

PROPOSED STATEMENT TO BE READ AT THE
NEW MEXICO OIL CONSERVATION COMMISSION
CASE NO. 4104

STATEWIDE ADMINISTRATIVE PROCEDURE FOR
DOWNHOLE COMMINGLING IN NEW MEXICO

Mobil Oil Corporation welcomes the opportunity to express its views on the adoption of a statewide administrative procedure to authorize the Secretary-Director of the New Mexico Oil Conservation Commission to grant exceptions to Rule 303(a) of the Commission Rules and Regulations and permit downhole commingling of marginal zones under conditions established by the Commission.

Mobil has reviewed the testimony and exhibits presented at past downhole commingling hearings. It appears that while the administrative work incurred by both the Commission and the oil operators has been within manageable limits in the past, it can be expected to become time consuming and expensive as the hearing loads increase in the future.

It is for this reason that Mobil supports the establishment of an administrative procedure whereby the application for downhole commingling could be simplified and expedited by the Commission. The advantages of downhole commingling have been recognized by the Commission as evidenced by the approvals granted in the past.

Mobil would like to take this opportunity to state its views on downhole commingling. Avoiding the economics of specific cases, Mobil believes that the increased cost of maintaining a multiply completed well over the cost of producing a downhole commingled well will cause premature abandonment and waste of recoverable hydrocarbons. Whereas, the amount of hydrocarbons recovered from any one commingled well would be relatively small, the combined amounts would become significant as more wells were

commingled in an aging reservoir.

Other favorable aspects of commingling multiple wells would be the savings inherent in the utilization of salvaged equipment on other wells and minimizing the administrative and operational procedures that multiply completed wells require. These savings can be better spent on development and exploratory drilling opportunities.

The following limitations for downhole commingling applications are proposed by Mobil for consideration as guidelines by the Commission:

1. All zones to be commingled are or need to be artificially lifted.
2. Total daily average production from all zones to be commingled shall not exceed the top unit allowable for highest allowable zone commingled.
3. Evidence be presented supporting the compatibility of the zones to be commingled.
4. There is common ownership of all zones to be commingled.
5. Commingling does not jeopardize secondary recovery operations.

Mobil Oil Corporation reiterates its support of the proposed administrative procedure and believes that its implementation will simplify downhole commingling applications while preventing waste and protecting correlative rights.

Mobil Oil Corporation

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April 30, 1969

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Att: Mr. A. L. Porter, Jr.

NEW MEXICO OIL CONSERVATION COMMISSION
CALLED CASE NO. 4104, APRIL 16, 1969
PROPOSED STATEWIDE ADMINISTRATIVE
PROCEDURE FOR DOWNHOLE COMMINGLING IN
NEW MEXICO

Gentlemen:

Mobil Oil Corporation attended the subject hearing on downhole commingling and read a statement into the record supporting the Commission's proposal of a rule change. We have had time now to consider the testimony, statements and "Proposed Addition to Commission Rule 303" presented at the hearing.

Mobil respectfully offers for the Commission's consideration the following recommendations for supplementing the proposed rules:

- A. Rule 303 C-1: The bottomhole pressure differential between the two zones is limited to 10%. This is a very severe limitation and would administratively eliminate wells for commingling that would otherwise qualify on the merits of a specific case. However, since a definite figure for permissible BHP differential would be easier to administer, it is felt that a 25% difference in BHP would provide the regulation needed to protect the zones while allowing sufficient latitude for the Commission to efficiently administer downhole commingling in New Mexico.
- B. Rule 303 C-2: During the April 16 hearing, the expected testing provisions for downhole commingling with a dual flow downhole choke assembly were discussed. Evidently a quarterly test provision has been made a part of an order in past decisions. These tests are time-consuming, expensive and hazardous. Mobil recommends a test schedule no more frequently than once a year.

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Conservation Commission

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- C. Rule 303 C-3-e: This rule calls for a current (within 30 days) 24-hour productivity test from each zone to be commingled. Mobil recommends that the time limitation be extended from 30 days to 90 days.
- D. Rule 303 C-3-f: Mechanical problems in the well can restrict the determination of BHP or fluid level of the zone. It is recommended that when the BHP or fluid level of a zone cannot be determined due to mechanical problems in a well, that Rule 303 C-3-f be waived and that information from an offset well would be used to determine the zone's BHP, subject to individual approval of the Commission.

Mobil also recommends that a test be considered current if taken within 90 days rather than 30 days.

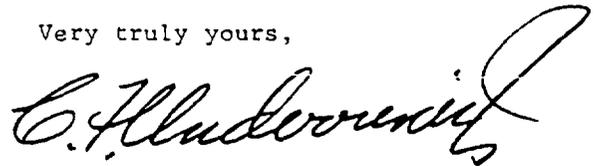
- E. Rule 303 C-3-i: Mobil agrees with the Commission's proposed ruling on the actual commercial value of commingled production and recommends that the wording remains as follows:

"....and that the actual commercial value of the commingled production will not be substantially less than the sum of the values of the production from each pool if segregated."

- F. Rule 303 C-3-j: Mobil recommends that the provision calling for the royalty owner to be notified be deleted. Provisions for the protection of the royalty owner are covered in proposed Rule 303 C-3-g and i.
- G. The matter of water production in a zone was introduced by Continental Oil Company during the hearing ("no zone should make over 15 BWPD"). While it is recognized that excessive water production from a zone to be downhole commingled could have a detrimental effect on the other zone, the amount of water that would have this effect should not be arbitrarily set but determined by the merits of a specific case.

Mobil believes that the resulting rules would help to provide the oil industry with an administrative procedure that has sufficient scope to be really useful and yet contain adequate provisions for effective management, protection of correlative rights and prevention of waste.

Very truly yours,



C. F. Underriner, Jr.
Division Engineer

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