard from them?

MR. BAYLESS: Yes, and yes. After three letters to them I was finally able to locate them by phone, they live in the New York area, they have this interest back for

many years, their interest pays \$3.00 a month, I believe, on the average, and so I called them and talked to them at length and explained to them, and they seem to have a basic distrust of some people that got them in the oil business many years ago on overriding royalties, and they took the position they weren't going to sign anything, and I said -- I made them an offer, if you wish me to introduce it, I have an offer that I made to them on the basis of 72 months, or six years, at no decline, at no discount, at their \$3.06 a month, which I thought was -- just to get them out of our hair, and he said, "No, I think I am worth more as a nuisance to you than that," and I said, "Well, you're now offending my sense of principle and I think that is all I will do," so here I am.

MR. NUTTER: Your telephone call cost more than that.

MR. BAYLESS: Well, I felt that I made every -- and if you want this letter in the file I will be glad to introduce it, or I can send you a copy.

MR. NUTTER: I don't think a copy of that is necessary. Mr. Bayless, we've identified these Exhibits you have offered us for the record. The plat is Exhibit No. 1, the decline curve on the Mesaverde is Exhibit No. 2,

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the decline curve on the Pictured Cliffs is Exhibit No. 3, the diagrammatic sketch is No. 4, completion report is No. 5, and the package of agreements by your overriding royalty interests is No. 6. I presume you want to offer these as Exhibits?

MR. BAYLESS: Please, sir.

MR. NUTTER: They will be admitted for Exhibits in Case No. 5419.

(Whereupon, Exhibits 1 through

6 were admitted into evidence.)

MR. NUTTER: Do you have anything further?

MR. BAYLESS: I don't believe so.


MR. NUTTER: Does anyone have any questions of Mr. Bayless? He may be excused. Does anyone have anything they wish to offer in Case 5419? We will take the Case under advisement.

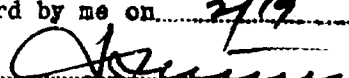
BAYLESS

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STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.


RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5419 heard by me on 2/19 1975.

Examiner
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

February 25, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Robert L. Bayless
Petroleum Club Plaza Building
Post Office Box 1541
Farmington, New Mexico 87401

Re: CASE NO. 5419
ORDER NO. R-4967

Applicant:
J. Gregory Merriam & Robert
L. Bayless

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

Very truly yours,
A. H. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	_____x
Artesia OCC	_____x
Aztec OCC	_____x

other

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5419
Order No. R-4967

APPLICATION OF J. GREGORY MERRION
AND ROBERT L. BAYLESS FOR DOWNHOLE
COMMINGLING, RIO ARriba COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 19, 1975, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of February, 1975, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicants, J. Gregory Merrion and Robert L. Bayless, are the owners and operators of the North Lindrith Unit Com Well No. 1, located in Unit M of Section 20, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicants seek authority to commingle Gavilan-Pictured Cliffs and Blanco Mesaverde production within the wellbore of the above-described well.

(4) That from the Gavilan-Pictured Cliffs Pool, the subject well is capable of low marginal production only.

(5) That from the Blanco Mesaverde Pool, the subject well is 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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Case No. 5419
Order No. R-4967

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

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 50% of the commingled production should be allocated to the Gavilan-Pictured Cliffs Pool, and 50% of the commingled production to the Blanco Mesaverde Pool.

IT IS THEREFORE ORDERED:

(1) That the applicants, J. Gregory Merrion and Robert L. Bayless, are hereby authorized to commingle Gavilan-Pictured Cliffs and Blanco Mesaverde production within the wellbore of the North Lindrith Unit Com Well No. 1, located in Unit M of Section 20, Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

(2) That 50 percent of the commingled production shall be allocated to the Gavilan-Pictured Cliffs Pool and 50 percent of the commingled production shall be allocated to the Blanco Mesaverde Pool.

(3) That the operator of the subject well shall immediately notify the Aztec district office of the Commission any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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Case No. 5419

Order No. R-4967

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman


Phil R. Lucero
PHIL R. LUCERO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator Merrion & Bayless			Lease North Lindrith Unit		Well No. 1
Unit Letter 1	Section 20	Township 26N	Range 2W	County Rio Arriba	
Actual Footage Location of Well: 990 feet from the South line and 990 feet from the West line					
Ground Level Elev. 7,380	Producing Formation Mesaverde & Pictured Cliff		Pool Blanco Mesaverde Gavilan Pictured Cliff		Dedicated Acreage: 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

	CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.															
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td colspan="2">Name Robert L. Bayless</td></tr> <tr><td colspan="2">Position Co-Owner</td></tr> <tr><td colspan="2">Company Merrion & Bayless</td></tr> <tr><td colspan="2">Date December 11, 1974</td></tr> <tr><td colspan="2"> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief. </td></tr> <tr><td colspan="2">Date Surveyed</td></tr> <tr><td colspan="2">Registered Professional Engineer and/or Land Surveyor</td></tr> <tr><td colspan="2">Certificate No.</td></tr> </table>	Name Robert L. Bayless		Position Co-Owner		Company Merrion & Bayless		Date December 11, 1974		I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.		Date Surveyed		Registered Professional Engineer and/or Land Surveyor		Certificate No.
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Date Surveyed																
Registered Professional Engineer and/or Land Surveyor																
Certificate No.																

