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JASON KELLAHIN (RETIRED 1991)

February 6, 1995

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87505

RECEIVED

FEB 6 1995

Oil Conservation Division

Re: Application of Conoco Inc. for
Downhole Commingling Approval for
certain wells in the Warren Unit,
Lea County, New Mexico

11212

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for March 2, 1995.

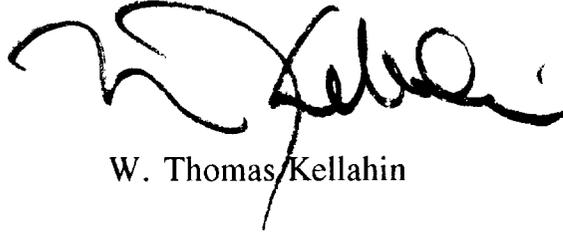
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date

Oil Conservation Division
February 6, 1995
Page Two

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, February 24, 1995, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style. The signature is positioned above the printed name.

W. Thomas Kellahin

WTK/wtk
Enclosure

cc: Conoco Inc. and
By Certified Mail - Return Receipt
All Interested Parties

RECEIVED

FEB 6 1995

PROPOSED ADVERTISEMENT

Oil Conservation Division

Case 1212: Application of Conoco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle Blinebry-Tubb Oil and Gas Pool and Warren-Drinkard Pool production in the wellbores of ten (10) existing wells and four (4) new wells within Conoco's Warren Unit as follows:

(A) Six (6) wells currently dedicated to Blinebry-Tubb Oil and Gas Pool with the Drinkard production either shut-in or temporary abandoned:

Warren Unit Well No. 9, located 1980 feet FNL & 660 feet FWL (Unit E) Section 27, T20S, R38E;

Warren Unit Well No. 10, located 660 feet FNL & 2130 feet FEL (Unit B) Section 28, T20S, R38E;

Warren Unit Well No. 26, located 660 feet FSL & 660 feet FWL (Unit M) Section 27, T20S, R38E;

Warren Unit Well No. 97, located 660 feet FNL & 660 feet FWL (Unit D) Section 34, T20S, R38E;

Warren Unit Well No. 98, located 660 feet FNL & 660 feet FEL (Unit A) Section 28, T20S, R38E;

Warren Unit Well No. 99, located 710 feet FNL & 660 feet FEL (Unit A) Section 33, T20S, R38E;

(B) Four (4) wells currently dually completed in the Blinebry-Tubb and the Drinkard pools:

Warren Unit Well No. 94, located 1840 feet FNL & 2020 feet FWL (Unit F) Section 28, T20S, R38E;

Warren Unit Well No. 113, located 660 feet FSL & 1980 feet FEL (Unit O) Section 28, T20S, R38E;

Warren Unit Well No. 114, located 660 feet FNL & 1980 feet FWL (Unit C) Section 28, T20S, R38E;

Warren Unit Well No. 115, located 1980 feet FNL & 660 feet FWL (Unit E) Section 28, T20S, R38E;

(C) Four (4) new wells to be drilled and completed for downhole commingled production from both the Blinebry-Tubb and the Drinkard pools:

Warren Unit Well No. 116, located 660 feet FNL & 660 feet FWL (Unit D) Section 28, T20S, R38E;

Warren Unit Well No. 117, located 1980 feet FSL & 660 feet FWL (Unit L) Section 28, T20S, R38E;

Warren Unit Well No. 118, located 760 feet FSL & 660 feet FWL (Unit M) Section 28, T20S, R38E;

Warren Unit Well No. 119, located 810 feet FSL & 2105 feet FWL (Unit N) Section 28, T20S, R38E;

with production from each said well to be dedicated to the 40-acre oil spacing and proration unit in which it is currently located. These wells are located approximately 7.5 miles southwest of Nadine, New Mexico.

