

Entered November 9, 1966
A.H.P.

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. 3498
Order No. R-3163

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR A PRESSURE MAINTENANCE
PROJECT, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 30, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of December, 1966, 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 applicant, Pan American Petroleum Corporation, proposes to institute a pressure maintenance project in the Piñon-Gallup Oil Pool, San Juan County, New Mexico, with injection of water initially through the following four wells, San Juan County, New Mexico:

Lease Name	Well	Unit	Section	Township	Range
Gallegos Canyon Unit	Well No. 257	K	19	28 North	11 West
Gallegos Canyon Unit	Well No. 258	G	24	28 North	12 West
Gallegos Canyon Unit	Well No. 259	P	14	28 North	12 West
Gallegos Canyon Unit	Well No. 260	I	15	28 North	12 West

(3) That the applicant proposes that an administrative procedure be established whereby said proposed maintenance project may

be expanded for good cause shown, and whereby additional wells in the project area may be converted to water injection.

(4) That Special Rules and Regulations for the operation of the Pan American Petroleum Corporation Piñon Gallup Pressure Maintenance Project should be promulgated and, for operational convenience, such rules should provide certain flexibility in authorizing the production of the project allowable from any well or wells in the project in any proportion, provided that no well in the project area which directly or diagonally offsets a well outside the project area producing from the same common source of supply should be allowed to produce in excess of top unit allowable for the Piñon-Gallup Oil Pool until such time as the well has experienced a substantial response from water injection. When such a response has occurred, the well should be permitted to produce up to two times top unit allowable for the Piñon-Gallup Oil Pool. Production of such well at a higher rate should be authorized only after notice and hearing.

IT IS THEREFORE ORDERED:

(1) That the applicant, Pan American Petroleum Corporation, is hereby authorized to institute a pressure maintenance project in the Piñon-Gallup Oil Pool, San Juan County, New Mexico, by the injection of water into the Gallup formation through the following-described wells:

Lease Name	Well	Unit	Section	Township	Range
Gallegos Canyon Unit	Well No. 257	K	19	28 North	11 West
Gallegos Canyon Unit	Well No. 258	G	24	28 North	12 West
Gallegos Canyon Unit	Well No. 259	P	14	28 North	12 West
Gallegos Canyon Unit	Well No. 260	I	15	28 North	12 West

(2) That Special Rules and Regulations governing the operation of the Pan American Petroleum Corporation Piñon Gallup Pressure Maintenance Project, San Juan County, New Mexico, are hereby promulgated as follows, effective January 1, 1967:

SPECIAL RULES AND REGULATIONS
FOR THE
PAN AMERICAN PETROLEUM CORPORATION
PIÑON GALLUP PRESSURE MAINTENANCE PROJECT

RULE 1. The project area of the Pan American Petroleum Corporation Piñon Gallup Pressure Maintenance Project, San Juan County,

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New Mexico, hereinafter referred to as the Project, shall comprise that area described as follows:

TOWNSHIP 28 NORTH, RANGE 11 WEST, NMPM

Section 19: Lots 1, 2, 3, 4 (W/2 W/2),
E/2 NW/4, S/2 NE/4, SE/4,
E/2 SW/4

TOWNSHIP 28 NORTH, RANGE 12 WEST, NMPM

Section 10: SE/4 SW/4, S/2 SE/4

Section 13: S/2 S/2, NW/4 SW/4

Section 14: NW/4, SW/4 NE/4, S/2

Section 15: NE/4, E/2 NW/4, N/2 SE/4,
SE/4 SE/4

Section 23: N/2 N/2, SE/4 NE/4

Section 24: N/2, N/2 SE/4

RULE 2. The allowable for the Project shall be the sum of the allowables of the several wells within the project area, including those wells which are shut-in, curtailed, or used as injection wells. Allowables for all wells shall be determined in a manner hereinafter prescribed.

RULE 3. Allowables for injection wells may be transferred to producing wells within the project area, as may the allowables for producing wells which, in the interest of more efficient operation of the Project, are shut-in or curtailed because of high gas-oil ratio or are shut-in for any of the following reasons: pressure regulation, control of pattern or sweep efficiencies, or to observe changes in pressures or changes in characteristics of reservoir liquids or progress of sweep.

RULE 4. The allowable assigned to any well which is shut-in or which is curtailed in accordance with the provisions of Rule 3, which allowable is to be transferred to any well or wells in the project area for production, shall in no event be greater than its ability to produce during the test prescribed by Rule 6, below, or greater than the current top unit allowable for the pool during the month of transfer, whichever is less.

RULE 5. The allowable assigned to any injection well on an 80-acre proration unit shall be top unit allowable for the Piñon-Gallup Oil Pool.

