

CASE NO.

7035

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
1 October 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Merrion & Bayless
for downhole commingling, San Juan
County, New Mexico.

CASE
7035

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

SALLY W. BOYD, C.S.R.

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Phone (505) 455-7409

I N D E X

J. GREGORY MERRION, PRO SE

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E X H I B I T S

Applicant Exhibit One, Data

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Applicant Exhibit Two, Data

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Applicant Exhibit Three, Curve

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Applicant Exhibit Four, Curve

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1 MR. NUTTER: We'll call Case Number 7035.

2 MR. PADILLA: Application of Merrion &
3 Bayless for downhole commingling, San Juan County, New Mexico.

4 MR. NUTTER: The record will show that the
5 same witness will appear in Case Number 7035 as in 7034; that
6 he's under oath and still qualified.

7 Please proceed, Mr. Merrion.

8 MR. MERRION: Mr. Examiner, the purpose
9 of this application is to seek permission to commingle the
10 Gallegos-Gallup gas and the Basin Dakota gas, and possibly
11 some condensate, in the wellbore of the Delhi-Taylor C No. 1
12 Well, located in Unit M. Section 4, Township 26 North, Range
13 11 West, of San Juan County, New Mexico.

14 I have prepared four exhibits and with
15 your permission I'll mark this first one Exhibit Number One.

16 Exhibit Number One was prepared by me to
17 present the basic data regarding the subject well, the Delhi-
18 Taylor C No. 1. Its completion date was October 7, 1958.
19 The cumulative production from the Basin Dakota side of the
20 well is 2,412,454 Mcf, plus 26,478 barrels of oil or conden-
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22 The Gallegos-Gallup has produced 344,227
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24 The current production rate, the Basin
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2 eight years.

3 Current shut-in pressure, which is a
4 year old, Basin Dakota, 285 psi in three days; Gallegos-Gallup,
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11 and then logged off again.

12 MR. NUTTER: Of course, it's bucking a
13 200 pound line, you said, too.

14 MR. MERRION: About 225 pounds, yes, sir,
15 so between the fluids, the low bottom hole pressure, and the
16 high line pressure, and, again, below the packer it's difficult
17 to run a plunger lift with this -- without a chamber to help
18 your plunger rise, and so we think if we can go to the low
19 pressure system and install a plunger lift and get an annulus
20 with a gas reservoir to make the plunger rise, that we can
21 produce this well more efficiently.

22 MR. NUTTER: Well, now you show current
23 downhole equipment, Mr. Merrion, as being one string of 2-3/8ths
24 inch tubing. Where does that tubing go?

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3 MR. NUTTER: And has the Gallup produced
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25 MR. MERRION: The Gallup is pretty well

1 dried up. We haven't had any oil out of it in a long time.

2 MR. NUTTER: You said seven or eight years
3 since it's produced any oil.

4 MR. MERRION: That's right.

5 MR. NUTTER: Okay. Now, your allocation
6 formula here, well, you'll get to that in a minute, I guess.

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10 although not -- were prepared partially by me, partially by
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15 Referring to Exhibit Three, it is a plot
16 of the gas production from the Delhi-Taylor C-1 Gallup side,
17 showing the logarithm of the monthly production in Mcf per
18 month versus time. The purpose of the exhibit is to show
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20 production is 540 Mcf per month, or 18 Mcf per day.

21 Exhibit Four shows the production decline
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15 lift in this well and retain our stripper gas well status.
16 Even if we were to exceed our expectations of 30 Mcf and 18
17 from the Gallup.

18 I think that concludes my testimony, Mr.
19 Examiner. If you have any questions, I'd be happy to answer
20 them.

21 MR. NUTTER: Okay, now your allocation
22 formula, Mr. Merrion, of 62 percent to the Dakota and 37 per-
23 cent to the Gallup, what's that based on, please?

24 MR. MERRION: That's based upon 30 Mcf
25 per day from the Dakota and 18 from the Gallup.

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1 MR. NUTTER: And how about liquids?
2 Will this Dakota produce liquids after you put it back on
3 production with the plunger?

4 MR. MERRION: I don't know.

5 MR. NUTTER: It's going to have to if it's
6 going to produce, isn't it?

7 MR. MERRION: Well, yeah, we're going to
8 remove some liquids and possibly some salable ones. I would
9 have to go back to my records --

10 MR. NUTTER: I'm looking for an alloca-
11 tion formula --

12 MR. MERRION: Okay.

13 MR. NUTTER: -- for the liquids.

14 MR. MERRION: Okay, okay.

15 MR. NUTTER: And if the Gallup has quit
16 producing liquids --

17 MR. MERRION: I think it would be reason-
18 able to give all liquids to the Dakota side.

19 MR. NUTTER: 100 percent to the Dakota,
20 if it makes any at all.

21 MR. MERRION: Yes, sir.

22 MR. NUTTER: And it looks like the -- I
23 don't know what the decline curve was for the Dakota prior
24 to 1975, but with the cumulative production of 2-1/2 billion
25 cubic feet, it must have had a pretty flat decline curve for

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1 a number of years and then just nosedived, starting about
2 1977.

3 MR. MERRION: I think prior to the time
4 we purchased the well, El Paso had a compressor on it, and
5 for a period of time, because the line pressure had already
6 gotten down low. It was a real good well to begin with, and --
7 but it was permeable and it produced a lot of its big cumula-
8 tive early in its life and the pressure got down and they
9 put a compressor on it for awhile.

10 MR. NUTTER: But now if you get this com-
11 mingling approved, amend the contract, take the cut in price,
12 it will go into the 25 pound system.

13 MR. MERRION: Yes, sir.

14 MR. NUTTER: All the production from both
15 zones. That in itself should help the Dakota.

16 MR. MERRION: Yes, sir, it sure should.

17 MR. NUTTER: Are there any further ques-
18 tions of Mr. Merrion? He may be excused.

19 MR. MERRION: Thank you.

20 MR. NUTTER: Does anyone have anything --
21 did you have anything further to offer?

22 MR. MERRION: No, sir.

23 MR. NUTTER: Whether you did or didn't
24 offer these exhibits, we'll accept Exhibits One through Four
25 in this case and Exhibits One through Three in the previous

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1 case.

MR. MERRION: Thank you, sir.

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MR. NUTTER: Does anyone have anything

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to offer in Case Number 7035?

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We'll take the case under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

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I do hereby certify that the foregoing is
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File No. 10/1 7036
dated 10/1/80
[Signature] Examiner
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I N D E X

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13 MR. NUTTER: -- for the liquids.
14 MR. MERRION: Okay, okay.
15 MR. NUTTER: And if the Gallup has quit
16 producing liquids --
17 MR. MERRION: I think it would be reason-
18 able to give all liquids to the Dakota side.
19 MR. NUTTER: 100 percent to the Dakota,
20 if it makes any at all.
21 MR. MERRION: Yes, sir.
22 MR. NUTTER: And it looks like the -- I
23 don't know what the decline curve was for the Dakota prior
24 to 1975, but with the cumulative production of 2-1/2 billion
25 cubic feet, it must have had a pretty flat decline curve for

1 a number of years and then just nosedived, starting about
2 1977.

