

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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

*Case No. 12214
Order No. R-11224*

**APPLICATION OF OIL CONSERVATION DIVISION TO AMEND DIVISION
RULE 303 TO ELIMINATE THE REQUIREMENT OF NOTICE TO OFFSET
OPERATORS FOR DOWNHOLE COMMINGLING APPLICATIONS.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on July 15, 1999, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 15th day of July, 1999, the Commission, a quorum being present, having considered the record,

FINDS THAT:

(1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.

(2) New Mexico Oil Conservation Division Rule 303 should be amended to delete the requirement that offsetting operators be notified of downhole commingling applications. This comports with recent changes made to the notice requirements in Rule 1207.A.(6). The changes to Rule 303 would delete subparagraph 303.D.(10)(c) and delete the words "any offset operator or" in 303.F.(1).

(3) It is necessary to adopt Rule 303 as amended and set forth in the attached Exhibit "A".

IT IS THEREFORE ORDERED

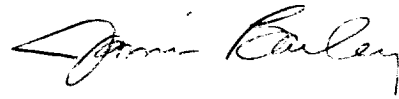
(1) Division Rule 303 is hereby amended and adopted as set forth in the attached Exhibit "A".

(2) Rule 303 shall be effective as of the date of its publication in the New Mexico Register.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

(4) Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



ROBERT L. LEE, Member



LORI WROTENBERY, Chairman



S E A L

EXHIBIT "A"
CASE NO. 12214
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303.D. To obtain approval for downhole commingling, the applicant shall submit Division Form C-107-A to the Division Director plus one copy to the appropriate District Office of the Division. In addition to the name and address of the operator, lease name, well number, well location, county, operator OGRID number, property code, API number and identification of spacing unit lease types, the applicant shall submit the following information (which numbers below correspond to the numbers on Form C-107-A):

(1) The name of the pool and the pool code for each zone to be commingled;

(2) The top and bottom of each commingled pay section as identified by existing or projected perforations;

(3) The type of production, oil or gas, for each commingled zone;

(4) The method of production, flowing or artificial lift, for each commingled zone;

(5)(a) The estimated bottomhole pressure for each artificially lifted zone. A current (within 60 days) measured bottomhole pressure for each zone capable of flowing;

(b) The original bottomhole reservoir pressure of each gas zone to be commingled;

(6) The oil gravity (degree, API) or gas BTU content for each commingled zone;

(7)(a) Statement that each existing zone is either currently producing or shut-in;

(b) Statement as to whether or not each zone is marginal or expected to be marginal. The Division may require additional data to support applicant's statement as to the marginal nature of the zone(s);

(c) For each existing zone that is shut-in, give the date and the oil, gas and water rates of the last production;

(d) For each existing zone currently producing, give the date and the oil, gas and water rates of a recent (within 60-days) test;

(e) For new zones with no production history, an attachment showing estimated producing rates and supporting data;

(8) A fixed percentage formula for the allocation of production to each of the commingled zones, if method is applicable;

(9) In those cases where the allocation formula is based upon something other than current or past production as shown in Parts 7(c) and 7(d), or is based upon some other method (i.e. changing percentages, subtraction, etc.) submit data which supports proposed allocation;

(10)(a) A statement as to whether all working, royalty and overriding royalty interests are common in all of the spacing units for the commingled zones; and

(b) A statement that in the case where ownership is not common among the zones to be commingled, the applicant has given notification, by certified mail, of the application to all owners (including working, royalty and overriding royalty interests) for the spacing unit for each of the commingled zones.

(11)(a) A statement as to whether cross-flow will occur among any of the commingled zones;

(b) A statement that if cross-flow should occur between any of the commingled zones, the fluids will be compatible, the formations will not be damaged, cross-flowed production will be ultimately recovered, and the allocation formula will still be reliable;

(12) A statement that produced fluids from all commingled zones will be compatible with each other. Applicant shall consider and address any relevant issues of potential waste and formation damage including resultant emulsions or precipitates and other factors which might result in permanent loss of reserves. The Division may require a description of fluid characteristics in areas where such data is limited;

(13) A statement that the value of production will not be decreased by commingling;

(14) A statement that in the case of a well on or communitized with state or federal lands, the Commissioner of Public Lands for the State of New Mexico or the United States Bureau of Land Management have been sent a completed Form C-107-A and attachments notifying them of the proposed commingling;

(15) Order numbers for Division "reference cases" (See Paragraph 303.E.);

(16) The following attachments shall be included with Form C-107-A:

- (a) a C-102 for each zone to be commingled showing the acreage dedicated to each completion;
- (b) a production curve for each zone for at least one year; (Briefly explain if this data is not available);
- (c) For zones with no production history, estimated producing rates and supporting data;

- (d) data to support allocation method or formula;
- (e) a notification list of all working, royalty and overriding royalty interests for cases where ownership is not common; and
- (f) any additional statements, data or documents required to support commingling.

[1-1-69...3-30-96; A, 7-30-99]

303.F. The process and timing for approval of downhole commingling as to approval authority, common or non-common interests, Form C-107-A filing, and administrative or hearing formats shall be determined as follows:

(1) The Division Director may approve the proposed downhole commingling in the absence of a valid objection from any interest owner in those instances when ownership is not common in the zones to be commingled within 20 days after the receipt of the application if, in his opinion, waste will not result thereby, and correlative rights will not be violated;

(2) The Division Director, may, at his discretion, set any administratively filed Form C-107-A application for hearing.

[1-1-69...3-30-96; A, 7-30-99]