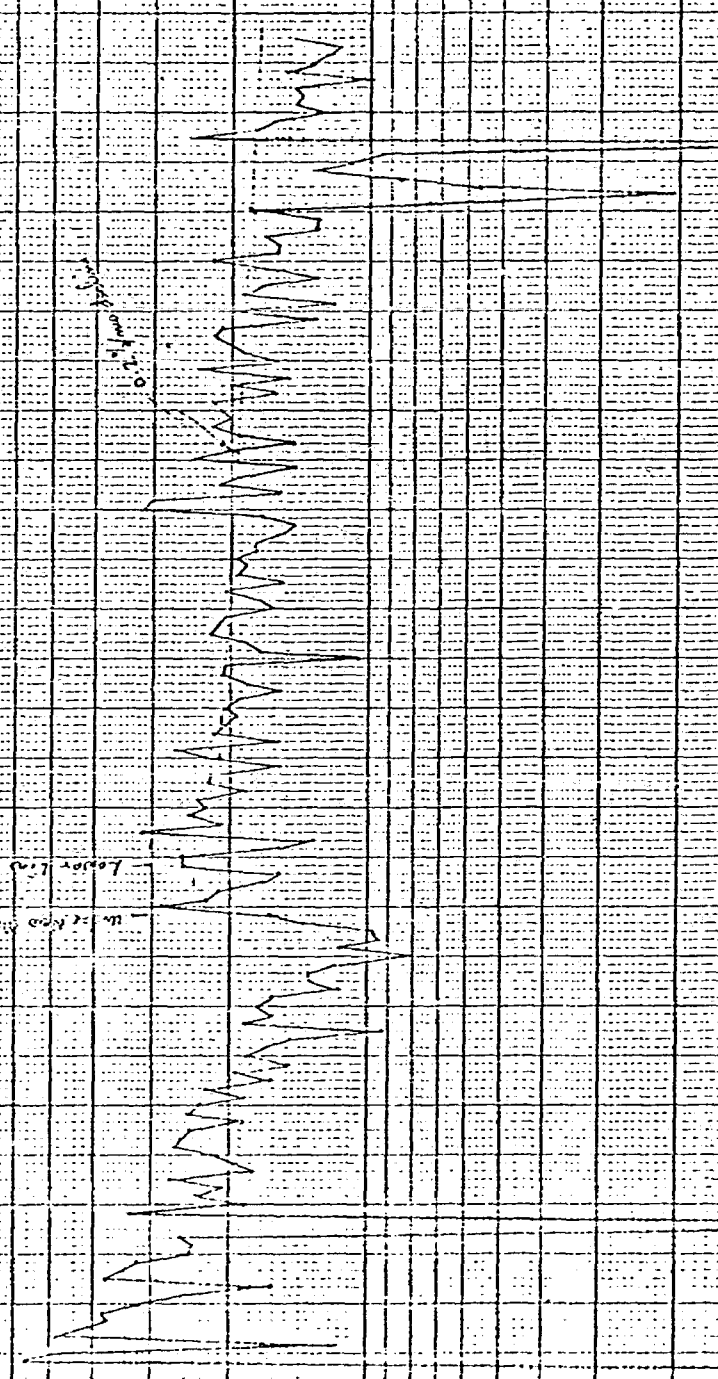
BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
MM & B EXHIBIT NO. 1
CASE NO. 5419

North Lindbergh Mossburn

1159 717 105 171 397 286 737

MERRION & BAYLESS

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2
CASE NO. 5419

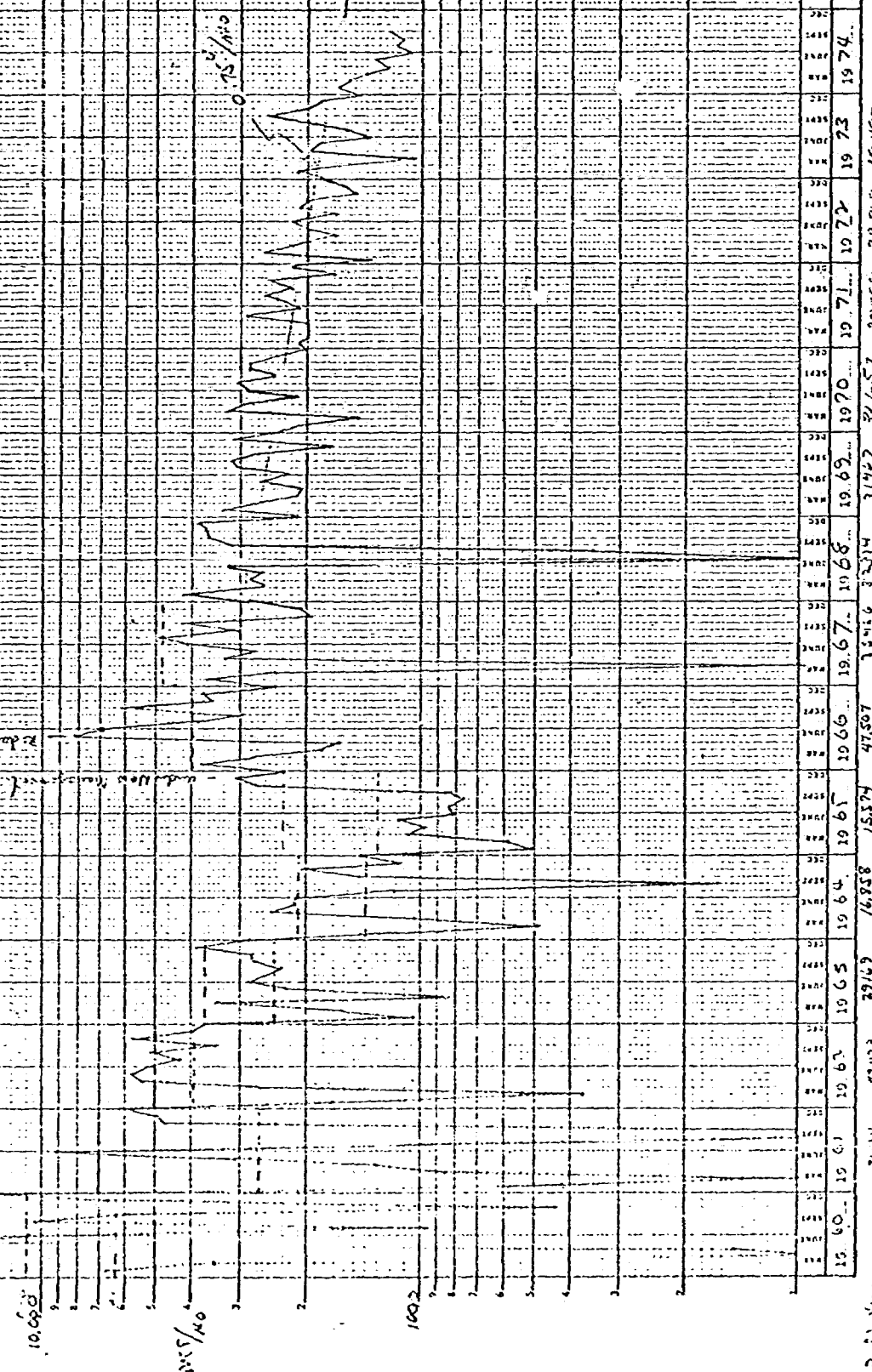


19.60	31.363	27.309	27.539	19.63	19.64	19.65	19.66	19.67	19.68	19.69	19.70	19.71	19.72	19.73	19.74	19.75	19.76	19.77	19.78	19.79
30.401	61.764	29.073	116.612	136.713	153.112	178.724	222.314	22.144	23.893	25.562	27.338	29.139	31.147	33.136	34.580					

Y.S. P.O.D.

