

CASE 11353:

**In the matter of the hearing called by the
Oil Conservation Division to amend Rule
303.C. of its General Rules and
Regulations pertaining to downhole
commingling.**

WITNESS: Jerry W. Hoover

CONOCO, INC.

August 3, 1995

BEFORE A COMMISSION HEARING BY
THE OIL CONSERVATION DIVISION

EXHIBIT NO. 1
CASE NO.: 11353
Submitted by: Conoco Inc.
Hearing Date: Aug. 3, 1995

PROPOSED RULE CHANGES TO RULE 303 - DOWNHOLE COMMINGLING

It is suggested that the current commingling process as set out in Rule 303, Sections C, D, E, F, and G, can be simplified while still adequately addressing both state and industry concerns involving correlative rights and waste. It is proposed that this simplification be accomplished as follows:

Replace sections C. (1) (a) and C. (1) (b) which deal with the commingling of oil and gas zones respectively with one composite list of requirements that addresses all wells. Delete and modify many of the unnecessary provisions of sections D, E, F, and G.

- C. The Director of the Division, or District Supervisor in case of commingling zones with common ownership, shall have the authority to grant an exception to Rule 303(A) to permit the commingling of multiple producing zones in existing or proposed wellbores when the following facts exist and the following conditions are met:
- (1) That the commingling is either necessary to permit a zone or zones to be produced which would not otherwise be economically producible or result in the recovery of additional reserves through more efficient and economical operation.
 - (2) That there will be no significant crossflow between the zones to be commingled that could reasonably be expected to result in the loss of reserves or that would adversely impact the allocation of production among zones.
 - (3) That any zone which is producing from fluid-sensitive sands, which may be subject to damage from water or other produced liquids, is protected from contact from such liquids produced from other zones in the well.
 - (4) The fluids from each commingled zone are compatible with the fluids from the other(s), and combining the fluids will not result in the formation of precipitates which might damage any of the reservoirs.
 - (5) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in any of the zones to be commingled.
- D. To obtain approval for downhole commingling zones with differing ownership, the operator of the well shall submit the following in DUPLICATE to the Division Director plus one copy to the appropriate District Office of the Division; for zones with common ownership, the operator of the well shall submit the following information attached to a Form C-103 Notice of Intention to the District Supervisor of the appropriate District Office of the Division.
- (1) Name and address of the operator.
 - (2) Lease name, well number, well location, and name of the pools to be commingled.
 - (3) A Form C-102 for each zone to be commingled showing the acreage dedicated to the well.
 - (4) In the case of non-common ownership between the zones to be commingled, a list will be furnished indicating the names and address of all owners (including working, royalty, or overriding royalty interests) for each commingled zone.

- (5) A statement that the fluids from each zone are compatible with the fluids from the other(s), and combining the fluids will not result in the formation of precipitates which might damage any of the reservoirs. Documented proof of compatibility is only required in the first well requesting the commingling of the same combination of pools provided that the characteristics of or the conditions in each of the reservoirs to be commingled are substantially the same as the documented compatibility.
- (6) A formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.
- (7) A statement that either the value of the commingled production will not be less than the sum of the values of the individual streams or that commingling will result in the recovery of additional reserves through more efficient and economical operation.
- (8) A statement that all owners, as referenced in D. (4), of each commingled zone in cases of non-common ownership or in the case of a well on state or federal lands, the Commissioner of Public Lands for the State of New Mexico or the United States Bureau of Land Management, have been notified in writing of the proposed commingling application. Notification of the interest owners shall be by certified mail.

E. The process for approval of downhole commingling as to approval authority, common or non-common interests, letter application or Form C-103 Notice of Intention filing, and administrative or hearing formats shall be determined as follows:

- (1) The District Supervisor, in the case of commingling zones with common interests, may approve the proposed downhole commingling following receipt of the Form C-103 if, in his opinion, waste will not result thereby, and correlative rights will not be violated.
- (2) The Division Director, in the case of non-common interests requiring notification of interest owners in the well, may approve such applications in the absence of a valid objection within 20 days after receipt of the application if, in his opinion, waste will not result thereby, and correlative rights will not be violated. The 20 day waiting period for wells with non-common interests may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section D, paragraph 8.
- (3) The District Supervisor may forward any application to the Division Director for approval. The Division Director may at his discretion set any administrative application or Form C-103 Notice of Intention filing for hearing.

F. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order or the approved Form C-103 Notice of Intention filing which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the application order or the approved Form C-103 Notice of Intention. The production from a well with commingled oil zones shall be subject to the depth bracket oil allowable of the upper zone and to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. The production attributable to an oil zone commingled with a gas zone shall be subject to the daily gas-oil ratio limitation applicable to such oil zone or pool.

- G. The Division Director may rescind authority to commingle production in the wellbore and require the zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary project is being impaired, or if any changes of conditions renders the installation no longer eligible for downhole commingling.

**RESPECTIVELY SUBMITTED TO THE OIL CONSERVATION COMMISSION
IN CASE 11353 DOCKETED FOR COMMISSION HEARING ON AUGUST 3, 1995**

AS THE CORPORATE WORK OF AND REPRESENTING A CONSENSUS OPINION OF:

Conoco Inc., Meridian Oil Inc, Amoco Production Company, and Phillips Petroleum Co.