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

RECEIVED

FEB 6 1995

Oil Conservation Division

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

CASE: 11212

**APPLICATION OF CONOCO INC.
FOR DOWNHOLE COMMINGLING, FOR
EXCEPTIONS TO RULE 303 AND FOR
A GOR EXCEPTION TO ORDER R-8909
LEA COUNTY, NEW MEXICO.**

APPLICATION

Comes now CONOCO INC., ("Conoco") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle Warren Blinebry-Tubb Oil and Gas Pool and Warren-Drinkard Pool production in the wellbores of ten (10) existing wells and four (4) new wells within Conoco's Warren Unit as follows:

(A) Six (6) wells currently dedicated to Blinebry-Tubb Oil and Gas Pool with the Drinkard production either shut-in or temporary abandoned:

Warren Unit Well No. 9, located 1980 feet FNL & 660 feet FWL (Unit E) Section 27, T20S, R38E;

Warren Unit Well No. 10, located 660 feet FNL & 2130 feet FEL (Unit B) Section 28, T20S, R38E;

Warren Unit Well No. 26, located 660 feet FSL & 660 feet FWL (Unit M) Section 27, T20S, R38E;

Warren Unit Well No. 97, located 660 feet FNL & 660 feet FWL (Unit D) Section 34, T20S, R38E;

Warren Unit Well No. 98, located 660 feet FNL & 660 feet FEL (Unit A) Section 28, T20S, R38E;

Warren Unit Well No. 99, located 710 feet FNL & 660 feet FEL (Unit A) Section 33, T20S, R38E;

(B) Four (4) wells currently dually completed in the Blinebry-Tubb and the Drinkard pools:

Warren Unit Well No. 94, located 1840 feet FNL & 2020 feet FWL (Unit F) Section 28, T20S, R38E;

Warren Unit Well No. 113, located 660 feet FSL & 1980 feet FEL (Unit O) Section 28, T20S, R38E;

Warren Unit Well No. 114, located 660 feet FNL & 1980 feet FWL (Unit C) Section 28, T20S, R38E;

Warren Unit Well No. 115, located 1980 feet FNL & 660 feet FWL (Unit E) Section 28, T20S, R38E;

(C) Four (4) new wells to be drilled and completed for downhole commingled production from both the Blinebry-Tubb and the Drinkard pools:

Warren Unit Well No. 116, located 660 feet FNL & 660 feet FWL (Unit D) Section 28, T20S, R38E;

Warren Unit Well No. 117, located 1980 feet FSL & 660 feet FWL (Unit L) Section 28, T20S, R38E;

Warren Unit Well No. 118, located 760 feet FSL & 660 feet FWL (Unit M) Section 28, T20S, R38E;

Warren Unit Well No. 119, located 810 feet FSL & 2105 feet FWL (Unit N) Section 28, T20S, R38E;

with production from each said well to be dedicated to the 40-acre oil spacing and proration unit in which it is currently located AND for authority to produce said wells in excess of the 8000 to 1 limiting gas-oil ratio currently established for the Warren-Drinkard Pool (Order R-8909).

In support of its application, Conoco states:

(1) Conoco is the current operator of the Warren Unit and the Warren-Blinebry Tubb Waterflood Project, Lea County, New Mexico.

(2) This project was created for the purpose of conducting secondary recovery waterflood operations within the Blinebry and Tubb formations within a portion of the Warren Unit which was approved by Division Order R-6906-B issued March 15, 1991.

(3) On March 15, 1991, the Division also entered Order R-9467 which created the Warren-Blinebry Tubb Oil and Gas Pool, contracted the Blinebry Oil and Gas Pool and the Warren-Tubb Gas Pool and created the East Warren-Tub Gas Pool so that Conoco could conduct simultaneous waterflood operations within the Blinebry and Tubb formations within its Warren Blinebry-Tubb Waterflood Project.

(4) On January 20, 1994, the Division entered Order R-10068 (Case 10897) which approved the second expansion of this project to include additional areas within the Warren Unit.

(5) In accordance with Order R-10068, Conoco has performed addition work in the second expansion area of the Warren Unit which has resulted in new wells being drilled as "dual completions" in the Warren-Blinebry Tubb Oil and Gas Pool and in the Warren-Drinkard Pool. Those "dual completions" in the central portion of the second expansion area of the project have been successful and it is currently economic to utilize certain "dual completion" wells to produce these two pools.