No. Lumberth Picturo Cliffe

BEFORE EXAMINER NOTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 3
CASE NO. 5819



76.203 31.14 41.43 29.63 10.65 19.64 19.65 15.54 47.507 19.66 19.67 19.68 19.69 19.70 19.71 19.72 19.73 19.74 19.75 19.76 19.77 19.78 19.79

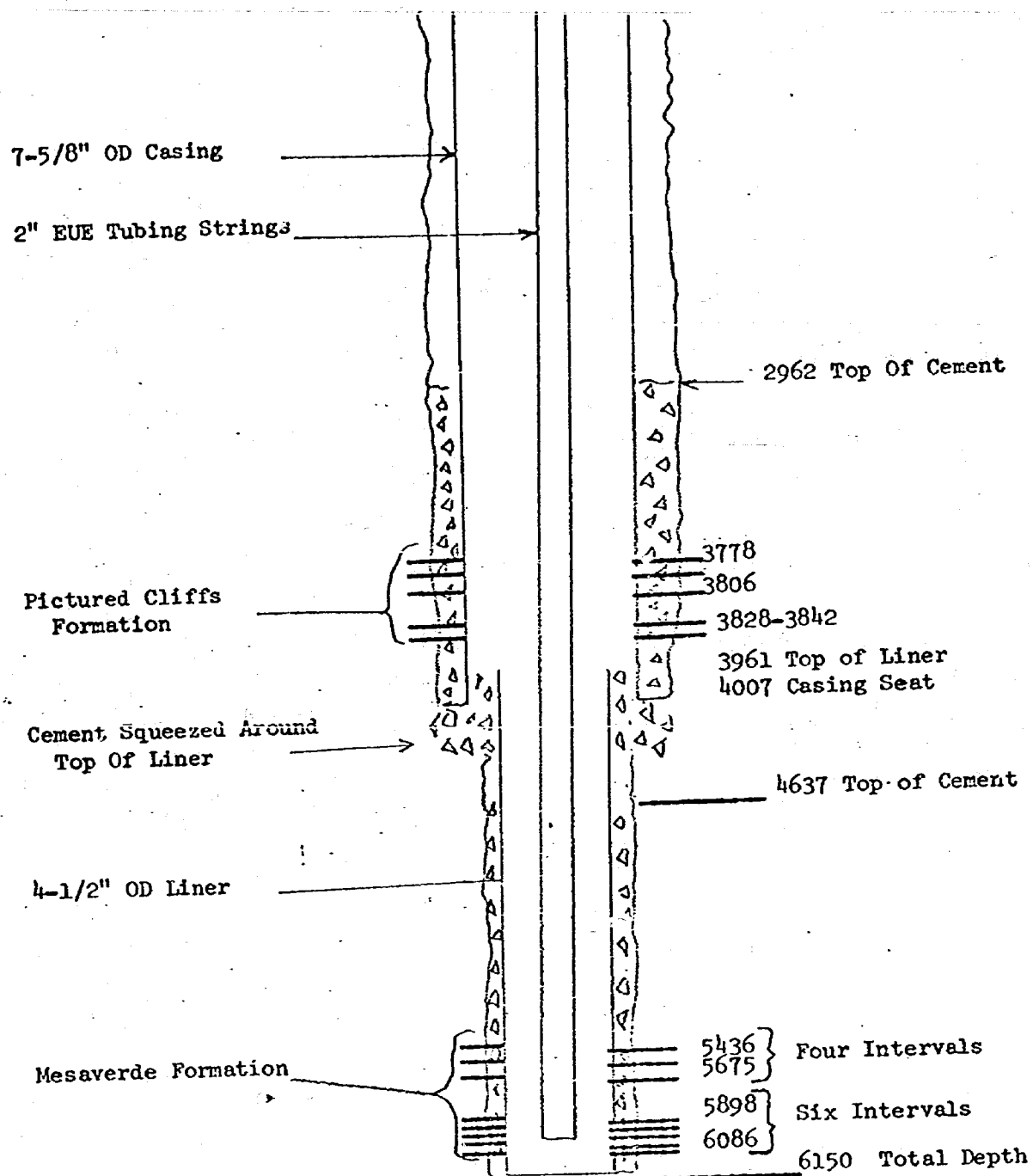
29.804 33.218 36.355 39.524 42.240 46.008 46.505

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MERRION & BAYLESS

COMMINGLED PICTURED CLIFF AND
MESA VERDE FORMATIONS

NORTH LINDRITH UNIT #1



BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
MLB EXHIBIT NO. 4
CASE NO. 5419

SANILAN PC
BLANCO MV

NEW MEXICO-N
RIO ARriba COUNTY
BLANCO (D)

PETROLEUM INFORMATION
DENVER CASPER
ROCKY MOUNTAIN
OIL INFORMATION

Twp 26n-2w
Section 20
ne-sw-sw
(990 n/s 990 e/w)