3 MR. MERRION: I think prior to the time
4 we purchased the well, El Paso had a compressor on it, and
5 for a period of time, because the line pressure had already
6 gotten down low. It was a real good well to begin with, and --
7 but it was permeable and it produced a lot of its big cumula-
8 tive early in its life and the pressure got down and they
9 put a compressor on it for awhile.

10 MR. NUTTER: But now if you get this com-
11 mingling approved, amend the contract, take the cut in price,
12 it will go into the 25 pound system.

13 MR. MERRION: Yes, sir.

14 MR. NUTTER: All the production from both
15 zones. That in itself should help the Dakota.

16 MR. MERRION: Yes, sir, it sure should.

17 MR. NUTTER: Are there any further ques-
18 tions of Mr. Merrion? He may be excused.

19 MR. MERRION: Thank you.

20 MR. NUTTER: Does anyone have anything --
21 did you have anything further to offer?

22 MR. MERRION: No, sir.

23 MR. NUTTER: Whether you did or didn't
24 offer these exhibits, we'll accept Exhibits One through Four
25 in this case and Exhibits One through Three in the previous

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

1 case.

2 MR. MERRION: Thank you, sir.

3 MR. NUTTER: Does anyone have anything
4 to offer in Case Number 7035?

5 We'll take the case under advisement.

6
7 (Hearing concluded.)

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SALLY W. BOYD, C.S.R.

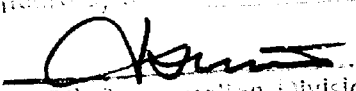
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a correct and true transcript of the hearing
before me on the 14/1/80.
7035.
80.
 Examiner
Oil Conservation Division



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 23, 1980

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. J. Gregory Merrion
P. O. Box 507
Farmington, New Mexico 87401

Re: CASE NO. 7035
ORDER NO. R-6493

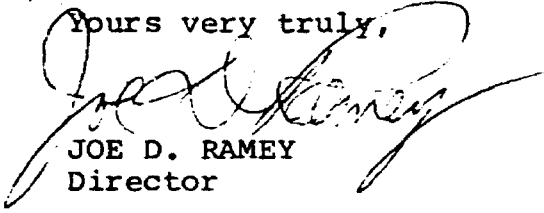
Applicant:

Merrion & Bayless

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

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. 7035
Order No. R-6493

APPLICATION OF HERRION & BAYLESS
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 1, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day, of October, 1980, 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, Herrion & Bayless, are the owner and operator of the Delhi Taylor "C" Well No. 1, located in Unit H of Section 4, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant seeks authority to commingle Gallegos-Gallup and Basin-Dakota production within the wellbore of the above-described well.
- (4) That from the Gallegos-Gallup zone, the subject well is capable of low marginal production only.
- (5) That from the Basin-Dakota zone, 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.

Case No. 7035
Order No. R-6493

(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 in order to allocate the commingled production to each of the commingled zones in the subject well, 37 percent of the commingled gas production should be allocated to the Gallegos-Gallup zone, and 63 percent of the commingled gas and all of the liquid hydrocarbon production to the Basin-Dakota zone.

IT IS THEREFORE ORDERED:

(1) That the applicant, Merrion & Bayless, are hereby authorized to commingle Gallegos-Gallup and Basin-Dakota production within the wellbore of the Delhi Taylor "C" Well No. 1, located in Unit M of Section 4, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico.

(2) That 37 percent of the commingled gas production shall be allocated to the Gallegos-Gallup zone and 63 percent of the commingled gas and all of the liquid hydrocarbon production shall be allocated to the Basin-Dakota zone.

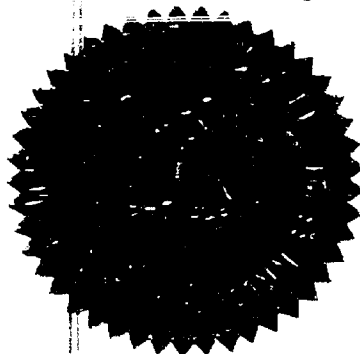
(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

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

-3-

Case No. 7035
Order No. R-6493

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY,
Director

S E A L

dr/

EXHIBIT NO. 1

MERRION & BAYLESS
Delhi Taylor C-1
SW/4 Section 4, T26N, R11W
San Juan County, New Mexico
Basin Dakota
Gallegos Gallup

APPLICATION TO COMMINGLE IN WELLBORE

Completion Date: October 7, 1958

Cumulative Production:

Basin Dakota ----- 2,412,454 MCF
+ 26,478 bbls. oil ✓
Gallegos Gallup --- 344,227 MCF
+ 6,884 bbls. oil

Current Production Rate:

Basin Dakota ----- Logged off. ✓
Gallegos Gallup --- 18 MCF/day - dry

Current Shut-In Pressure: (08-27-79)

Basin Dakota ----- 285 psia 3 days
Gallegos Gallup --- 340 psia 3 days

Current Downhole Equipment:

7-5/8" casing + 5-1/2" liner + 2-3/8" tubing + drillable packer.

Proposed Downhole Equipment:

7-5/8" casing + 5-1/2" liner + 2-3/8" tubing + plunger lift.

Proposed Allocation Formula:

gas: 62.5% Dakota gas oil: 100% DK
37.5% Gallup

Ownership:

30 DK
18 GP

Same for both zones.

Working Interest - Merrion & Bayless - 50%
Conoco ----- 25%
Tenneco ----- 25%
Royalty Interest - U.S.A. ----- 12.5%
Amoco Prod. Co. --- 1.3646%
Lear Petroleum Exp. .8188%
Dacresa Corp. ----- 2.8166%

gas from
Dak + the line
200 + the line
gas from GP
to 25 lb
system
E Pilling
to put both
sides into
low pressure
system

has not produced
any oil for 7.8 yrs

Will take
contribution
to contribute
price for
DK will
offer
diagonally

EXHIBIT NO. 2

MERRION & BAYLESS
Delhi Taylor C-1

APPLICATION TO COMMINGLE

Current Value of Production:

