

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

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

CASE NO. 11155
ORDER NO. R-10319

**APPLICATION OF AMOCO PRODUCTION
COMPANY FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 19, 1995 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of March, 1995 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Amoco Production Company, seeks approval to downhole commingle conventional Blanco-Pictured Cliffs Pool gas production with gas production from the Basin-Fruitland Coal (Gas) Pool within the wellbore of its proposed Ruth Well No. 1 to be drilled at a standard gas well location for both intervals 940 feet from the North line and 790 feet from the East line (Unit A) of Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico.
- (3) The above-described well is to be dedicated in the Basin-Fruitland Coal (Gas) Pool to a standard 320-acre gas spacing and proration unit comprising the N/2 of said Section 8, and in the Blanco-Pictured Cliffs Pool to a standard 160-acre gas spacing and proration unit comprising the NE/4 of said Section 8.

(4) Mineral ownership within the Basin-Fruitland Coal (Gas) Pool and the Aztec-Pictured Cliffs Pool underlying each respective proration unit is not common.

(5) The applicant has notified all interest owners owning an interest in either the Pictured Cliffs or Fruitland Coal intervals within the subject proration units of its proposed downhole commingling.

(6) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed downhole commingling.

(7) The applicant demonstrated through its evidence that:

a) there will be no crossflow between the two commingled pools;

b) neither commingled zone exposes the other to damage by produced liquids;

c) the fluids from each zone are compatible with the other;

d) the bottomhole pressure of the lower pressure zone should not be less than 50 percent of the bottomhole pressure of the higher pressure zone adjusted to a common datum;

e) the value of the commingled production is not less than the sum of the values of the individual production; and,

f) the proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Fruitland Coal (Gas) Pool reserves underlying the N/2 of said Section 8 as well as the gas reserves in the Blanco-Pictured Cliffs Pool underlying the NE/4 of said Section 2.

(8) In the interest of conservation, the prevention of waste, and in the protection of correlative rights, the subject application should be approved.

(9) Subsequent to completion, the applicant proposes to conduct a production test on each of the subject zones in order to obtain initial production data.

(10) The production tests should be of sufficient duration in order to obtain stabilized producing rates. In addition, the applicant should notify the supervisor of the Aztec district office of the Division prior to conducting such production tests, in order that such test may be witnessed.

(11) The applicant should present the results of the production tests to the supervisor of the Aztec district office of the Division in order that the results may be verified.

HOWEVER:

(12) Due to the nature of the Basin-Fruitland Coal Gas production and from precedents set by the Division in numerous cases, straight allocation of gas volumes from both zones is not appropriate. The operator of the well therefore should consult with the supervisor of the Aztec District Office of the Division and with the Engineering Bureau in Santa Fe in order to cooperatively adopt an alternate allocation formula based on decline rates for the Pictured Cliffs production and the ultimate recovery from the Pictured Cliffs zone.

(13) The operator should be responsible for reporting the monthly gas production from said well by utilizing whatever method is mutually formulated.

(14) Any condensate production from the subject well should be allocated entirely to the Pictured Cliffs interval.

(15) Any change in the method of gas allocation between the two pools should be made only after approval by the supervisor of the Aztec District Office.

(16) To afford the Division an opportunity to assess the potential of waste and to expeditiously order the appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for seven consecutive days.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to downhole commingle conventional Blanco-Pictured Cliffs Pool gas production with gas production from the Basin-Fruitland Coal (Gas) Pool within the wellbore of its proposed Ruth Well No. 1 to be drilled at a standard gas well location for both intervals 940 feet from the North line and 790 feet from the East line (Unit A) of Section 8, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) The above-described well shall be dedicated in the Basin-Fruitland Coal (Gas) Pool to a standard 320-acre gas spacing and proration unit comprising the N/2 of said Section 8, and in the Blanco-Pictured Cliffs Pool to a standard 160-acre gas spacing and proration unit comprising the NE/4 of said Section 8.

(3) Subsequent to completion, the applicant shall conduct a production test of sufficient duration on each of the zones in order to obtain initial stabilized producing rates. In addition, the applicant shall notify the supervisor of the Aztec district office of the Division prior to conducting such production tests, in order that such test may be witnessed.

(4) The applicant shall present the results of the production tests to the supervisor of the Aztec district office of the Division in order that the results may be verified and approved for use in its allocation formula.

(5) The operator of the well shall consult with the supervisor of the Aztec District Office of the Division and with the Engineering Bureau in Santa Fe in order to adopt an allocation formula based on decline rates for the Pictured Cliffs production and the ultimate recovery from the Pictured Cliffs zone.

(6) The operator is responsible for reporting the monthly gas production from the subject well to the Division utilizing the allocation formula adopted herein.

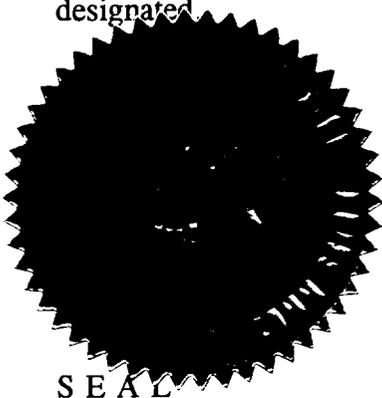
(7) Condensate production from the subject well shall be allocated entirely to the Pictured Cliffs formation. Water production shall be reported in a manner acceptable to the supervisor of the Aztec district office of the Division.

(8) Any variance in the method of gas allocation between the two pools shall be made only upon written authorization by the supervisor of the Aztec District Office.

(9) The operator shall immediately notify the supervisor of the Aztec district office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(10) Jurisdiction is hereby 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director