(6) However, Conoco has determined that those wells towards the outer boundary of second expansion area of the project cannot economically and timely recover the Warren-Drinkard Pool reserves unless those wells are re-completed as "downhole commingled" wells and any new wells in that area are initially drilled as downhole commingled wells. See Exhibit "A".

(7) Therefore, Conoco seeks:

(a) downhole commingling approval for these ten existing wells and for four new wells;

(b) with production from each said well to be dedicated to the 40-acre oil spacing and proration unit in which it is currently located;

(c) for authority to produce said wells in excess of the 8000 to 1 limiting gas-oil ratio currently established for the Warren-Drinkard Pool (Order R-8909); and

(d) for authority to produce said wells in excess of the total combined daily oil production volume set forth in Division Rule 303(C).

(8) In accordance with or as justified exceptions to Division Rule 303-C-1, the Applicant states and will demonstrate at hearing:

(a) because there are different participating areas in this unit, the ownership is not common with respect to the spacing and proration units in both pools.

(b) the downhole commingling in these wellbores is necessary because evidence indicates that the Warren-Drinkard production from these wells is now marginally productive and any remaining Warren-Drinkard production will have to be abandoned unless it is downhole commingled with production from the Warren-Blinebry Tubb Oil and Gas Pool

(c) In addition, it is no longer economic to dually complete those formations in these wells;

(d) there will be no crossflow between the two zones commingled;

(e) neither commingled zones exposes the other to damage by produced liquids;

(f) the fluids from each zone are compatible with the other;

(g) it is expected that the bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.

(h) the value of the commingled production will not be less than the sum of the values of the individual production.

(9) The proposed downhole commingling program is necessary in order for the applicant to economically recover Warren-Blinebry Tubb Oil and Gas Pool and Warren-Drinkard Pool reserves underlying each respective proration unit.

(10) Conoco will present at the hearing an allocation method and formula which will appropriately allocate the production from each well to each pool.

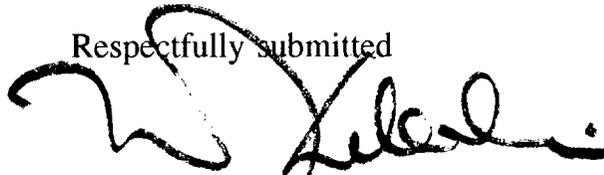
(11) Conoco requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for March 2, 1995.

(12) A copy of this application is being sent to all owners of production within each of the respective spacing units for the well who may be affected by downhole commingling as identified on Exhibit "B".

(13) Copy of this application has been sent to all offsetting operators to the spacing units for these wells as shown on Exhibit "B".

WHEREFORE Applicant requests that this matter be set for hearing on March 2, 1995 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

WARREN UNIT INTEREST OWNERS

<u>NAME/ADDRESS</u>	<u>% INTEREST</u>	<u>TYPE</u>
Arco Oil & Gas P.O. box 1610 Midland, TX 77701	21.40625	W.I.
Chevron USA Inc. P.O. Box 1150 Midland, TX 79702	21.40625	W.I.
MW Petroleum Corp. 2000 Post Oak Blvd, Ste. 100 Houston, TX 77056	21.19219	W.I.
Conoco Inc. 10 Desta Dr., Ste 100W Midland, TX 79705	21.40625	W.I.
Minerals Management Serv. P.O. Box 5810 Denver, CO 80217	12.50000	R.I.
Amoco Production Co. P.O. Box 3092 Houston, TX 77253	.21406	O.R.R.I.
BHCH Mineral Joint Venture #200 745 E. Mulberry San Antonio, TX 78212	.04219	O.R.R.I.
CEC Trust, F/B/O Eleanor Christie Corrigan J. Pat Corrigan Trustee P.O. Box 2410 Vero Beach, FL 32961	.02088	O.R.R.I.
CEC Trust, F/B/O James Patrick Corrigan Jr. J. Pat Corrigan Trustee P.O. Box 2410 Vero Beach, FL 32961	.02087	O.R.R.I.