Gallup - 576 wellhead MCF @ 1269 BTU
= 524 residue MCF @ 1116 BUT
+ products

524 x \$3.300 = \$1729.20
Plant Products 81.38
\$1810.58

Dakota - 1207 BTU
0 MCF x \$3.307 = -0-
\$1810.58

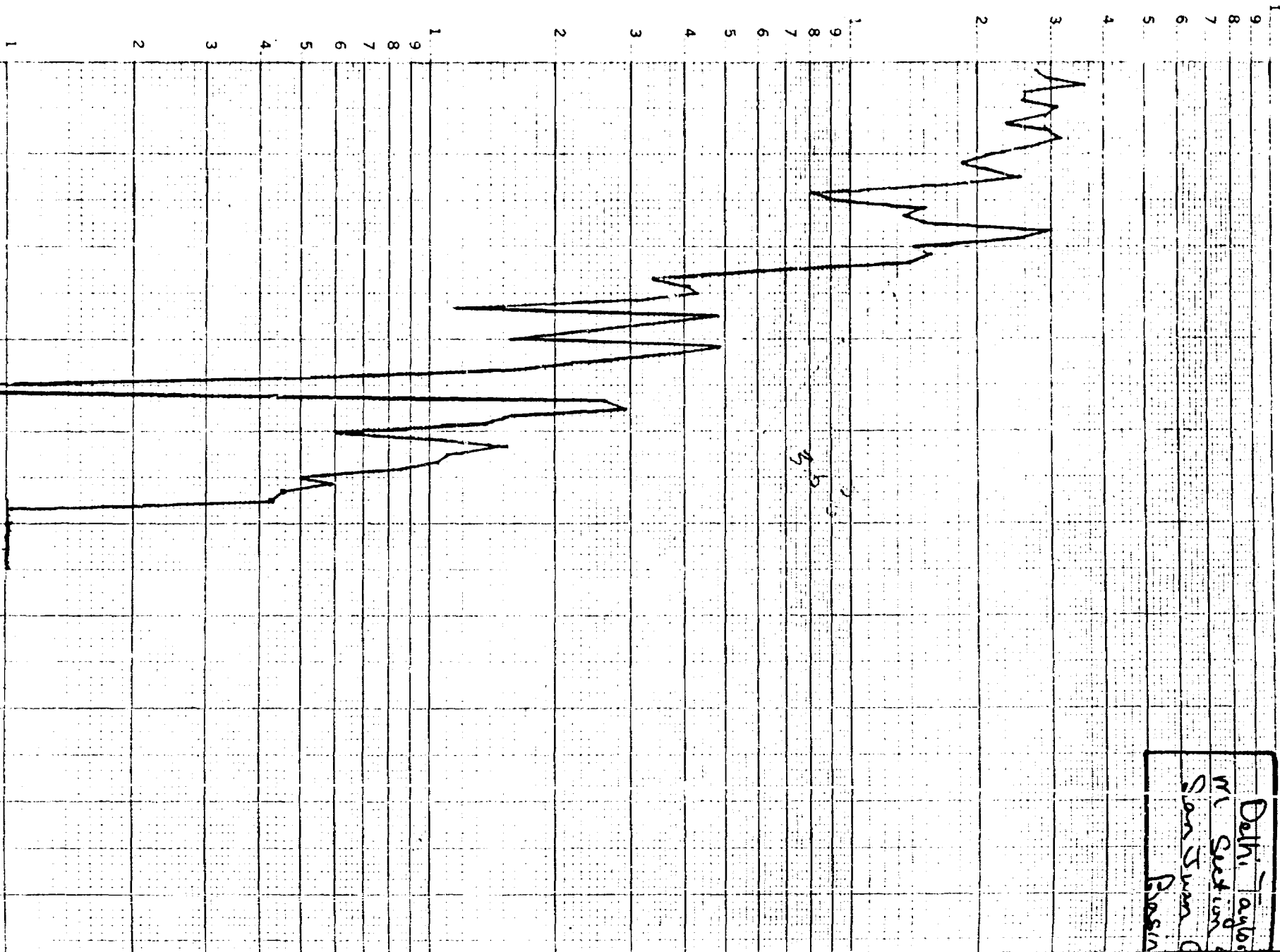
Estimated Value of Commingled Stream:

Gallup - Same as above ----- \$1810.58

Dakota - 900 MCF @ 1207 BTU
828 MCF @ 1116 BTU @ \$3.30 = \$2732.40
Plant Products 100.00

TOTAL: \$4642.98

Dalhøj
VI Section
San Juan
Basin



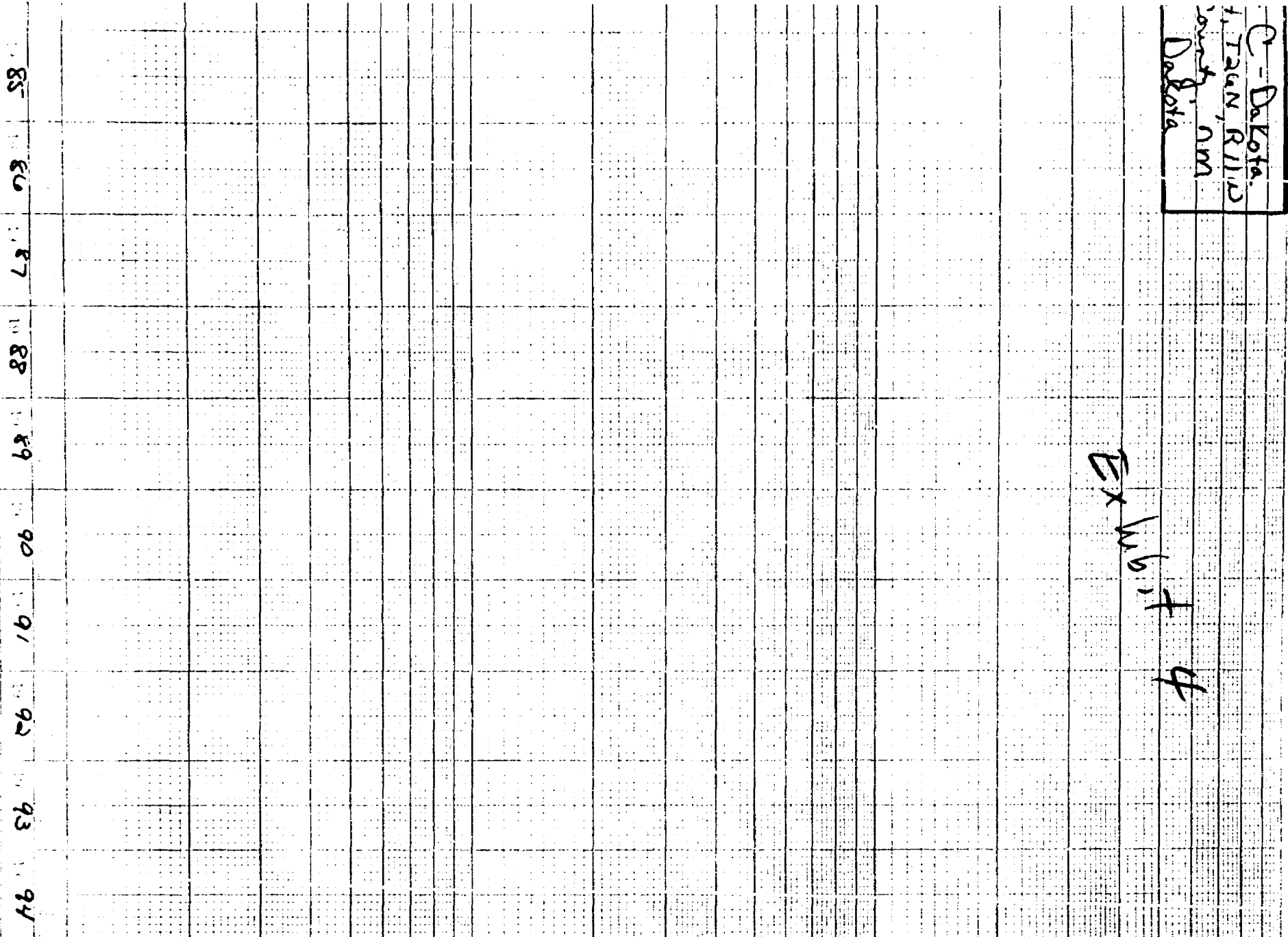
112511

23/81 24/81 25/81 26/81 27/81 28/81 29/81 30/81 31/81

40877 240304 1100521 241177

C - Dakota.
H. T. Quinn, R. L. D.
County, NM
Dakota

Exhibit 4



MCF/mo.

