



Midland Division
Exploration Production

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Mr. William J. LeMay
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

Re: 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

Bill
Dear Mr. LeMay:

It is very encouraging that the Division, in response to recent industry comments, has initiated processes of review and proposed changes in many of the General Rules and Regulations of the Division. It is Conoco's position, and we believe that of most of the industry, that regulations are necessary to avoid waste and protect the correlative rights of all parties involved in maximizing the efficient and effective recovery of hydrocarbon reserves in the state of New Mexico. However, the most efficient means to achieving this goal may have changed significantly since the original Rules and Regulations were instituted.

Downhole commingling of multiple pools in a single wellbore is a prime example of a regulated practice whose purpose and "means", to the goal mentioned above, has changed drastically in recent years. The application of Rule 303 to the necessary and rapidly expanding commingling programs of the industry has probably drawn the most comments in recent Division forums. The consensus of opinion from companies that are involved in extensive programs of downhole commingling seems to be that the rule needs to be rewritten from the perspective of today's major issues or concerns associated with downhole commingling.

The main concern is associated with the requirements by this rule for redundant, and perhaps in 90% of the cases, unnecessary maps, fluid analyses, production and pressure tests, and notifications. The NMOGA Regulatory Practices Committee Task Force has attempted to address this concern in its initial proposal to the Commission by suggesting a simplified, but comprehensive list of issues and requirements that should adequately address all wells and circumstances. The most significant issues in providing sufficient safeguards to waste and correlative rights identified by this group are:

- (a) The assurance that significant crossflow, that could result in either the loss of reserves or allocation inaccuracies, will not occur,
- (b) The requirement of sufficient and appropriate data to properly justify a proposed allocation formula,
- (c) The justification that commingling will result in the recovery of additional reserves through more efficient and cost effective operation,
- (d) The assurance that fluid incompatibilities will not damage the well.

In most cases, some of these issues could be resolved on a pool-wide basis when the initial well to be downhole commingled, in a specific combination of pools, is approved and should not have to be addressed in detail in subsequent routine applications.

Increased technical study and understanding of the major pools in New Mexico is leading us to realize that, while downhole commingling was initially practiced primarily as a "last ditch" effort to forestall the plugging of a depleted wellbore, it can also be a legitimate practice to achieve even greater increases in recoveries through implementation much earlier in the well life. We are even discovering that significant drilling programs that are feasible only if pools can be commingled in the initial completion stage are capable of adding significant additional reserves to some pools.

While additional fine tuning of the initial document may be desirable, after further consultation with the BLM, Oil Conservation Division, and industry, Conoco supports the work and general premise of the NMOGA Task Force. I would encourage the Division to broaden its current scope of rule revision to address these very real concerns of industry.

We believe that the basic goals of industry and the state of New Mexico are essentially the same, to promote the most efficient and effective recovery of hydrocarbons while protecting against waste and the violation of correlative rights. Working together in updating Rule 303, to properly address the changing and legitimate needs and circumstances of downhole commingling in the climate of today's hydrocarbon operations, can significantly contribute toward accomplishing these goals in a prudent manner.

Sincerely yours,



R. E. Irelan
Division Manager