

P. O. BOX 2510

ZIA ENERGY, INC.

HOBBS, NEW MEXICO 88241

May 25, 2000

PHONE (505) 393-2937

Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505-6429

Attn: Mr. David Catanach

Reference: Request for Exception to Rule 303-A
Downhole commingling
Elliott 'B' #6
Eumont and Penrose Skelly Pools
Lea County, New Mexico


Zia Energy, Inc. requests administrative approval for an exception to Rule 303-A to downhole commingle production from Eumont and Penrose Skelly pools in our Elliott 'B' #6 wellbore. Attached for your review is a C 107A, C102 for each pool, and decline curves.

The well was originally completed as an open hole Penrose Skelly Grayburg well. In 1997 the wellbore was plugged back to test the Eumont. As you can see from the Eumont decline curve that the workover was of marginal success. The Grayburg is also of marginal nature. We would like to knock out the CIBP and downhole commingle the two pools. The well has pumping equipment installed that will maintain minimum bottom hole pressure and prevent cross flow. Allowing commingling of the two intervals will allow the pump to be lowered and therefore lower back pressure on the Eumont and allow more of the gas reserves to be produced along with reserves from the Grayburg that otherwise would not have been recovered.

Approval of this request will maximize pumping efficiency and will allow for additional reserves to be recovered that would normally be below economical value.

If you have any questions or need additional information please call me at (505) 393-2937 or e-mail at nelsosd@leaco.net.

Sincerely,



Scott Nelson

Attachments

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410
DISTRICT IV
2040 S. Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
Revised August 1999

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Zia Energy, Inc.

PO Box 2510, Hobbs, NM 88241

Operator

Address

Elliott 'B'

6

A - 17 - 22S - 37E

Lea

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 025616 Property Code 013025 API NO. 3002510333 Federal ☐ , State ☐ , (and/or) Fee ☒

The following facts are submitted in support of downhole commingling.	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Eumont		Penrose Skelly Grayburg
2. Top and Bottom of Pay Section (Perforations)	3438-80		3530-3700
3. Type of production (Oil or Gas)	Gas		Oil
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift		
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a. (Current) <u>250</u> b. (Original) <u>1450</u>	a. b.	a. <u>250</u> b. <u>1420</u>
6. Oil Gravity (° API) or Gas BTU Content	31.2/1180		34.1/1213
7. Producing or Shut-In?	Producing		Shut In
Production Marginal? (yes or no)	Yes		Yes
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates: Date: Nov. 1999 Rates: .5/48/0	Date: Rates: Date: Rates:	Date: April 1997 Rates: 1.6/29/.25 Date: Rates:
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: 24 % Gas: 62 %	Oil: % Gas: %	Oil: 76 % Gas: 38 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☒ Yes ☐ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☐ Yes ☐ No

11. Will cross-flow occur? ☐ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☐ Yes ☐ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No

13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☐ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). R-4363, R-4374