85 86 87 88 89 90 91 92 93 94

1000 1000 1000 1000 1000 1000 1000 1000 1000 1000

MERRION & BAYLESS
 Delhi Taylor C-1
 SW/4 Section 4, T26N, R11W
 San Juan County, New Mexico
 Basin Dakota
 Gallegos Gallup

APPLICATION TO COMMINGLE IN WELLBORE

Completion Date: October 7, 1958

Cumulative Production:

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 + 26,478 bbls. oil
 Gallegos Gallup --- 344,227 MCF
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Current Production Rate:

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Current Shut-In Pressure: (08-27-79)

Basin Dakota ----- 285 psia 3 days
 Gallegos Gallup --- 340 psia 3 days

Current Downhole Equipment:

7-5/8" casing + 5-1/2" liner + 2-3/8" tubing + drillable packer.

Proposed Downhole Equipment:

7-5/8" casing + 5-1/2" liner + 2-3/8" tubing + plunger lift.

Proposed Allocation Formula:

62.5% Dakota
 37.5% Gallup

Ownership:

Same for both zones.
 Working Interest - Merrion & Bayless - 50%
 Conoco ----- 25%
 Tenneco ----- 25%
 Royalty Interest - U.S.A. ----- 12.5%
 Amoco Prod. Co. --- 1.3646%
 Lear Petroleum Exp. .8188%
 Dacresa Corp. ----- 2.8166%

EXHIBIT NO. 2

MERRION & BAYLESS
Delhi Taylor C-1

APPLICATION TO COMMINGLE

Current Value of Production:

Gallup - 576 wellhead MCF @ 1269 BTU
= 524 residue MCF @ 1116 BUT
+ products

524 x \$3.300 = \$1729.20
Plant Products 81.38
\$1810.58

Dakota - 1207 BTU
0 MCF x \$3.307 = -0-
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828 MCF @ 1116 BTU @ \$3.30 = \$2732.40
Plant Products 100.00

TOTAL: \$4642.98

Cum. 270,128 290,841 291,24 301,328 310,524 319,096 326,560 333,944

MCFLY

10,605 10,741 10,255 10,204 9,196 8,572 7,764 7,084

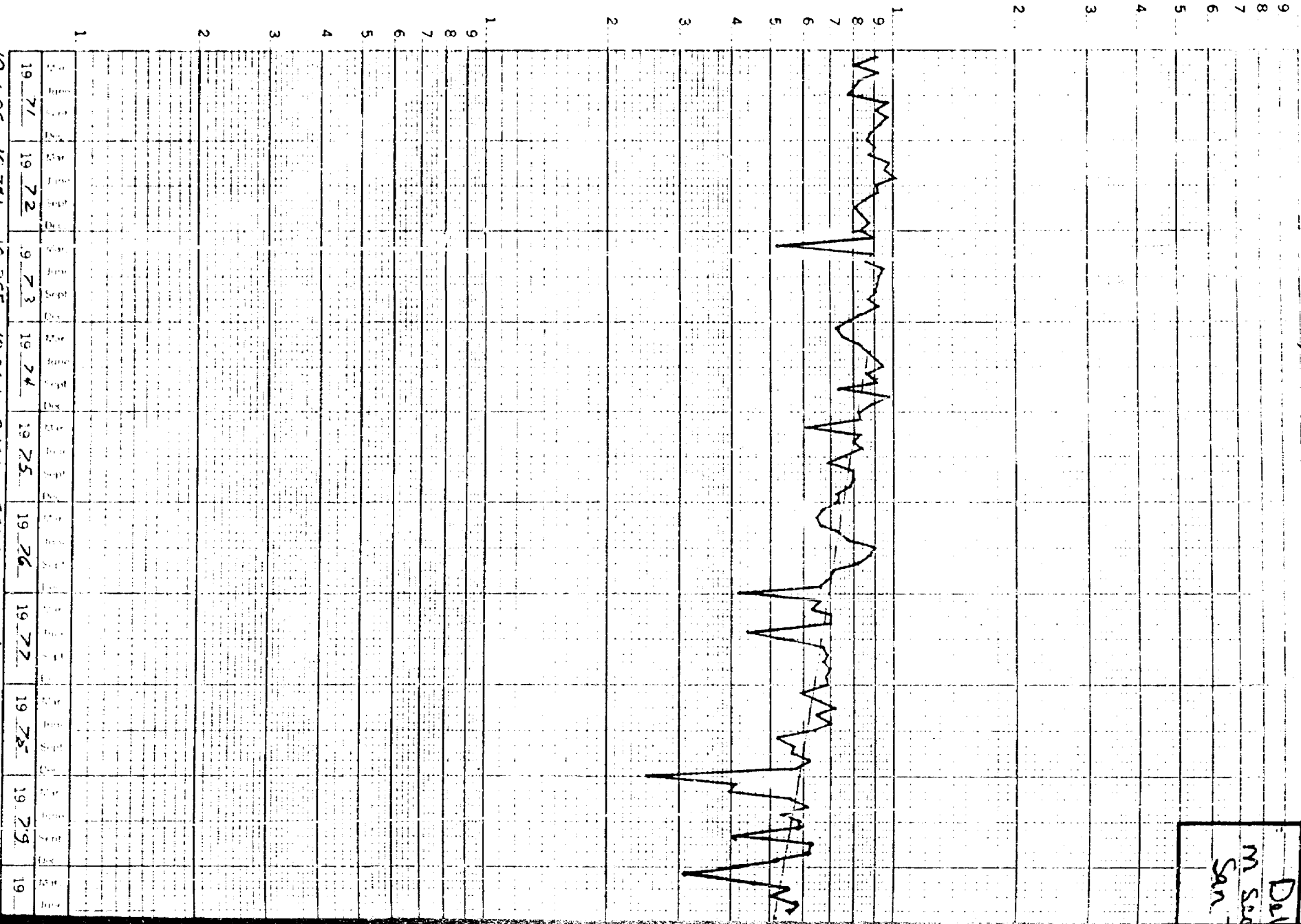
19 71	19 72	19 73	19 74	19 75	19 76	19 77	19 78	19 79	19
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Day
M Sat
Sun