RULE 6. The allowable assigned to any well which is shut-in or curtailed in accordance with Rule 3 shall be determined by a

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24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well should be produced in the same manner and at a constant rate. The daily tolerance limitation set forth in Commission Rule 502 I (a) and the limiting gas-oil ratio (2,000 to 1) for the Piñon-Gallup Oil Pool shall be waived during such tests. The project operator shall notify all operators offsetting the well, as well as the Commission, of the exact time such tests are to be conducted. Tests may be witnessed by representatives of the offsetting operators and the Commission, if they so desire.

RULE 7. The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or to top unit allowable for the Piñon-Gallup Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the project area producing from the same common source of supply shall not produce in excess of top unit allowable for the pool until such time as the well receives a substantial response to water injection. When such a response has occurred, the well shall be permitted to produce up to two times top unit allowable for the pool. Production of such well at a higher rate shall be authorized only after notice and hearing. Each producing well shall be subject to the limiting gas-oil ratio (2,000 to 1) for the Piñon-Gallup Oil Pool, except that any well or wells within the project area producing with a gas-oil ratio in excess of 2,000 cubic feet of gas per barrel of oil may be produced on a "net" gas-oil ratio basis, which net gas-oil ratio shall be determined by applying credit for daily average gas injected, if any, into the Piñon-Gallup Oil Pool within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$A_{adj} = \frac{TUA \times F_a \times 2,000}{\frac{P_g - I_g}{P_o}}$$

where:

A_{adj} = top well's daily adjusted allowable

TUA = top unit allowable for the pool

- F_a = the well's acreage factor
- P_g = average daily volume of gas produced by the well during the preceding month, cubic feet
- I_g = the well's allocated share of the daily average gas injected during the preceding month, cubic feet
- P_o = average daily volume of oil produced by the well during the preceding month, barrels

In no event shall the amount of injected gas being credited to a well be such as to cause the net gas-oil ratio, $\frac{P_g - I_g}{P_o}$, to be less than 2,000 cubic feet of gas per barrel of oil produced.

RULE 8. Credit for daily average net water injected into the Piñon-Gallup Oil Pool through any injection well located within the project area may be converted to its gas equivalent and applied to any well producing with a gas-oil ratio in excess of two thousand cubic feet of gas per barrel of oil. Total credit for net water injected in the project area shall be the gas equivalent volume of the daily average net water injected during a one-month period. The daily average gas equivalent of net water injected shall be computed in accordance with the following formula:

$$E_g = (V_{w \text{ inj}} - V_{w \text{ prod}}) \times 5.61 \times \frac{P_a}{15.025} \times \frac{520^\circ}{T_r} \times \frac{1}{Z}$$

where:

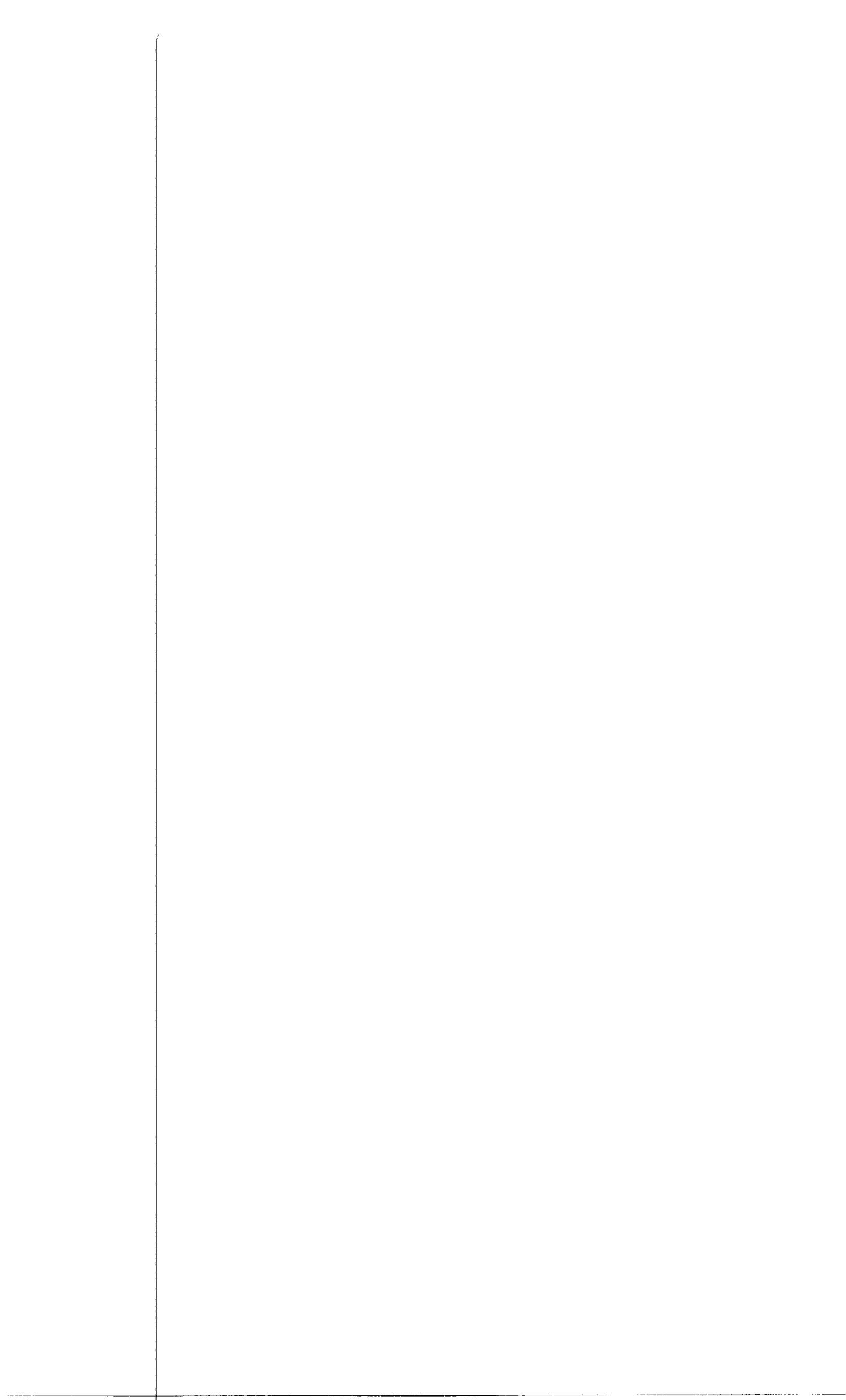
- E_g = Average daily gas equivalent of net water injected, cubic feet
- $V_{w \text{ inj}}$ = Average daily volume of water injected, barrels
- $V_{w \text{ prod}}$ = Average daily volume of water produced, barrels
- 5.61 = Cubic foot equivalent of one barrel of water