16. ATTACHMENTS:

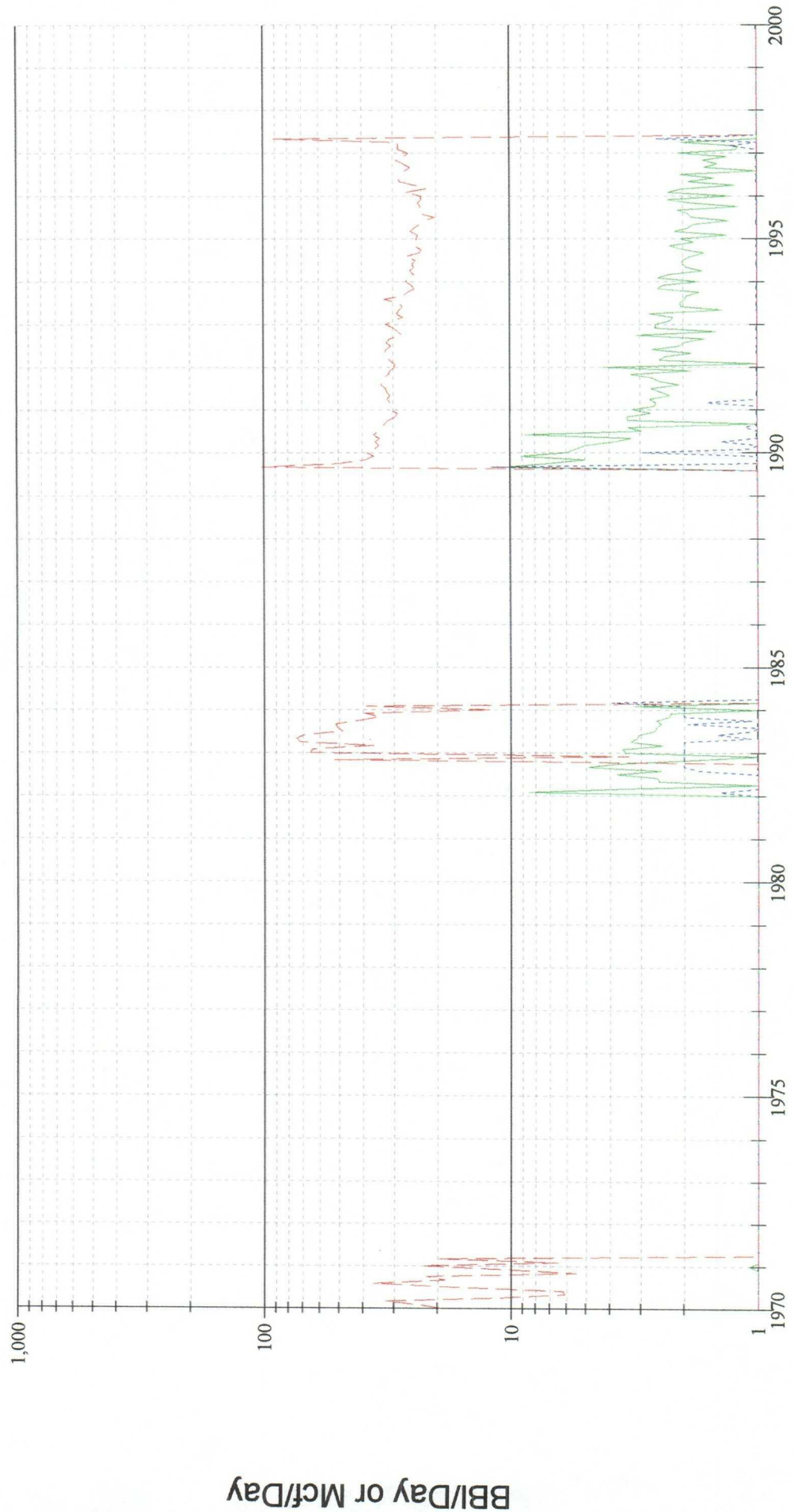
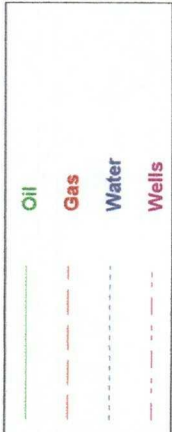
- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Scott Nelson TITLE Engineer DATE 5/25/00