4-1-12-11-11-11

See Results

C



mi Taylor C. #1
tion 4, Taver, Rillito
Suan County, NM
Gallegos Gallup

Exhibit

Delm Taylor C[#]1

4-6-66

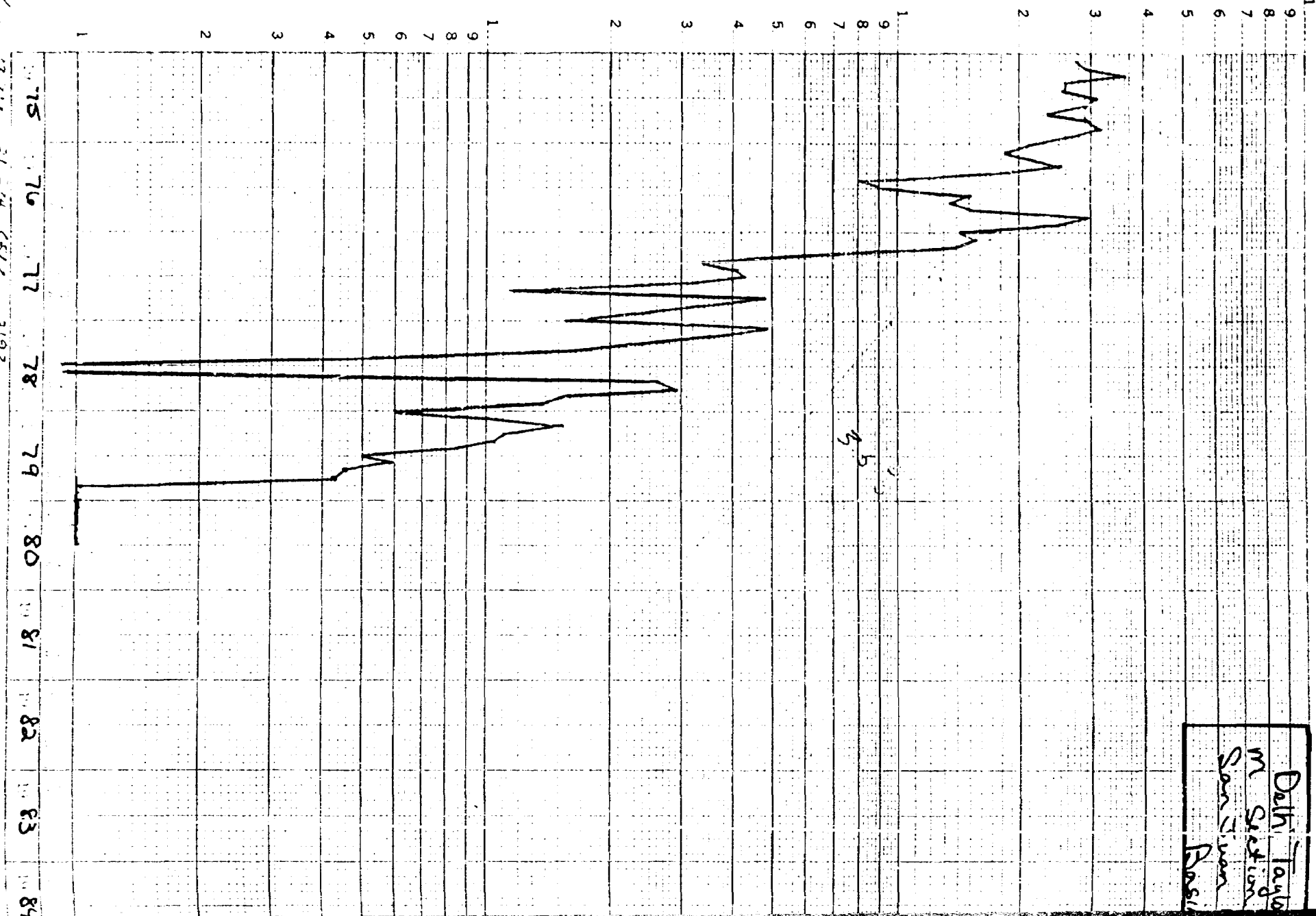
ACF / WIO.

100

100

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Dalh Taylor
in Section
San Juan
Basin



23.851	26.777	27.052
24.151	27.052	27.327
24.426	27.327	27.602
24.701	27.602	27.877
24.976	27.877	28.152
25.251	28.152	28.427
25.526	28.427	28.702
25.801	28.702	28.977
26.076	28.977	29.252
26.351	29.252	29.527
26.626	29.527	29.802
26.901	29.802	30.077
27.176	30.077	30.352
27.451	30.352	30.627
27.726	30.627	30.902
28.001	30.902	31.177
28.276	31.177	31.452
28.551	31.452	31.727
28.826	31.727	32.002
29.101	32.002	32.277
29.376	32.277	32.552
29.651	32.552	32.827
29.926	32.827	33.102
30.201	33.102	33.377
30.476	33.377	33.652
30.751	33.652	33.927
31.026	33.927	34.202
31.301	34.202	34.477
31.576	34.477	34.752
31.851	34.752	35.027
32.126	35.027	35.302
32.401	35.302	35.577
32.676	35.577	35.852
32.951	35.852	36.127
33.226	36.127	36.402
33.501	36.402	36.677
33.776	36.677	36.952
34.051	36.952	37.227
34.326	37.227	37.502
34.601	37.502	37.777
34.876	37.777	38.052
35.151	38.052	38.327
35.426	38.327	38.602
35.701	38.602	38.877
35.976	38.877	39.152
36.251	39.152	39.427
36.526	39.427	39.702
36.801	39.702	39.977
37.076	39.977	40.252
37.351	40.252	40.527
37.626	40.527	40.802
37.901	40.802	41.077
38.176	41.077	41.352
38.451	41.352	41.627
38.726	41.627	41.902
39.001	41.902	42.177
39.276	42.177	42.452
39.551	42.452	42.727
39.826	42.727	43.002
40.101	43.002	43.277
40.376	43.277	43.552
40.651	43.552	43.827
40.926	43.827	44.102
41.201	44.102	44.377
41.476	44.377	44.652
41.751	44.652	44.927
42.026	44.927	45.202
42.301	45.202	45.477
42.576	45.477	45.752
42.851	45.752	46.027
43.126	46.027	46.302
43.401	46.302	46.577
43.676	46.577	46.852
43.951	46.852	47.127
44.226	47.127	47.402
44.501	47.402	47.677
44.776	47.677	47.952
45.051	47.952	48.227
45.326	48.227	48.502
45.601	48.502	48.777
45.876	48.777	49.052
46.151	49.052	49.327
46.426	49.327	49.602
46.701	49.602	49.877
46.976	49.877	50.152
47.251	50.152	50.427
47.526	50.427	50.702
47.801	50.702	50.977
48.076	50.977	51.252
48.351	51.252	51.527
48.626	51.527	51.802
48.901	51.802	52.077
49.176	52.077	52.352
49.451	52.352	52.627
49.726	52.627	52.902

C-Dakota
T. T. VAN, R. L. W.
Dakota

Exhibit 4

85 86 87 88 89 90 91 92 93 94

1000
MCF/mo.
100
10

EXHIBIT NO. 1

MERRION & BAYLESS
Delhi Taylor C-1
SW/4 Section 4, T26N, R11W
San Juan County, New Mexico
Basin Dakota
Gallegos Gallup

APPLICATION TO COMMINGLE IN WELLBORE

Completion Date: October 7, 1958

Cumulative Production:

Basin Dakota	-----	2,412,454 MCF
	+	26,478 bbls. oil
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Current Shut-In Pressure: (08-27-79)

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Proposed Downhole Equipment:

7-5/8" casing + 5-1/2" liner + 2-3/8" tubing + plunger lift.

