

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR DOWNHOLE COMMINGLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 11781

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for approval for downhole commingling of production from the Queen formation, (West Reeves-Queen Gas Pool) the Grayburg formation and the San Andres formation for the Pawnee APW State Well No. 1 located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Yates owns and operates the Pawnee APW State Well No. 1 which is currently producing oil from the San Andres formation.
2. Yates seeks approval for downhole commingling of production from the Queen formation, Grayburg formation and the and San Andres formation because the continued operation of this well as a single zone producer is uneconomic.
3. On March 4, 1997, Yates filed an application for administrative approval of downhole commingling in this wellbore and the allocation of 10% of the gas production to

the Queen formation and 90% of the gas and 100% of the oil production to the San Andres formation. No production will be allocated to the Grayburg formation. A copy of this Administrative application is attached hereto as Exhibit A.

4. By letter dated April 10, 1997, the Division Director denied this application because "It has been the long held policy of the Division to not allow downhole commingling in a case which one of the proposed intervals is not productive of oil or gas." The Director recommended that the Grayburg interval be cement squeezed and then an application for downhole commingling be filed for the Queen and San Andres formations. A copy of this letter is attached hereto as Exhibit B.

5. The economics of this well will not bear the additional costs of a cement squeeze and therefore Yates requests that this application be set for hearing at which time it will present evidence which will demonstrate that downhole commingling of the Grayburg formation with the Queen and San Andres formations will not result in the downhole migration of hydrocarbons into the Grayburg formation and will enable Yates to recover the remaining reserves in this marginal well thereby preventing the waste of oil and gas.

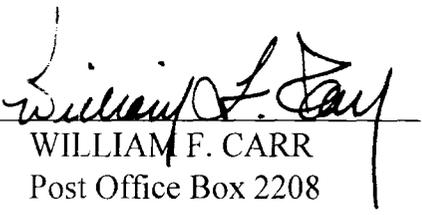
6. Granting this application will result in the production of hydrocarbons that otherwise will be wasted and will not damage the subject reservoirs.

7. Granting this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 15, 1997 and that, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

**NOTIFICATION LIST
APPLICATION OF YATES PETROLEUM CORPORATION
FOR DOWNHOLE COMMINGLING,
LEA COUNTY, NEW MEXICO**

**UNIT A OF SECTION 20,
TOWNSHIP 18 SOUTH, RANGE 35 EAST, N.M.P.M.**

Manzano Oil Corporation
Post Office Box 2107
Roswell, NM 88202-2107

Mitchell Energy Corporation
Post Office Box 4000
The Woodlands, TX 77387-4000

Maralo, Inc.
5151 San Felipe, Suite 400
Houston, TX 77056-3607

Texaco Exploration and Production Inc.
Post Office Box 3109
Midland, TX 79702

REGISTRATION

P.A. No. 1992, Admin. No. 95241-1992

REGISTRATION

611 South First St., Newark, NJ 07102-2030

REGISTRATION

1000 No. Street Rd. Arden, NJ 07015-1003

State of New Mexico
Energy, Minerals and Natural Resources Department

Form D-107-A
New 8-12-90

OIL CONSERVATION DIVISION

2040 E. Parkway
Santa Fe, New Mexico 87506-0438

APPROVAL PROCESS:
 Administrative Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 YES NO

