

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

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JASON KELLAHIN (RETIRED 1991)

January 16, 1996

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

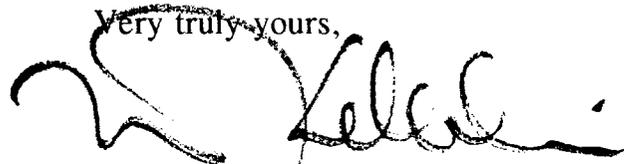
Re: Warren Unit No. 95 Well
Application of Conoco, Inc.
for an amendment to Division
Administrative Order DHC-1170,
Lea County, New Mexico

RECEIVED
JAN 17 1996
Oil Conserv
11459

Dear Mr. LeMay:

On behalf of Conoco Inc., please find enclosed our application for an amendment to Division Administrative Order DHC-1170 which we request be set for hearing on the Examiner's docket now scheduled for February 8, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Conoco Inc.
Attn: Jerry Hoover

SUGGESTED ADVERTISEMENT

CASE 11459: Application of Conoco, Inc. for amendment of Division Administrative Order DHC-1170. Applicant seeks an amendment of the assigned allowable set forth in Division Administrative Order DHC-1170 issued December 21, 1995 which approved the downhole commingling of production from the Blinebry Oil & Gas Pool and the Warren Tubb Gas Pool in its Warren Unit No. 95 Well, located 660 feet from the South line and 660 feet from the East line, (Unit P) Section 28, T20S, R38E, NMPM, Lea County, New Mexico.

Said well is located approximately 7 miles north of Eunice, New Mexico

RECEIVED

JAN 16 1996

Oil Conservation Div.

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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

January 16, 1996

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF THE HEARING OF THE FOLLOWING NEW MEXICO
OIL CONSERVATION DIVISION CASE:

*Re: Warren Unit No. 95 Well
Application of Conoco, Inc.
for an amendment to Division
Administrative Order DHC-1170
Lea County, New Mexico*

RECEIVED
JAN 16 1996
Oil Conservation Division

On behalf of Conoco, Inc., please find enclosed our application for an amendment to Division Administrative Order DHC-1170 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for February 8, 1996. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As an owner of an interest who may be affected by this application, we are notifying you of your 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. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, Friday February, 1996, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

**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:**

**APPLICATION OF CONOCO INC.
TO AMEND ADMINISTRATIVE ORDER
DHC-1170 FOR DOWNHOLE COMMINGLING
LEA COUNTY, NEW MEXICO.**

CASE: 11459

APPLICATION

Comes now CONOCO INC., by and through its attorneys Kellahin an Kellahin, and applies to the New Mexico Oil Conservation Division for an amendment of the assigned allowable set forth in Division Administrative Order DHC-1170 issued December 21, 1995 which approved the downhole commingling of production from the Blinebry Oil & Gas Pool and the Warren Tubb Gas Pool in its Warren Unit No. 95 Well, located 660 feet from the South line and 660 feet from the East line, (Unit P) Section 28, T20S, R38E, NMPM, Lea County, New Mexico and in support thereof,

STATES:

(1) Conoco Inc. is the operator of its Warren Unit No. 95 Well, located in Unit P, Section 28, T20S, R38E, NMPM, Lea County, New Mexico. See Exhibit "A."

(2) On January 11, 1990, the subject well was first produced as a dually completed oil well in the Warren-Drinkard Pool and in the 4th and 5th zones of the Blinebry formation of the Blinebry Oil & Gas Pool.

(3) The subject wellbore is in the Second Expansion Area of Conoco's Warren Blinebry-Tubb Waterflood Project which was approved and added to the Warren Blinebry Tubb Oil & Gas Pool by Division Order R-10068 issued on March 8, 1994.

(4) In May, 1995, a packer leakage test was performed on this well. The test failed thus indicating communication between the two completions.

(5) In June, 1995, Conoco ran tubular and packer tests in an attempt to effect a mechanical repair of the communication. These tests confirmed that there was no leakage within the production casing. The only remaining assumption to be made was that communication existed outside of the production casing and was probably through the formation as a result of the Tubb fracture treatment.

(6) Because Conoco was unable to isolate production from the two pools in this wellbore, on September 28, 1995, Conoco sought administrative approval of the Division to continue to produce this well pursuant to the Division's commingling authority.