Proposed Allocation Formula:

62.5% Dakota
37.5% Gallup

Ownership:

Same for both zones.	
Working Interest - Merrion & Bayless	- 50%
Conoco	----- 25%
Tenneco	----- 25%
Royalty Interest - U.S.A.	----- 12.5%
Amoco Prod. Co.	--- 1.3646%
Lear Petroleum Exp.	.8188%
Dacresa Corp.	----- 2.8166%

EXHIBIT NO. 2

MERRION & BAYLESS
Delhi Taylor C-1

APPLICATION TO COMMINGLE

Current Value of Production:

Gallup - 576 wellhead MCF @ 1269 BTU
= 524 residue MCF @ 1116 BUT .
+ products

524 x \$3.300 = \$1729.20
Plant Products 81.38
\$1810.58

Dakota - 1207 BTU
0 MCF x \$3.307 = -0-
\$1810.58

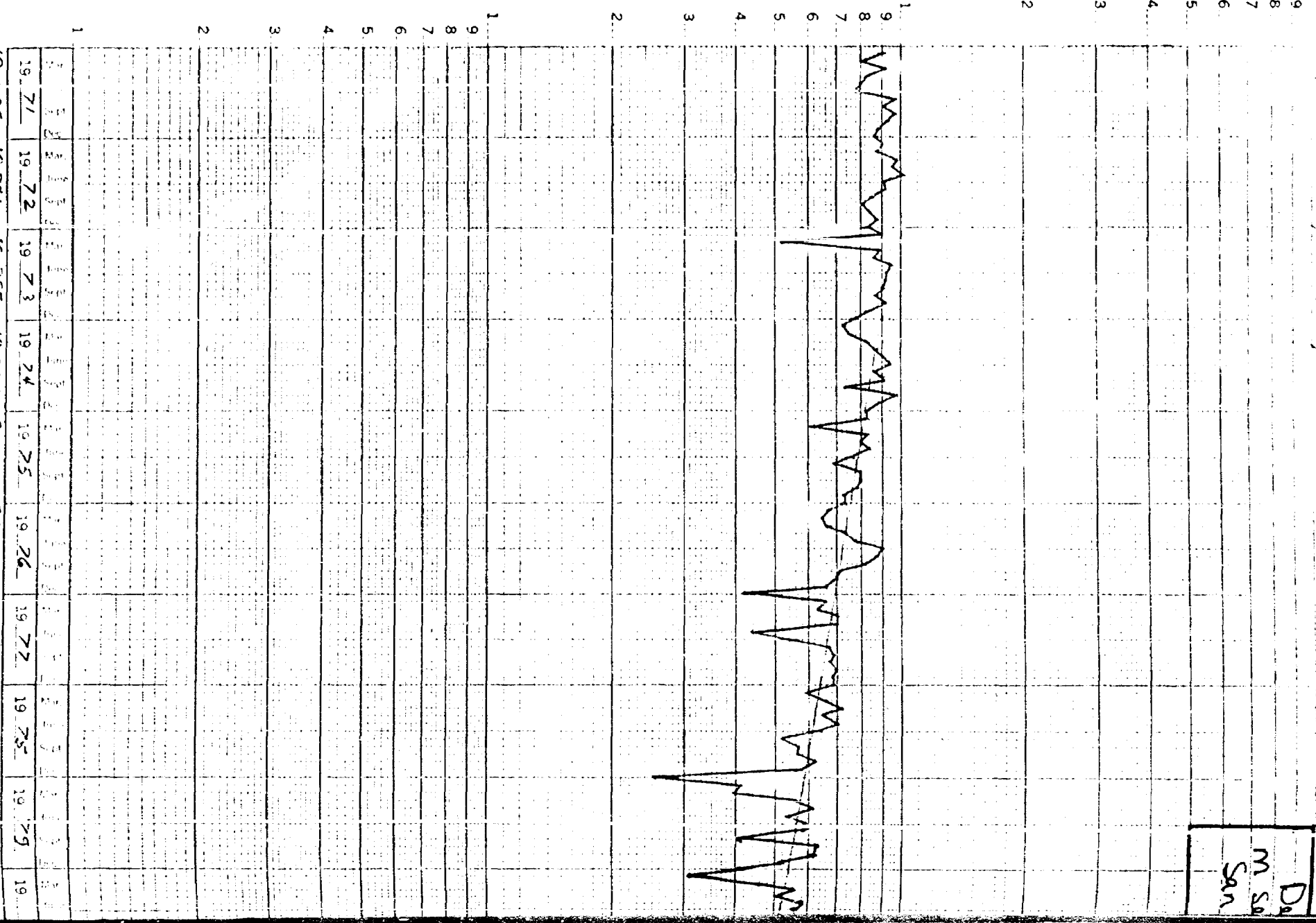
Estimated Value of Commingled Stream:

Gallup - Same as above ----- \$1810.58 .

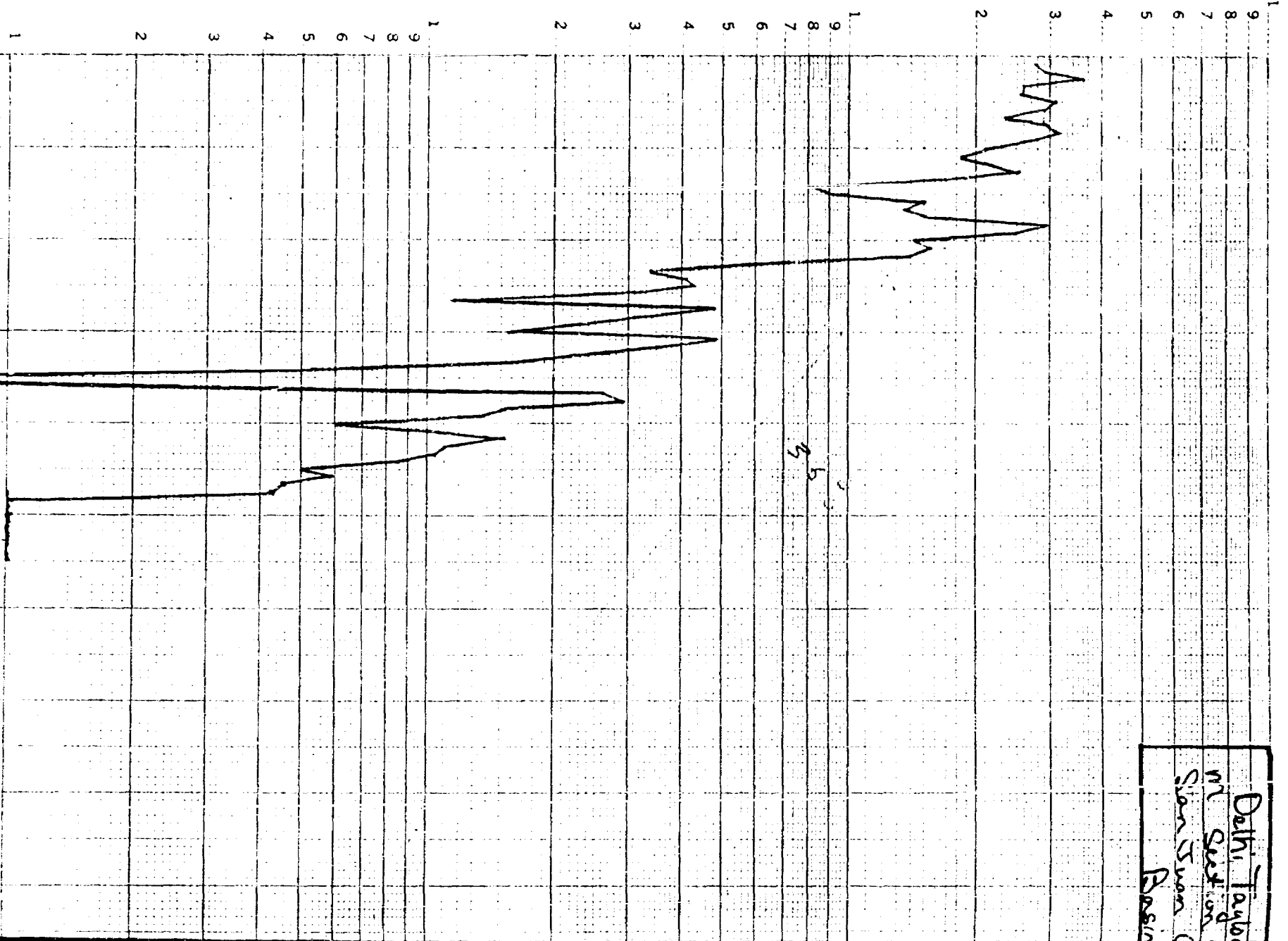
Dakota - 900 MCF @ 1207 BTU
828 MCF @ 1116 BTU @ \$3.30 = \$2732.40
Plant Products 100.00

