



March 5, 1996

Mr. William J. LeMay, Director
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Comments on Proposed Revisions
NMOCD General Rule 303 - Downhole Commingling

Amoco Production Company appreciates the opportunity to comment on the proposed revisions to NMOCD General Rule No. 303 - Downhole Commingling. Amoco recognized over a year ago that with the aging of the San Juan Basin, we would see a significant increase in the need to downhole commingle wells to increase well life and to produce reserves that would otherwise be left behind. We also recognized that downhole commingling offers an opportunity to improve the overall economics to develop the resources in the San Juan Basin. As such, we were pleased to take an active role in the Industry Task Force addressing this important rule change. The Task Force was united in our desire to change this rule to more adequately meet the needs of an aging basin such as the San Juan, yet it is Amoco's opinion that there is still great reluctance from the NMOCD to substantially change the rule, perhaps because of dissimilar conditions between the northwestern and southeastern parts of the state.

Listed below are some modifications to the proposed rule that we would like you to consider.

1. Reduce Unessential Data Submission

We had hoped to create a simplified process which would reduce data and administrative effort for commingling. While many ideas were presented along this line, including the proposed data form, the proposed rule still requires a significant amount of data to be collected and transmitted. Much of this data, while informative, is not necessary to make the decision to commingle. In essence, we have ended up providing more data than we were under the old rule. Should certain data items be required because of conditions which differ between the two parts of the state, we recommend that you separate this rule into individual Northwest/Southeast rules similar to other NMOCD rules. **We urge you to require only those data items that are absolutely necessary to make your decision.**

2. Economic limitation on Downhole Commingling

We are pleased that the proposed rule relaxes the economic standard for downhole commingling candidates, however, we do not believe that it goes far enough. We believe that an operator should have the ability to commingle formations at any time in the well life that makes engineering sense, and that limiting this operation to only marginal wells creates an artificial restriction that will potentially cause waste. One of the NMOCD's regulatory goals is to promote production practices that allow the most efficient and economic recovery of the State's resources. We believe that commingling is a practice that can achieve that goal and should not be artificially limited. If a production practice will prevent waste and protect correlative rights, why then should you not allow more widespread commingling in certain areas such as the San Juan. **We recommend that you remove the economic criteria restriction entirely from this rule.**

3. Elimination of Offset Operator Notice

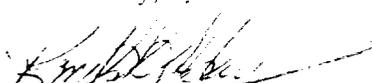
Amoco appreciates the change in this rule to permit commingling of formations which have noncommon interest under an administrative process. We believe that this change will allow us to commingle more wells without the time and economic burdens of putting on a hearing. We believe that the notice to offset operators for the sheer purpose of information, is a costly and time consuming burden. Having received and reviewed numerous of these applications from other companies without any opposition, we routinely dispose of them now. **We strongly recommend that you eliminate notice to offset operators.**

4. Requirement for Measured Downhole Pressure

In the final draft of the rule you require a measured downhole pressure from each formation. It is not the practice to obtain measured bottomhole pressures in the San Juan and would be a significant cost to do so. We have historically used surface pressures adjusted to bottomhole pressure. **We ask that you consider substituting the word "estimated" for "measured" in the final rule.**

Amoco asks that you consider these recommendations before finalizing the rule. We believe these considerations to the proposed General Rule No. 303 would simplify the administrative burdens of applications which should ultimately reduce operating costs thereby preventing waste and at the same time protect correlative rights of all owners

Sincerely,


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