OPR: Humble Oil & Refining	WELL #:	1 North Lindrith Unit
FLEV: 7392 DF.	DSTS. & CORES:	SPUD: 12-4-57 COMPL: 2-10-58
*TOPS: Log-Saxlex	Crd 3710-36, rec sd & sh, some coal streaks.	TD: 6150 PB: 6110
Kirland 3615	Crd 3736-58, rec 17 sd & sh. Crd 3758-3809, rec 51 sd & sh w/sli gas odor. Crd 3809-61, rec 52 sd & sh w/fair gas odor.	CSG: 10-3/4" @ 327 w/375.
Pic Cliffs 3764		PERF: 5898-5920 w/44, 5088-96 w/16, 6000-43 w/9, 6049-58 w/16, 6064-72 w/16, 6076-86 w/20; sd wtr fract. Perf 5486-5514, 5554-5606, 5610-24, 5635-75; sd wtr fract. Perf 3778-3806,
Lewis 3370		PROD. ZONE: 3828-42; sd wtr fract.
Chacra 4745		INIT. PROD: IPF (Pic Cliffs) 1024 MCFGPD, 3/4"ck, SITP 1050#.
Cliff House 5485		IPF (Mesaverde) 2697 MCFGPD, 3/4"ck, SITP 1665#.
Menefee 5622		(DUAL COMPLETION)
Pt Lookout 5869		
Mancos 6086		

Contr: Durham

*Tr. Electric Logs on Rocky Mountain Wells—Ask Us!

N-NM20-85712

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
MTB EXHIBIT NO. 5
CASE NO. 549

Robert L. Bayless

PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87401

November 5, 1974

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 6
CASE NO. 5419

TO: Overriding Royalty Owners

Re: North Lindrith Unit #1
Rio Arriba County, New Mexico

We are the operators of the above described well which is dually completed with a 160 acres dedicated to the Pictured Cliff and 320 acres dedicated to the Mesa Verde formation. This acreage dedication is determined by State of New Mexico regulations. Both of these formations are classified as flowing gas wells. However, they make some oil and because of the low gas volumes they are capable of producing, the oil tends to log off the gas and further decrease the gas volume. We have studied and observed this problem over a considerable time and feel the optimum solution is to commingle the two formations in the well bore and install a conventional pumping unit to lift the oil through the tubing and flow the gas from the annulus. To do this, we will need to appear before a hearing of the New Mexico Oil Conservation Commission and request the commingling order.

The royalty interest and working interest in the two formations is identical but there is a slight difference in the overriding royalty ownership. Therefore, we are requesting that you acknowledge this letter by executing and returning one copy to us, thereby agreeing to the revised overriding royalty percentages which will enable us to commingle the production from the two formations. You will note that the total overriding royalty in dollars will be the same based on 1973 production. In other words, although your percentage changes, it will be figured on the total well production of both zones, rather than individual zones.

Actually, we envision that the pumping unit installation will materially increase the production from the well and will therefore increase your income proportionately. We estimate the installation cost to be approximately \$17,000, which will be borne solely by us.

We feel this will mutually benefit all parties and look forward to hearing from you.

Yours truly,

MERRION & BAYLESS

By Robert L. Bayless
ROBERT L. BAYLESS

RLB/su

Accepted and agreed to by:

Kenneth K. Milviken
Kenneth K. Milviken

Sylvia M. Blair
Sylvia M. Blair

PROPOSED NORTH LINDRITH UNIT #1
OVERRIDING ROYALTY SCHEDULE
COMBINED FROM PICTURED CLIFF & MESA VERDE FORMATIONS

Benson M. & Arlene H. Altshuler	.32985%
M. A. Milinovich	.82451%
Kenneth K. Milliken & Sylvia M. Blair	.98850%
Maurice Pincus	.32985%
John Guy Fidel & Jo Ann S. Fidel	.52649%
R. E. McKenzie, Jr. & Agatha	.35011%
	<u>3.34931%</u>

ORIGINAL OVERRIDING ROYALTY %

PICTURED CLIFF FORMATION

Benson M. & Arlene H. Altshuler	.4%
M. A. Milinovich	1.0%
Kenneth K. Milliken & Sylvia M. Blair	1.2%
Maurice Pincus	.4%
	<u>3%</u>

MESA VERDE FORMATION

Benson M. & Arlene H. Altshuler	.25%
John Guy Fidel & Jo Ann S. Fidel	1.125%
R. E. McKenzie Jr. & Agatha	.75%
M. A. Milinovich	.625%
Kenneth K. Milliken & Sylvia M. Blair	.75%
Maurice Pincus	.25%
	<u>3.75%</u>

1973 Pictured Cliff Income	\$ 6,213.88
1973 Mesa Verde Income	<u>5,467.14</u>
Total:	\$11,681.02

Robert L. Bayless

PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87401

November 5, 1974

TO: Overriding Royalty Owners

Re: North Lindrith Unit #1
Rio Arriba County, New Mexico

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The royalty interest and working interest in the two formations is identical but there is a slight difference in the overriding royalty ownership. Therefore, we are requesting that you acknowledge this letter by executing and returning one copy to us, thereby agreeing to the revised overriding royalty percentages which will enable us to commingle the production from the two formations. You will note that the total overriding royalty in dollars will be the same based on 1973 production. In other words, although your percentage changes, it will be figured on the total well production of both zones, rather than individual zones.

Actually, we envision that the pumping unit installation will materially increase the production from the well and will therefore increase your income proportionately. We estimate the installation cost to be approximately \$17,000, which will be borne solely by us.

We feel this will mutually benefit all parties and look forward to hearing from you.

Yours truly,

MERRION & BAYLESS

By Robert L. Bayless
ROBERT L. BAYLESS

RLB/su

Accepted and agreed to by:

M. A. Milinovich
M. A. MILINOVICH, C. P. A.
101 N. WOODLAND AVENUE
WAYNESBURG, PA.

11-2-74

PROPOSED NORTH LINDRITH UNIT #1
OVERRIDING ROYALTY SCHEDULE
COMBINED FROM PICTURED CLIFF & MESA VERDE FORMATIONS

Benson M. & Arlene H. Altshuler	.32985%
M. A. Milinovich	.82451%
Kenneth K. Milliken & Sylvia M. Blair	.98850%
Maurice Pincus	.32985%
John Guy Fidel & Jo Ann S. Fidel	.52649%
R. E. McKenzie, Jr. & Agatha	.35011%
	<u>3.34931%</u>