TOTAL: \$4642.98

McF/y	10,605	10,741	10,255	10,204	9,196	8,572	7,764	7084
Cum.	270,128	280669	29124	301,328	310,524	319,091	326,560	333,944



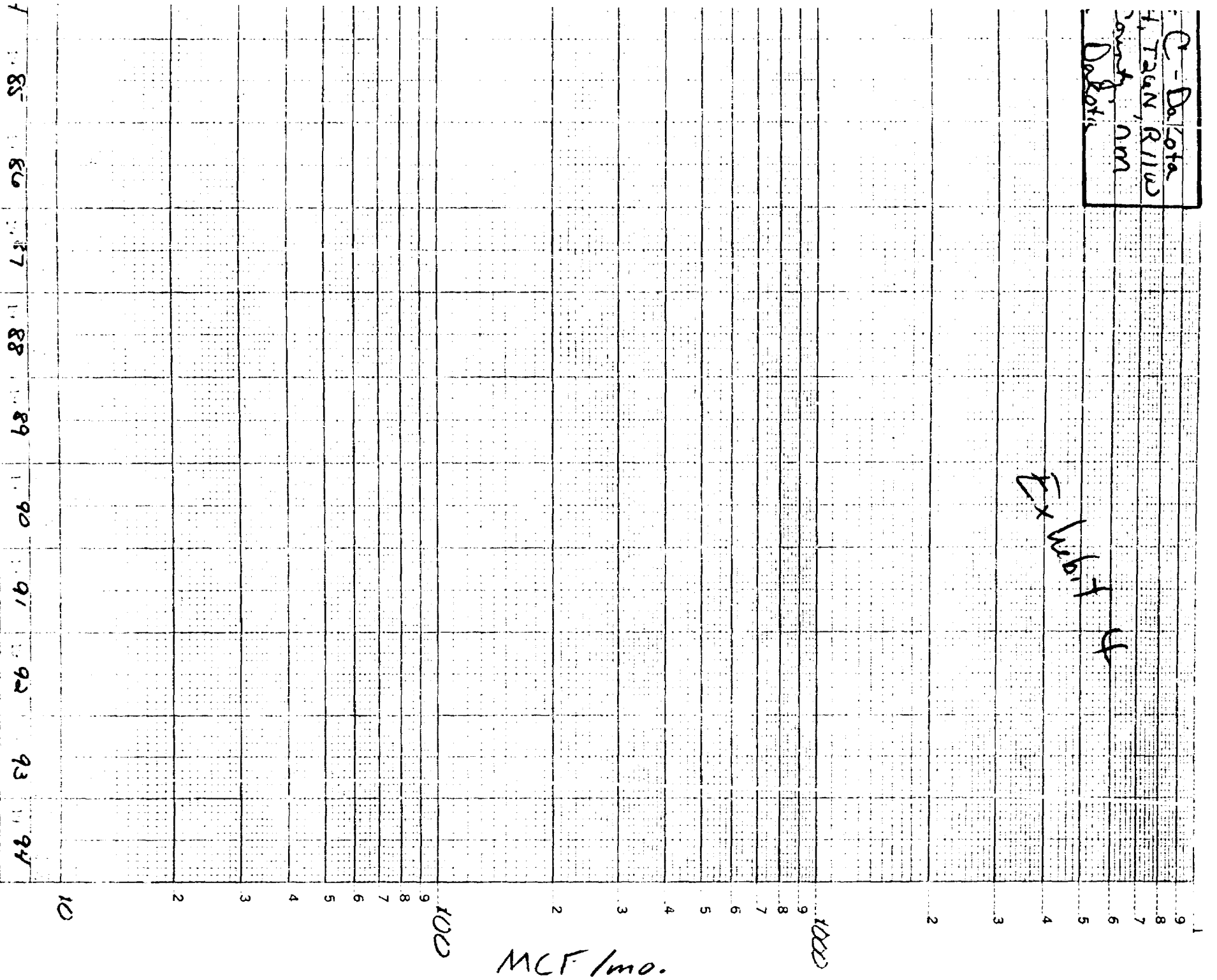
Delhi Taly
m Section
Sierra Leone
Basin



75 76 77 78 79 80 81 82 83
21.1 21.1 21.1 21.1 21.1 21.1 21.1 21.1 21.1

C-Dalota
 H. T. 100, R. 110
 County, NM
 Dakota

Exhibit 4



Dockets Nos. 31-80 and 32-80 are tentatively set for October 15 and 29, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 1, 1980