(7) The subject spacing unit is located within the interior of the Warren Unit and is offset by spacing and proration units consisting of acreage dedicated to the Warren Unit, but because of differences in the participating areas between Warren-Drinkard Oil Pool and the Warren Blinebry-Tubb Oil & Gas Pool within the Warren Unit, the ownership within the proration units for the subject well for each of the pools is not identical.

(8) On December 21, 1995, the Division approved the downhole commingling of production in this wellbore and in doing so assigned a maximum gas allowable which could be produced daily from the well based upon the gas allowable for the Warren Drinkard Pool **but excluded** any gas allowable based upon gas production attributable to the Warren Blinebry-Tubb Oil & Gas Pool. See Exhibit "B" attached.

(9) Conoco has determined that the gas being produced from the well is coming from **both** the Warren Drinkard Oil Pool **and** the Warren Blinebry-Tubb Oil & Gas Pool.

(10) Because Administrative Order DHC-1170 does not include additional allowable to account for the Blinebry and Tubb formation gas production and adopts a straight percentage allocation formula, there is inadequate gas allowable assigned to the well and the subject well is being curtailed.

(11) While Administrative Order DHC-1170 assigns a maximum gas allowable of 1136 MCFGPD (142 BOPD x 8000 MCFGPD) based upon the Warren Drinkard Pool gas allowable, the projected production from the wellbore based upon a January 10, 1996 production test is 800 MCFGPD from the Drinkard and 1398 MCFGPD from the Blinebry and Tubb formations.

(12) Therefore, Conoco seeks an amendment of Administrative Order DHC-1170 so that the assigned maximum gas allowable which can be produced daily from the well is based upon the gas allowable for **both** the Warren Drinkard Pool and the Warren Blinebry-Tubb Oil & Gas Pool.

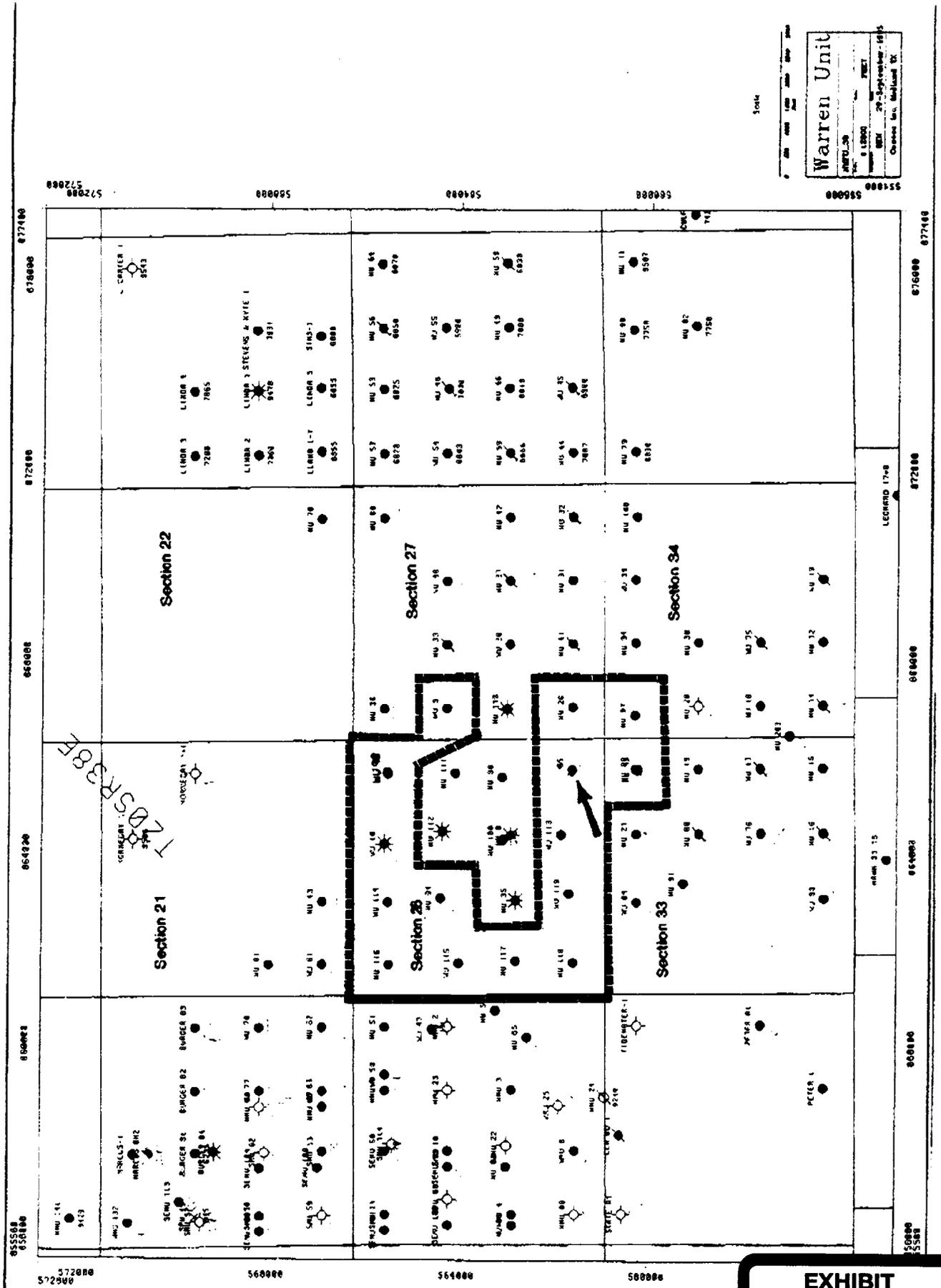
(13) Such an amendment should be based upon a **monthly** allocation formula which achieves an equitable distribution of production between the two pools which can be established by assigning to the Warren Blinebry-Tubb Oil & Gas Pool any gas production rate over what is calculated for production from the Warren Drinkard Pool using the forecast of future production from a production decline curve of actual production from the well prior to the September 1994 workover.