CEC Trust, F/B/O Hugh Corrigan IV Hugh Corrigan III Trustee 3809 Shenandoah St. Dallas, TX 75205	.03125	O.R.R.I.
CEC Trust, F/B/O Patrick Edward Corrigan Hugh Corrigan III Trustee P.O. Box 50280 Midland, TX 79710	.03125	O.R.R.I.
CEC Trust, F/B/O Hugh Daniels Corrigan J Pat Corrigan Trustee P.O. Box 2410 Vero Beach, FL 32961	.02075	O.R.R.I.
Charles H. Coll P.O. Box 1818 Roswell, NM 88202	.03125	O.R.R.I.
Jon F. Coll P.O. Box 1818 Roswell, NM 88202	.03125	O.R.R.I.
James N. Coll P.O. Box 1818 Roswell, NM 88202	.03125	O.R.R.I.
Max W. Coll II RR 9, Box 72F Santa Fe, NM 87505	.03125	O.R.R.I.
Kyle Stallings P.O. Box 10217 Midland, TX 79702	.02087	O.R.R.I.
Joe Gieb III P.O. Box 2434 Midland, TX 79705	.01172	O.R.R.I.
Boyce Rush Davis P.O. Box 516124 Dallas, TX 75251	.07031	O.R.R.I.
Taryhn Nini Morris 2323 Oldham Ln Abilene, TX 79602	.01953	O.R.R.I.

United New Mexico Trust CO TR Nevada Children FDN Inc Reno Cancer Cntr Inc & Nevada Tuberculosis & Health Assn. P.O. Box 5614 Hobbs, NM 88241	.23436	O.R.R.I.
Pat Corrigan, Trustee Pat Corrigan Trust P.O. Box 2410 Vero Beach, FL 32961	.06250	O.R.R.I.
Harold G. Hubbard #235 10034 Regal Park Ln Dallas, TX 75230	.09376	O.R.R.I.
Morgan R. Hubbard P.O. Box 1961 Abilene, TX 79604	.09374	O.R.R.I.
Peggy Donnelly McConnell Ste. 1111 6300 Ridglea Pl Ft. Worth, TX 76116	.12500	O.R.R.I.
William C. Sawtelle P.O. Box 1617 Boerne, TX 78006	.00469	O.R.R.I.
Neville Turner Estate Marilyn Nowlin NINI & Taryn Louise Morris CO- IND Exes 3333 Oldham Lane Abilene, Tx 79602	.02344	O.R.R.I.
Shriners Hospitals For Crippled Children 550050 Lockbox Tampa, FL 33655	.07814	O.R.R.I.
Hugh Corrigan III Trust Hugh Corrigan III Trustee P.O. Box 50460 Midland, TX 79710	.06250	O.R.R.I.
Meridian Oil P.O. Box 840656 Dallas, TX 75284	.37500	O.R.R.I.
James William Bishop P.O. Box 2248 Hot Springs, AR 71914	.03955	O.R.R.I.

Union Oil Company of California Union Oil & Gas Div. <u>Attn Revenue Accounting</u> P.O. Box 84155 Dallas, TX 75284	.09375	O.R.R.I.
Carlyle W. Urban Indpt. Exec Will & Est Olval L. Brace Deud C/O Ann M Clark 5654 Ella Lee Lane Houston, TX 77056	.03125	O.R.R.I.
Ruth Rush Weaver P.O. Box 195 Pearcy, AR 71964	.03076	O.R.R.I.
Marilyn Nowlin NINI 2 Trafalgar Sq. Abilene, TX 79605	.02734	O.R.R.I.
Rembert A Lechner Route 3, Box 325 Terrell, TX 75160	.07031	O.R.R.I.

O F F S E T O P E R A T O R T O D H C W E L L S

Exxon Company USA P.O. Box 2180 Houston, TX 77252	NE/4 NE/4 Sec. 32 T-20S, R-38E	Offset Location to Proposed Well Warren Unit #118
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All other locations for proposed downhole commingling are offset only by Conoco Inc. as operator of the Warren Unit.