

Catanach, David

From: Catanach, David
Sent: Monday, April 30, 2001 2:24 PM
To: 'Peggy Cole'
Cc: Hayden, Steven
Subject: DHC Application

Peggy,

Upon review of the DHC application for the Davis A Federal Well No. 1M (API No. 30-045-29746) submitted for DHC approval on February 22, 2001, I discovered that the current bottomhole pressure of the Dakota formation, 2,957 psi, exceeds the fracture pressure of the Chacra formation 2,060 psi (3,170' estimated depth x .65). Pursuant to 303.C.(1)(c), this well therefore does not qualify for administrative approval for downhole commingling of these zones.

If you have any other data you wish us to consider, please submit or, if you would like this application set for hearing, please call me at (505) 476-3466.

Thank You

David Catanach

B. Surface Commingling

(1) The Director shall have the authority to grant an exception to Rule 303A to permit the commingling in common facilities of the commonly owned production from two or more common sources of supply, without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the Division's "Manual for the Installation and Operation of Commingling Facilities," then current.

(2) Application for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe Office of the Division. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons production from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbons production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.

(3) Where State and Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Bureau of Land Management has consented to the proposed commingling.

C. Downhole Commingling

(1) The Director may grant an exception to Rule 303A to permit the commingling of multiple producing pools in existing or proposed wellbores when the following conditions are met:

(a) the fluids from each pool are compatible and combining the fluids will not result in damage to any of the pools;

(b) the commingling will not jeopardize the efficiency of present or future secondary recovery operations in any of the pools to be commingled;

(c) the bottom perforation of the lower zone is within 150% of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure with normal pressure assumed to be 0.433 psi per foot of depth. If the pools to be commingled are not within this vertical interval, then evidence will be required to demonstrate that commingling will not result in shut-in or flowing wellbore pressures in excess of the fracture parting pressure of any commingled pool. The fracture parting pressure shall be assumed to be 0.65 psi per foot of depth unless the applicant submits other measured or calculated pressure data acceptable to the Division;

(d) the commingling will not result in the permanent loss of reserves due to cross-flow in the wellbore;

(e) fluid-sensitive formations that may be subject to damage from water or other produced liquids shall be protected from contact with such liquids produced from other pools in the well;

(f) if any of the pools being commingled is prorated, or the well's production has been restricted by Division order in any manner, the allocated production from each producing pool in the commingled wellbore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to such well;

(g) the commingling will not reduce the value of the total remaining production; and

(h) correlative rights will not be violated.

(2) The Director may rescind authority to commingle production in a wellbore and require the pools to be produced separately if, in the Director's opinion, waste or reservoir damage is resulting, correlative rights are being impaired or the efficiency of any secondary recovery project is being impaired, or any changes or conditions render the installation no longer eligible for downhole commingling.

(3) When the conditions set forth in Rule 303C(1) are satisfied, the Director may approve a request to downhole commingle production in one of the following ways:

(a) **Individual exceptions:** Applications to downhole commingle in wellbores located outside of an area subject to a downhole commingling order issued in a "reference case" and not within a pre-approved pool or area shall be filed on Division Form C-107-A with the Division.

(i) The Director may administratively approve a Form C-107-A application in the absence of a valid objection filed within 20-days after receipt of the application by the Division if, in the Director's opinion, waste will not occur and correlative rights will not be impaired.