TYPE OR PRINT NAME Scott Nelson TELEPHONE NO. 505-393-2937

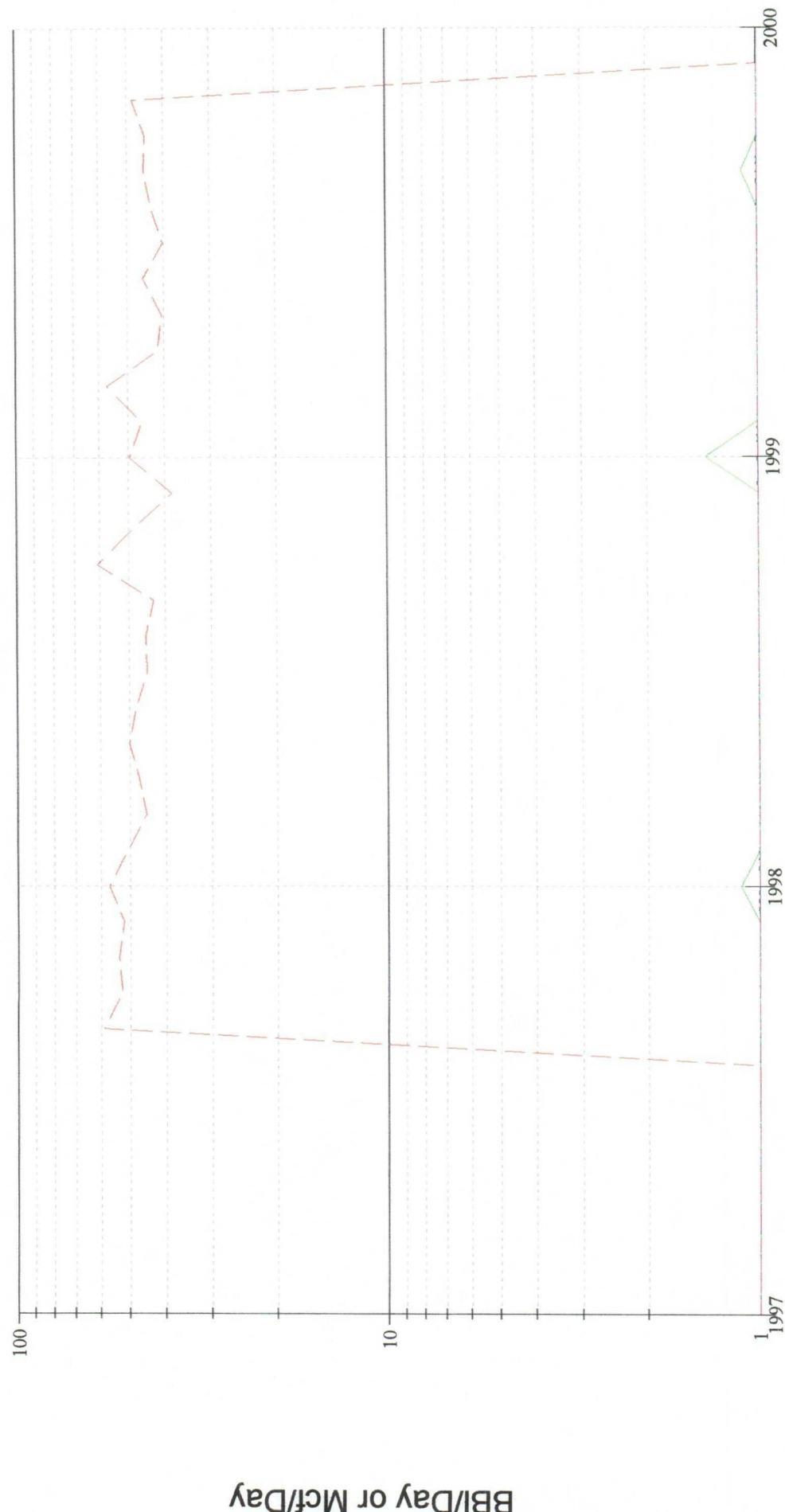
Field: PENROSE SKELLY
 Lease: ELLIOTT B | Well #6
 Operator: ZIA ENERGY INCORPORATED
 Production Rate vs Time
 For the Period 01/1970 to 12/1999 | API: 30025103330000



Time

Reported Oil Production = 76,151 Bbls
 Reported Gas Production = 339,413 Mcf
 Reported Water Production = 2,642 Bbls

Field: EUMONT
 Lease: ELLIOTT B | Well #6
 Operator: ZIA ENERGY INCORPORATED
 Production Rate vs Time
 For the Period 01/1997 to 12/1999 | API: 30025103330000



Time

Reported Oil Production = 273 Bbls
 Reported Gas Production = 39,589 Mcf
 Reported Water Production = 0 Bbls

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe. NM 87505

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-10333	² Pool Code 50350	³ Pool Name Penrose Skelly Grayburg
⁴ Property Code 013025	⁵ Property Name Elliott 'B'	⁶ Well Number 6
⁷ OGRID No. 025616	⁸ Operator Name Zia Energy, Inc.	⁹ Elevation 3404

¹⁰ Surface Location

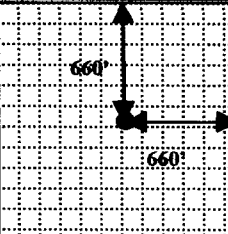
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	17	22S	37E		660	North	660	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR
 A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION	
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief	
	Signature <u>Scott Nelson</u> Scott Nelson District Name Engineer Title Date 5/25/00	
	¹⁸ SURVEYOR CERTIFICATION	
	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	
	Date of _____ Survey Signature and Seal of Professional Surveyer:	
	Certificate Number _____	

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WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-10333		² Pool Code 76480	³ Pool Name Eumont Yates Seven River (Pro Gas)
⁴ Property Code 013025	⁵ Property Name Elliott 'B'		⁶ Well Number 6
⁷ OGRID No. 025616	⁸ Operator Name Zia Energy, Inc.		⁹ Elevation 3404

¹⁰ Surface Location

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¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. NSP-1777
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16					<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Scott Nelson</i></p> <p>Signature</p> <p>Scott Nelson</p> <p>Printed Name</p> <p>Engineer</p> <p>Title</p> <p>Date 5/25/00</p>
					<p>18 SURVEYOR CERTIFICATION</p> <p>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</p> <p>Date of</p> <p>Survey</p> <p>Signature and Seal of Professional Surveyer:</p>

Certificate Number