9 A.M. - OIL CONSERVATION DIVISION 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:

- CASE 7029: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its special rules and procedures for the designation of "tight formation", promulgated by Division Order No. R-6388, to comply with FERC Order No. 99, issued August 15, 1980, promulgating final regulations with respect to Section 107 of the NCPA.
- CASE 7030: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS as promulgated by Division Order No. R-5878, as amended. The proposed amendments relate to individual well filings for price category determination as "tight formation" gas under Section 107 of the NCPA.
- CASE 7031: Application of Coronado Exploration Corp. for a unit agreement, Guadalupe County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Mesa Leon Unit Area, comprising 15,680 acres, more or less, of State, Federal, and fee lands in Township 6 North, Range 17 East.
- CASE 7007: (Continued from September 3, 1980, Examiner Hearing)
Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Morrow and Atoka production in the wellbore of its North Travis 12 Deep Well No. 1 located in Unit O of Section 12, Township 18 South, Range 28 East.
- CASE 7023: (Continued from September 17, 1980, Examiner Hearing)
Application of Shell Oil Company for pool creation and temporary special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Pennsylvanian oil pool for its Askew Well No. 1 located in Unit L of Section 2, Township 5 South, Range 33 East, and the promulgation of special pool rules therefor, including a provision for 80-acre spacing.
- CASE 7019: (Continued from September 17, 1980, Examiner Hearing)
Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 30, Township 23 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7032: Application of Daipont Oil Corporation for an exception to Order No. R-3221, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine into an unlined surface pit located between Units L and M of Section 9, Township 15 South, Range 30 East.
- CASE 7033: Application of Adams Exploration Inc. for three non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of three 80-acre non-standard proration units in the Vada-Pennsylvanian Pool, comprising the following acreage: SE/4 NE/4 and NE/4 SE/4 of Section 12, N/2 NE/4 of Section 12, and S/2 SE/4 of Section 2, all in Township 9 South, Range 34 East.
- CASE 6940: (Continued from August 20, 1980, Examiner Hearing)
Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6996: (Continued from September 3, 1980, Examiner Hearing)

Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7034: Application of Merrion & Bayless for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Otero-Chacra production in the wellbore of its Atlantic Well No. 1 located in Unit O of Section 32, Township 26 North, Range 6 West.

CASE 7035: Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallegos-Gallup and Basin-Dakota production in the wellbore of its Delhi Taylor Well No. 1 located in Unit M of Section 4, Township 26 North, Range 11 West.

CASE 7036: Application of J. Gregory Merrion for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SE/4 of Section 34, Township 25 North, Range 6 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7037: Application of Mesa Petroleum Co. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Mesaverde production in the wellbore of its State Com AF Well No. 28 located in Unit I of Section 36, Township 29 North, Range 10 West.

CASE 7020: (Continued from September 3, 1980, Examiner Hearing)

Application of Mesa Petroleum Co. for pool creation, special pool rules and an oil discovery allowable, Rio Arriba and San Juan Counties, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Gallup oil pool for its South Blanco Federal Well No. 1-6 located in Unit A of Section 6, Township 23 North, Range 7 West, and special rules therefor, including a provision for 80-acre spacing units. Applicant further seeks a discovery allowable for the aforesaid well.

CASE 6822: (Continued from September 17, 1980, Examiner Hearing)

In the matter of Case 6822 being reopened pursuant to the provisions of Order No. R-6293 which order created the West Double X-Wolfcamp Gas Pool as a retrograde gas condensate pool and set special production limitations therein. Operator(s) may appear and present evidence to establish the true nature of the reservoir and proper rates of withdrawal therefrom.

CASE 7038: Application of Natura Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NE/4 of Section 6, Township 19 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7039: Application of Red Mountain & Associates for a waterflood project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Chaco Wash-Mesaverde Oil Pool by the injection of water into the Chaco Wash Sand formation through eight wells at various orthodox and unorthodox locations in Section 28 of Township 20 North, Range 9 West.

CASE 7040: Application of Belco Petroleum Corporation for reclassification or a new gas pool and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Wilson Strawn Pool as a gas pool or, in the alternative, the creation of a new gas pool for its State 12 Well No. 1 located in Unit G of Section 12, Township 21 South, Range 34 East; applicant further seeks approval of a standard gas proration unit for said well comprising the E/2 of said Section 12, or in the alternative, a non-standard unit comprising the NE/4, N/2 SE/4 and SE/4 SE/4 of said Section 12.

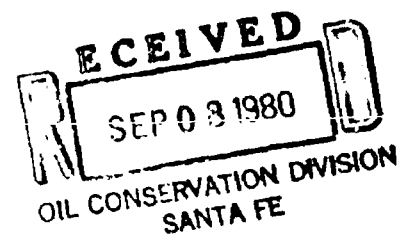
CASE 6618: (Reopened and Readvertised)

In the matter of Case 6618 being reopened pursuant to the provisions of Order No. R-6103 which order created the Travis-Yates Gas Pool in Eddy County, New Mexico, with temporary special rules and regulations including a provision for 80-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 160-acre spacing units.

CASE 6648: (Reopened and Readvertised)

In the matter of Case 6648 being reopened pursuant to the provisions of Order No. R-6124 which order promulgated temporary special rules and regulations for the North Caprock-Mississippian Pool in Lea County, New Mexico, including a provision for 160-acre spacing and a 4000 to one gas-oil ratio limitation. Operators in said pool may appear and show cause why the pool should not be developed on 40-acre spacing with a 2000 to one GOR.

J. GREGORY MERRION
PETROLEUM ENGINEER
P. O. BOX 507
FARMINGTON, NEW MEXICO 87401



September 3, 1980

Case 7035

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

ATTN: Mr. Joe D. Ramey
Director

RE: Request for Hearing to
Commingle Merrion and
Bayless DELHI TAYLOR
C-1 WELL

Gentlemen:

Please schedule a hearing to consider our application to commingle
in the wellbore gas and oil produced from the Gallegos Gallup and
Basin Dakota formations in our Delhi Taylor C-1 well located 790'
FSL and 790' FWL, Section 4, T26N, R11W, San Juan County, New Mexico.

Yours very truly,

MERRION & BAYLESS



J. GREGORY MERRION

JGM/pb

dr/

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. 7035

Order No. A-6493

APPLICATION OF MERRION & BAYLESS

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 1,
19 80, at Santa Fe, New Mexico, before Examiner Daniel S.
Nutter.

NOW, on this _____ day of October, 19 80, 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, Merrion & Bayless, are ~~xxx~~
the owner and operator of the Delhi Taylor Well No. 1,
located in Unit M of Section 4, Township 26 North,
Range 11 West, NMPM, San Juan County, New Mexico.

(3) That the applicant seeks authority to commingle
Gallegos-Gallup and Basin-Dakota production
within the wellbore of the above-described well.

(4) That from the Gallegos-Gallup zone, the subject well is capable of low marginal production only.

(5) That from the Basin-Dakota zone, 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.

(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 in order to allocate the commingled production to each of the commingled zones in the subject well, 37 percent of the commingled gas production should be allocated to the Gallegos-Gallup zone, and 63 percent of the commingled gas and all of the liquid hydrocarbon production to the Basin-Dakota zone.

~~(ALTERNATE)~~

~~(9) That in order to allocate the commingled production to each of the commingled zones in the wells, 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, Merrion & Bayless, are ~~xxxxxx~~
hereby authorized to commingle Gallegos-Gallup and
Basin-Dakota production within the wellbore of
the Delhi Taylor Well No. 1, located in Unit M of
Section 4, Township 26 North, Range 11 West,
NMPM, San Juan County, New Mexico.

~~(2) 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.~~

~~(ALTERNATE)~~

(2) That 37 percent of the commingled gas
production shall be allocated to the Gallegos-Gallup
zone and 63 percent of the commingled gas
and all of the liquid hydrocarbon production shall be allocated to the Basin-Dakota
zone.

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

(4) 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.