ORIGINAL OVERRIDING ROYALTY %

PICTURED CLIFF FORMATION

Benson M. & Arlene H. Altshuler	.4%
M. A. Milinovich	1.0%
Kenneth K. Milliken & Sylvia M. Blair	1.2%
Maurice Pincus	.4%
	<u>3%</u>

MESA VERDE FORMATION

Benson M. & Arlene H. Altshuler	.25%
John Guy Fidel & Jo Ann S. Fidel	1.125%
R. E. McKenzie Jr. & Agatha	.75%
M. A. Milinovich	.625%
Kenneth K. Milliken & Sylvia M. Blair	.75%
Maurice Pincus	.25%
	<u>3.75%</u>

1973 Pictured Cliff Income	\$ 6,213.88
1973 Mesa Verde Income	<u>5,467.14</u>
Total:	\$11,681.02

Robert L. Bayless

PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87401

November 5, 1974

TO: Overriding Royalty Owners

Re: North Lindrith Unit #1
Rio Arriba County, New Mexico

We are the operators of the above described well which is dually completed with a 160 acres dedicated to the Pictured Cliff and 320 acres dedicated to the Mesa Verde formation. This acreage dedication is determined by State of New Mexico regulations. Both of these formations are classified as flowing gas wells. However, they make some oil and because of the low gas volumes they are capable of producing, the oil tends to log off the gas and further decrease the gas volume. We have studied and observed this problem over a considerable time and feel the optimum solution is to commingle the two formations in the well bore and install a conventional pumping unit to lift the oil through the tubing and flow the gas from the annulus. To do this, we will need to appear before a hearing of the New Mexico Oil Conservation Commission and request the commingling order.

The royalty interest and working interest in the two formations is identical but there is a slight difference in the overriding royalty ownership. Therefore, we are requesting that you acknowledge this letter by executing and returning one copy to us, thereby agreeing to the revised overriding royalty percentages which will enable us to commingle the production from the two formations. You will note that the total overriding royalty in dollars will be the same based on 1973 production. In other words, although your percentage changes, it will be figured on the total well production of both zones, rather than individual zones.

Actually, we envision that the pumping unit installation will materially increase the production from the well and will therefore increase your income proportionately. We estimate the installation cost to be approximately \$17,000, which will be borne solely by us.

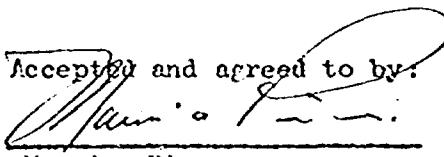
We feel this will mutually benefit all parties and look forward to hearing from you.

Yours truly,

MERRION & BAYLESS

By 
ROBERT L. BAYLESS

RLB/su

Accepted and agreed to by:

Maurice Pincus

PROPOSED NORTH LINDEITH UNIT #1
OVERRIDING ROYALTY SCHEDULE
COMBINED FROM PICTURED CLIFF & MESA VERDE FORMATIONS

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M. A. Milinovich	.82451%
Kenneth K. Milliken & Sylvia M. Blair	.98850%
Maurice Pincus	.32985%
John Guy Fidel & Jo Ann S. Fidel	.52649%
R. E. McKenzie, Jr. & Agatha	.35011%
	<u>3.34931%</u>

ORIGINAL OVERRIDING ROYALTY %

PICTURED CLIFF FORMATION

Benson M. & Arlene H. Altshuler	.4%
M. A. Milinovich	1.0%
Kenneth K. Milliken & Sylvia M. Blair	1.2%
Maurice Pincus	.4%
	<u>3%</u>

MESA VERDE FORMATION

Benson M. & Arlene H. Altshuler	.25%
John Guy Fidel & Jo Ann S. Fidel	1.125%
R. E. McKenzie Jr. & Agatha	.75%
M. A. Milinovich	.625%
Kenneth K. Milliken & Sylvia M. Blair	.75%
Maurice Pincus	.25%
	<u>3.75%</u>

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1973 Mesa Verde Income	<u>5,467.14</u>
Total:	\$11,681.02

Robert L. Bayless

PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87401

November 5, 1974

TO: Overriding Royalty Owners

Re: North Lindrith Unit #1
Rio Arriba County, New Mexico

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Actually, we envision that the pumping unit installation will materially increase the production from the well and will therefore increase your income proportionately. We estimate the installation cost to be approximately \$17,000, which will be borne solely by us.

We feel this will mutually benefit all parties and look forward to hearing from you.

Yours truly,

MERRION & BAYLESS

By Robert L. Bayless
ROBERT L. BAYLESS

RLB/su

Accepted and agreed to by:

John Guy Fidel
John Guy Fidel

Jo Ann S. Fidel
Jo Ann S. Fidel

PROPOSED NORTH LINDBRITH UNIT #1
OVERRIDING ROYALTY SCHEDULE
COMBINED FROM PICTURED CLIFF & MESA VERDE FORMATIONS

Benson M. & Arlene H. Altshuler
M. A. Milinovich
Kenneth K. Milliken & Sylvia M. Blair
Maurice Pincus
John Guy Fidel & Jo Ann S. Fidel
R. E. McKenzie, Jr. & Agatha

.32985%
.82451%
.98850%
.32985%
.52649%
.35011%
3.34931%

ORIGINAL OVERRIDING ROYALTY %

PICTURED CLIFF FORMATION

Benson M. & Arlene H. Altshuler
M. A. Milinovich
Kenneth K. Milliken & Sylvia M. Blair
Maurice Pincus

.4%
1.0%
1.2%
.4%
3%

MESA VERDE FORMATION

Benson M. & Arlene H. Altshuler
John Guy Fidel & Jo Ann S. Fidel
R. E. McKenzie Jr. & Agatha
M. A. Milinovich
Kenneth K. Milliken & Sylvia M. Blair
Maurice Pincus

.25%
1.125%
.75%
.625%
.75%
.25%
3.75%

1973 Pictured Cliff Income
1973 Mesa Verde Income
Total:

\$ 6,213.88
5,467.14
\$11,681.02

Robert L. Bayless
PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87401

November 5, 1974

TO: Overriding Royalty Owners

Re: North Lindrith Unit #1
Pio Arriba County, New Mexico

We are the operators of the above described well which is dually completed with a 160 acres dedicated to the Pictured Cliff and 320 acres dedicated to the Mesa Verde formation. This acreage dedication is determined by State of New Mexico regulations. Both of these formations are classified as flowing gas wells. However, they make some oil and because of the low gas volumes they are capable of producing, the oil tends to log off the gas and further decrease the gas volume. We have studied and observed this problem over a considerable time and feel the optimum solution is to commingle the two formations in the well bore and install a conventional pumping unit to lift the oil through the tubing and flow the gas from the annulus. To do this, we will need to appear before a hearing of the New Mexico Oil Conservation Commission and request the commingling order.