WHEREFORE Applicant requests that this matter be set for hearing on February 8, 1996 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



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



Scale

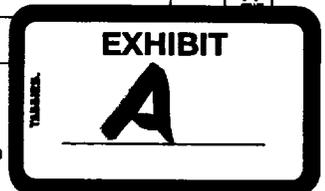
Warren Unit

APPROX. 1/4 SECTION

DATE: 1/15/96

BY: [Signature]

Checked by: [Signature]



** TO

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

CORRECTED ADMINISTRATIVE ORDER DHC-1170

Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705-4500

Attention: Mr. Jerry W. Hoover

*Warren Unit Well No.95
Unit P, Section 28, Township 20 South, Range 38 East, NMPM,
Lea County, New Mexico.
Warren Blinebry-Tubb Oil & Gas and Warren Drinkard Pools*

Dear Mr. Hoover:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle production from both pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303-C, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 40 barrels per day, and total water production shall not exceed 80 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by multiplying 8000 by the top unit allowable for the Warren Drinkard Pool.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Warren Blinebry-Tubb Oil & Gas Pool <i>(WPA)</i>	Oil 98%	Gas 27%	<i>+50%</i>
Warren Drinkard Pool	Oil 2%	Gas 73%	

FURTHER: The operator shall notify the Hobbs District Office of the Division upon implementation of the commingling process.

OFFICE OF THE SECRETARY - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5950
ADMINISTRATIVE SERVICES DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5923
ENERGY CONSERVATION AND MANAGEMENT DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5900
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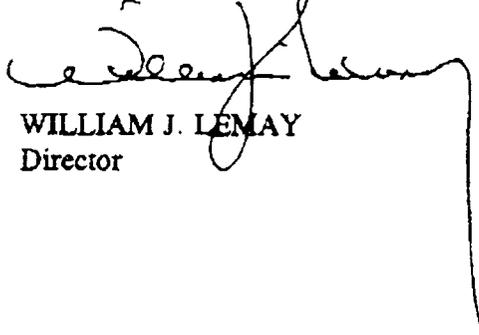


*Corrected Administrative Order DHC-1170
Conoco, Inc.
December 21, 1995
Page 2*

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 21st day of December, 1995.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

SEAL

WJL/BES

cc: Oil Conservation Division - Hobbs