- P_a = Average reservoir pressure at a datum of + 100 feet above sea level, psig + 12.00, as determined from most recent survey
- 15.025 = Pressure base, psi
- 520^o = Temperature base of 60^oF expressed as absolute temperature
- T_r = Reservoir temperature of 158^oF expressed as absolute temperature (618^oR)
- Z = Compressibility factor from analysis of Piñon-Gallup gas at average reservoir pressure, P_a , interpolated from compressibility tabulation below:

<u>Pressure</u> <u>Psig</u>	<u>Z</u>	<u>Pressure</u> <u>Psig</u>	<u>Z</u>	<u>Pressure</u> <u>Psig</u>	<u>Z</u>
0	1.000	500	.907	1000	.864
50	.983	550	.902	1050	.860
100	.969	600	.896	1100	.856
150	.958	650	.893	1150	.852
200	.948	700	.889	1200	.848
250	.939	750	.884	1250	.844
300	.932	800	.880	1300	.840
350	.924	850	.876	1350	.837
400	.918	900	.872	1400	.833
450	.912	950	.868	1450	.829
				1470	.827

RULE 9. Each month the project operator shall, within three days after the normal unit allowable for Northwest New Mexico has been established, submit to the Commission a Pressure Maintenance Project Operator's Report, on a form prescribed by the Commission, outlining thereon the data required, and requesting allowables for each of the several wells in the Project as well as the total Project allowable. The aforesaid Pressure Maintenance Project Operator's Report shall be filed in lieu of Form C-120 for the Project.

RULE 10. The Commission shall, upon review of the report and after any adjustments deemed necessary, calculate the allowable for each well in the Project for the next succeeding month in accordance with these rules. The sum of the allowables so calculated



shall be assigned to the Project and may be produced from the wells in the Project in any proportion except that no well in the Project which directly or diagonally offsets a well outside the Project producing from the same common source of supply shall produce in excess of two times top unit allowable for the pool.

RULE 11. The conversion of producing wells to injection, the drilling of additional wells for injection, and expansion of the project area shall be accomplished only after approval of the same by the Secretary-Director of the Commission. To obtain such approval, the Project operator shall file proper application with the Commission, which application, if it seeks authorization to convert additional wells to injection or to drill additional injection wells shall include the following:

(1) A plat showing the location of proposed injection well, all wells within the project area, and offset operators, locating wells which offset the project area.

(2) A schematic drawing of the proposed injection well which fully describes the casing, tubing, perforated interval, and depth showing that the injection of gas or water will be confined to the Gallup formation.

(3) A letter stating that all offset operators to the proposed injection well have been furnished a complete copy of the application and the date of notification.

The Secretary-Director may approve the proposed injection well if, within 20 days after receiving the application, no objection to the proposal is received. The Secretary-Director may grant immediate approval, provided waivers of objection are received from all offset operators.

Expansion of the project area may be approved by the Secretary-Director of the Commission administratively when good cause is shown therefor.

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

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


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

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