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Actually, we envision that the pumping unit installation will materially increase the production from the well and will therefore increase your income proportionately. We estimate the installation cost to be approximately \$17,000, which will be borne solely by us.

We feel this will mutually benefit all parties and look forward to hearing from you.

Yours truly,

MERRION & BAYLESS

By Robert L. Bayless
ROBERT L. BAYLESS

RJB/su

Accepted and agreed to by:

[Signature]
[Signature]
Catha McKenzie
his wife

PROPOSED NORTH LINDRITH UNIT #1
OVERRIDING ROYALTY SCHEDULE
COMBINED FROM PICTURED CLIFF & MESA VERDE FORMATIONS

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	<u>3.75%</u>

1973 Pictured Cliff Income	\$ 6,213.88
1973 Mesa Verde Income	<u>5,467.14</u>
Total:	\$11,681.02

- CASE 5423: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in formations of Pennsylvanian age or older underlying the W/2 of Section 29, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location within the spacing unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of the applicant as the operator of the well and a charge for the risk involved in drilling said well.
- CASE 5424: Application of Cities Service Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Dark Canyon Unit Area, comprising 2560 acres, more or less, of State lands in Township 23 South, Range 25 East, Eddy County, New Mexico.
- CASE 5425: Application of Continental Oil Company for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a non-standard 480-acre gas proration unit comprising the W/2 of Section 13 and the E/2 E/2 of Section 14, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to its Lockhart B Wells Nos. 4 and 8, located at unorthodox locations in Units H and P, respectively, of Section 13, and to its Lockhart B Well No. 7, at an unorthodox location in Unit D of said Section 14. Applicant further seeks approval for the simultaneous dedication of a 320-acre non-standard gas proration unit comprising the S/2 of Section 12, Township 19 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to its State KN-12 Wells Nos. 1 and 2, located at unorthodox locations in Units P and N, respectively, of said Section 12.
- CASE 5426: Application of Continental Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Bell Lake Unit Well No. 16 to be drilled 660 feet from the North and East lines of Section 7, Township 24 South, Range 34 East, South Bell Lake-Morrow Gas Pool, Lea County, New Mexico, the N/2 of said Section 7 to be dedicated to said well.
- CASE 5427: Application of Penroc Oil Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Allied B Com Well No. 1, located in Unit K of Section 27, Township 20 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce oil from the Bone Springs formation through tubing and gas from the Morrow formation through the casing-tubing annulus by means of a cross-over assembly.

Examiner Hearing - Wednesday - February 19, 1975

Docket No. 5-75
-4-

CASE 5428: Application of Amax Chemical Corporation for the extension of the Potash-Oil Area, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Potash-Oil Area in Eddy County, New Mexico, as defined by Order No. R-11-A, as amended, by the addition of the following described lands:

TOWNSHIP 19 SOUTH, RANGE 29 EAST

Section 13: S/2 S 3/4
Section 14: W/2 1/4
Section 23: N/2 NW/4, SE/4 NW/4, S/2 NE/4
Section 24: NW/4, W/2 NE/4, NE/4 NE/4

TOWNSHIP 19 SOUTH, RANGE 30 EAST

Section 14: W/2 NE/4
Section 18: SW/4

Docket No. 5-75

Dockets Nos. 6-75 and 7-75 are tentatively set for hearing on March 5 and March 19, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 19, 1975

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE:
- (1) Consideration of the allowable production of gas for March, 1975, from seventeen prorated pools in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for March, 1975, from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
 - (3) Consideration of purchaser's nominations for the one-year period beginning April 1, 1975, for both of the above areas.

CASE 5402: (Continued from the January 22, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Tyra & Tyra, Fidelity and Deposit Company of Maryland and all other interested parties to appear and show cause why the Tyra & Tyra BTA Lulu Well No. 1 located in Unit C of Section 22, Township 9 South, Range 35 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5415: Application of Burk Royalty Co. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Double L Queen Unit Area, comprising 2670 acres, more or less, of Federal, State, and fee lands in Townships 14 and 15 South, Ranges 29 and 30 East, Chaves County, New Mexico.

CASE 5416: Application of Tesoro Petroleum Corporation for a unit agreement, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Coal Creek Unit Area comprising 11,225 acres, more or less, of State and Federal lands in Township 23 North, Ranges 12 and 13 West, San Juan County, New Mexico.

CASE 5409: (Continued from the February 5, 1975, Examiner Hearing)

Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units A and H of said Section 12 and in Unit A of said Section 13.

CASE 5417: Application of Atlantic Richfield Company for a non-standard gas proration unit, two unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 640-acre non-standard gas proration unit comprising the S/2 of Section 24 and the N/2 of Section 25, both in Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its McDonald State WN Wells Nos. 12 and 24, located, respectively, at unorthodox locations in Unit M of Section 24, and in Unit E of Section 25.

CASE 5418: Application of Joel B. Burr, Jr. and William J. Cooley for permission to flare casinghead gas, McKinley County, New Mexico. Applicants, in the above-styled cause, seek an exception to Order No. R-4070, to permit the flaring of casinghead gas produced by their Coleman Well No. 2, located in Unit C of Section 8, Township 17 North, Range 8 West, Lone Pine Dakota D Oil Pool, McKinley County, New Mexico.

CASE 5419: Application of J. Gregory Merrion & Robert L. Bayless for downhole commingling, Rio Arriba County, New Mexico. Applicants, in the above-styled cause, seek authority to commingle Gavilan-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of their North Lindrith Unit Com Well No. 1, located in Unit M of Section 20, Township 26 North, Range 2 West, Rio Arriba County, New Mexico.