Yates Petroleum Corporation 106 S. Fourth Street Artesia, NM 88210

Operator Address
Permian APN State 1 A 20-185-36E Lee
County

ORDER NO. 028575 Property Code 018937 API NO. 30 026-33388
Resolving Well Lease Types: Mineral or Federal State Indian Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Queen Sand	Grayburg	Wildcat San Andres 88888
2. Top and Bottom of Pay Section (Perforations)	4374'-4388'	4738'-4742'	5140'-5358'
3. Type of production (Oil or Gas)	Gas	Oil	Oil
4. Method of Production (Pumping or Artificial Lift)	Artificial Lift	Artificial Lift	Artificial Lift
5. Estimated Proven Reserves - Artificial Lift Sealed Offshore Gas & Oil - Pumping: Monitored Offshore All Res Zones: <i>Estimated or Measured Original</i>	a. Current 1500	a. 1350	a. Current 2050
	b. Original	b.	b. Original
6. Oil Gravity (API) or Gas BTU Content	38° API @ 80°F		37° API @ 80°F
7. Producing or Shut-in	Shut-in	Shut-in	Producing
Production Marginal? Yes or No	Yes	Yes	Yes
* If Shut-in, give date and oil/water ratio of last production <i>Note: For new zones with no production history, applicant shall be required to submit production estimates and supporting data</i>	Date: 2-16-87 Rate: 8 BOPD 54 BWPD 0 MCFBPD	Date: Rate:	Date: Rate:
* If Producing, give date and oil/water ratio of recent test (within 90 days)	Date: Rate:	Date: Rate:	Date: 1-13-87 Rate: 44 BOPD 84 BWPD 0 MCFBPD
8. Fluid Percentage Allocation Formula - % for each zone (total of 3's = 100%)	Oil 10% Gas 0%	Oil 0% Gas 0%	Oil 80% Gas 100%

8. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable? Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well is on, or commingled with, state or federal lands, either the Comptroller of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCC Reference Cases for Rule 303(D) Exceptions: ORDER NO(S):

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for unconsented interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Morris Kalsh TITLE Operations Engineer DATE 3-4-97
TYPE OR PRINT NAME Morris Kalsh TELEPHONE NO. (505) 748-1471



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pawnee Street
Santa Fe, New Mexico 87508
(505) 827-7131

April 10, 1997

Yates Petroleum Company
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Mr. Morris Keith

Re: Recent Application for Downhole Commingling.

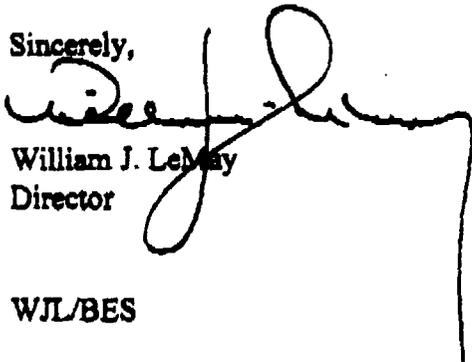
Dear Mr. Keith:

Reference is made to your application to downhole commingle production on your Pawnee 'APW' State Well No.1. Your application includes a Grayburg interval to which no production would be allocated. It has been the long held policy of the Division to not allow downhole commingling in a case which one of the proposed intervals is not productive of oil or gas. With the intent of maintaining such policy, the application is hereby **denied** and, the subject well shall be shut-in upon receipt of this letter.

The Division recommends the following actions be considered. The Grayburg interval in the wellbore may be properly cement squeezed in a manner satisfactory to the supervisor of the Hobbs District Office of the Division, and an application submitted for the downhole commingling of the remaining two zones, or, the matter may be set for an examiner hearing.

Please inform the Division of your intentions at your earliest convenience.

Sincerely,


William J. LeMay
Director

WJL/BES

cc: Oil Conservation Division - Hobbs
file

CASE 11781:

Application of Yates Petroleum Corporation for downhole commingling, Lea County, New Mexico. Applicant in the above-styled cause seeks approval to downhole commingle production from the Queen (West Reeves-Queen Gas Pool), Grayburg and San Andres formation within the wellbore of its Pawnee APW State Well No. 1 located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 36 East, which is located approximately _____ miles _____ of _____, New Mexico.

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

April 22, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

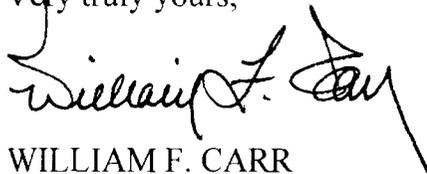
11781

Re: Application of Yates Petroleum Corporation for Downhole Commingling, Lea
County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-
referenced case as well as a legal advertisement. Yates Petroleum Corporation respectfully
requests that this matter be placed on the docket for the May 15, 1997 Examiner hearings.

Very truly yours,


WILLIAM F. CARR

WFC:mlh
Enclosures

cc: Ms. Mecca Mauritsen (w/enclosures)
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210