CASE 5420: Application of Texaco, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its New Mexico "DM" State (NCT-1) Well No. 1, located in Unit N of Section 21, Township 13 South, Range 33 East, Lazy J Pennsylvanian Pool, Lea County, New Mexico, to dispose of produced salt water into the Pennsylvanian formation through the perforated interval from approximately 9742 to 9792 feet.

CASE 5421: Application of Texaco, Inc., for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Justis Tubb-Drinkard and North Justis-Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 3, located in Unit I of Section 35, Township 24 South, Range 37 East, Lea County, New Mexico.

CASE 5422: Application of Hilliard Oil and Gas, Inc., for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of temporary special rules for the EK-Bone Springs Pool, in Township 18 South, Range 34 East, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.

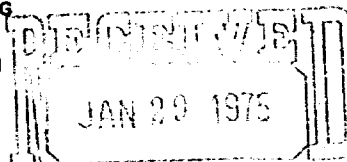
CASE 5122: (Reopened) (Continued from the January 22, 1975, Examiner Hearing)

In the matter of Case 5122 being reopened pursuant to the provisions of Order No. R-4693, which order established temporary special pool rules for the East Lusk-Wolfcamp Oil Pool, Lea County, New Mexico, including a provision for 160-acre spacing and proration units and a limiting gas-oil ratio of 4000 to 1. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing and proration units with a limiting gas-oil ratio of 2000 to 1.

Case 5419

Robert L. Bayless

PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1341
FARMINGTON, NEW MEXICO 87401



November 5, 1974

TO: Overriding Royalty Owners

Re: North Lindrith Unit #1
Rio Arriba County, New Mexico

We are the operators of the above described well which is dually completed with a 160 acres dedicated to the Pictured Cliff and 320 acres dedicated to the Mesa Verde formation. This acreage dedication is determined by State of New Mexico regulations. Both of these formations are classified as flowing gas wells. However, they make some oil and because of the low gas volumes they are capable of producing, the oil tends to log off the gas and further decrease the gas volume. We have studied and observed this problem over a considerable time and feel the optimum solution is to commingle the two formations in the well bore and install a conventional pumping unit to lift the oil through the tubing and flow the gas from the annulus. To do this, we will need to appear before a hearing of the New Mexico Oil Conservation Commission and request the commingling order.

The royalty interest and working interest in the two formations is identical but there is a slight difference in the overriding royalty ownership. Therefore, we are requesting that you acknowledge this letter by executing and returning one copy to us, thereby agreeing to the revised overriding royalty percentages which will enable us to commingle the production from the two formations. You will note that the total overriding royalty in dollars will be the same based on 1973 production. In other words, although your percentage changes, it will be figured on the total well production of both zones, rather than individual zones.

Actually, we envision that the pumping unit installation will materially increase the production from the well and will therefore increase your income proportionately. We estimate the installation cost to be approximately \$17,000, which will be borne solely by us.

We feel this will mutually benefit all parties and look forward to hearing from you.

Yours truly,

MERRION & BAYLESS

By 
ROBERT L. BAYLESS

RUB/su

Accepted and agreed to by:

Case 5419

PROPOSED NORTH LINDRITH UNIT #1
OVERRIDING ROYALTY SCHEDULE
COMBINED FROM PICTURED CLIFF & MESA VERDE FORMATIONS

Benson M. & Arlene H. Altshuler	.32985%
M. A. Milinovich	.82451%
Kenneth K. Milliken & Sylvia M. Blair	.98850%
Maurice Pincus	.32985%
John Guy Fidel & Jo Ann S. Fidel	.52649%
R. E. McKenzie, Jr. & Agatha	.35011%
	<u>3.34931%</u>

ORIGINAL OVERRIDING ROYALTY %

PICTURED CLIFF FORMATION

Benson M. & Arlene H. Altshuler	.4%
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Maurice Pincus	.4%
	<u>3%</u>

MESA VERDE FORMATION

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R. E. McKenzie Jr. & Agatha	.75%
M. A. Milinovich	.625%
Kenneth K. Milliken & Sylvia M. Blair	.75%
Maurice Pincus	.25%
	<u>3.75%</u>

1973 Pictured Cliff Income
1973 Mesa Verde Income
Total:

\$ 6,213.88
<u>5,467.14</u>
\$11,681.02

Case 5419

December 11, 1974

United States Geological Survey
P.O. Box 1809
Durango, Colorado 81301

ATTENTION: Mr. Jerry Long

Re: North Lindrith Unit #1
Commingling

Gentlemen:

The above referred to well is a dual Pictured Cliffs and Mesa Verde formation gas well located in the W 1/2 of Section 20, T26N, R2W, Rio Arriba County, New Mexico.

There are three separate USA oil and gas leases incorporated in the 320 acrestract. A copy of lease dedication is enclosed. You will note that there are 160 acres dedicated to the Pictured Cliff formation and 320 acres dedicated to the Mesa Verde formation.

This well has always made considerable liquid hydrocarbons relative to the gas production and logging off of the tubing has progressively become a greater problem. We feel the only practical way to efficiently produce is to install a sub-surface pump, sucker rods and beam pump. To do this, we need to commingle the Pictured Cliff and Mesa Verde formations in the well bore, pump oil through the tubing and produce the gas from the annulus.

We have contacted the Overriding Royalty owners who differ slightly between formations and have received approval from the majority to re-calculate the production percentage whereby they will have an equity in the commingled production. A copy of this letter is attached. We are still trying to communicate with the two parties who have not answered our letters.

Case 5419

United States Geological Survey
December 11, 1974
Page 2

We are requesting a hearing before the New Mexico Oil Conservation Commission to achieve this commingling and need an expression of your attitude. We think this proposal will significantly increase the total production.

Yours truly,

MERRION & BAYLESS

By ROBERT L. BAYLESS

RLB/su

Enclosures: Well Location And Acreage Dedication Plat
Letter to Overriding Royalty Owners dated 11-5-74



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

January 6, 1975

Mr. Robert L. Bayless
P.O. Box 1541
Farmington, New Mexico 87401

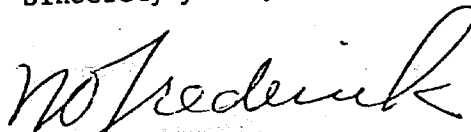
Dear Mr. Bayless:

Your letter of December 11, 1974, proposes the down-hole commingling of Pictured Cliffs and Mesaverde production in your presently dually completed North Lindrith Unit No. 1 well, located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 20, T. 26 N., R. 2 W., lease NM 02920, Rio Arriba County, New Mexico.

The Mesaverde spacing unit, consisting of the W $\frac{1}{2}$ sec. 20, is communitized under communitization agreement No. 14-08-001-4675 and involves leases NM 02920, NM 014773, and Santa Fe 079458-A. The Pictured Cliffs spacing unit consists of the SW $\frac{1}{4}$ sec. 20 and involves only lease New Mexico 02920.

After the New Mexico Oil Conservation Commission has approved your application for the above commingling, you should submit an application to this office for our approval. Your application should include copies of the concurrence of the overriding royalty owners, and you should show your proposed method of allocating the production to the two formations.

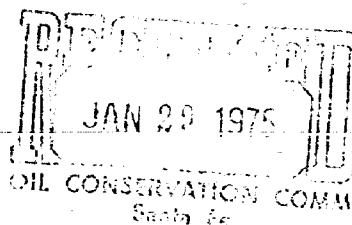
Sincerely yours,


N. O. FREDERICK
Area Oil and Gas Supervisor

Case 5419

Robert L. Bayless

PETROLEUM CLUB PLAZA BUILDING
P. O. BOX 1541
FARMINGTON, NEW MEXICO 87401



January 28, 1975

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: North Lindrith Unit Com #1
W 1/2 Section 20, T26N, R2W
Rio Arriba County, New Mexico

Gentlemen:

Please consider this request for either a hearing or the issuance of an administrative order enabling us to well-bore commingle the Mesa Verde and Pictured Cliff formations in the above referred to well. The enclosed letter of November 5, 1974 which was sent to the six overriding royalty owners is generally self-explanatory as to our plans; we have approvals back from five of the six parties.*

This well was drilled by Humble Oil & Refining in 1958 and acquired by ourselves in 1965. The well was a dual completion in Mesaverde from 5486-6086 feet and Pictured Cliff from 3778-3842 feet.

Both zones have experienced problems of "logging off" because the gas flow is insufficient to lift the oil and water which is produced. We have previously used techniques of intermittent flowing but the gas volumes will no longer effectively remove the liquids from the well bore.

We are proposing to drill out the packer between the zones and run a string of 2 3/8" tubing to 6100 feet, install sucker rods with a sub-surface pump and beam-pump the liquids while flowing the gas from the casing annulus. We are the sole owners of the working interest in this well and have an expression from the U.S.G.S. that they have no objection to this proposal.

We feel the proposal will significantly increase the flow rate of gas by removing the back pressure created by the hydrostatic head of well bore liquids.

DOCKET

Date 2-7-75

Case 5419

New Mexico Oil Conservation Commission
January 28, 1975
Page 2

We are sending a copy of this letter to the offsetting acreage holders.
Please advise your comments or further requirements.

Yours truly,

MERRION & BAYLESS

By Robert L. Bayless
ROBERT L. BAYLESS

RLB/su

cc U.S.G.S.
Roswell, New Mexico
Mobil Oil Company
Midland, Texas

Enclosure: November 5, 1974 letter to Overriding Royalty Owners

*The sixth owner, B. M. and A. H. Altshuler, have declined to approve.
Fortunately, their interest is in both formations so there should be no
problem of equity.

DRAFT

jr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF J. GREGORY MERRION AND
* ROBERT L. BAYLESS FOR DOWNHOLE
COMINGLING, RIO ARriba COUNTY,
NEW MEXICO.

CASE NO. 5419

Order No. R-4967

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 19, 1975
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this day of February, 1975, the Commission,
a quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

AND

(2) That the applicants, J. Gregory Merrion ~~and~~ Robert L. Bayless,
are the owners and operators of the North Lindrith Unit Com Well No.
1, located in Unit M of Section 20, Township 26 North, Range 2 West,
NMPM, Rio Arriba County, New Mexico.

4 (3) That the applicants seek authority to commingle Gavilan-
5 Pictured Cliffs and Blanco Mesaverde production within the well-
6 bore of the above-described well.

7 (4) That from the Gavilan-Pictured Cliffs Pool, the subject
8 well is capable of low marginal production only.

9 (5) That from the Blanco Mesaverde Pool, the subject
10 well is capable of low marginal production only.

11 (6) That the proposed commingling may result in the recovery
12 of additional hydrocarbons from each of the subject pool, thereby
13 preventing waste, and will not violate correlative rights.

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

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

23 (9) That in order to allocate the commingled production
24 to each of the commingled zones in the subject well, 50%
25 percent of the commingled total production should be allocated
26 to the Gavilan-Pictured Cliffs Pool, and 50 percent of the
27 commingled total production to the Blanco Mesaverde Pool.

1 -3-
2 Case No. 5419
3 Order No. R-

4 IT IS THEREFORE ORDERED:

5 (1) That the applicants, J. Gregory Merrion ^{AND} Robert L. Bayless,
6 are hereby authorized to commingle Gavilan-Pictured Cliffs and
7 Blanco Mesaverde production within the wellbore of the North
8 Lindrith Unit Com Well No. 1, located in Unit M of Section 20,
9 Township 26 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.

10 (2) That 50 percent of the commingled ~~production~~ production
11 shall be allocated to the Gavilan-Pictured ^{Cliffs Pool} and 50% percent of
12 the commingled ~~production~~ production shall be allocated to the
13 Blanco Mesaverde Pool.

14 (3) That the operator of the subject well shall immediately
15 notify the Aztec district office of the Commission any time the
16 well has been shut-in for 7 consecutive days and shall concurrently
17 present, to the Commission, a plan for remedial action.

18 (4) That jurisdiction of this cause is retained for the
19 entry of such further orders as the Commission may deem necessary.

20 DONE at Santa Fe, New Mexico, on the day and year herein-
21 above designated.
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