

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION )  
OF CONTINENTAL OIL COMPANY FOR )  
AN ADMINISTRATIVE ORDER APPROVING )  
COMMINGLING OF PRODUCTION IN )  
JICARILLA 22 WELL NO. 2 LOCATED )  
IN THE UNDESIGNATED GALLUP AND )  
UNDESIGNATED DAKOTA POOLS, RIO )  
ARRIBA COUNTY, NEW MEXICO )

CAUSE NO. \_\_\_\_\_  
ORDER NO. \_\_\_\_\_  
DOCKET NO. \_\_\_\_\_

A P P L I C A T I O N



COMES NOW CONTINENTAL OIL COMPANY, a Delaware corporation, (hereinafter called "Applicant"), authorized to do business in the State of New Mexico, and makes application to the Secretary-Director of the State of New Mexico Oil Conservation Commission for approval to commingle in the well bore the Undesignated Gallup and the Undesignated Dakota zones in the dually completed Jicarilla 22 Well No. 2 in accordance with Rule 303 C as set out in Case No. 4104, Order No. R-3845.

In support of this application, Applicant respectfully states and shows as follows:

1. Attached as Exhibit "A" is a map showing all drilling, producing and plugged and abandoned wells in the sixteen section Continental Oil Company West Lindrith Block which is outlined in red. The red arrow on Exhibit "A" points to Jicarilla 22 Lease, Well No. 2, located in the SE $\frac{1}{4}$  of Section 21, Township 25 North, Range 4 West, Rio Arriba County, New Mexico.

2. Applicant operates eleven (11) dually completed Gallup-Dakota wells in the West Lindrith Block and has location for over forty (40) additional similar wells on 160 acre spacing. The present wells as now operated are commingled down hole in accordance with Rule 112 A, Section VI. The average projected ultimate recovery from the aforementioned eleven wells is 60,000 barrels of oil and 450 MMCF gas using present producing methods. The eleven wells on an average will fail by \$6,000 per well to repay drilling, completing and operating costs. This payout basis is before federal income

3. The present method of operating commingled zones in the aforementioned wells will lead to early abandonment of the wells due to uneconomic low rates of production.

4. Applicant's engineers have calculated that by removing the present check valve, gas lift valve and packer from the well bore, shown on Exhibit "B", attached, the operating pressure can be reduced and both daily production and ultimate oil recovery can be increased. The production from Jicarilla 22 Well No. 2 during July, 1970, totaled 669 barrels of oil and 7,554 MCF of gas. It is estimated that if this application is approved, production from the well will increase to 30 barrels of oil per day. Reserves will be increased by 18,000 barrels of oil. With such increases in production and reserves, the Jicarilla commingled wells would return a small profit to the owner prior to abandonment. If proposed improved stimulation procedures are successful and the present type of commingling application is approved for all of the aforementioned eleven wells, Continental Oil Company has plans to drill an additional ten wells on the West Lindrith Block after the economic projections are confirmed through actual production.

5. Removal of the packer, gas lift valve and check valve from the well bore and equipping Jicarilla 22 Well No. 2 as shown on Exhibit "C", will enable the operator to operate the well five additional producing days per year and reduce operating costs by an estimated \$500 per year. The present packer leakage tests with the contract wire line services required for such tests now require an average of five days down time and the aforementioned \$500 for contract services. Elimination of the packer leakage tests requirement by the Commission will increase the profitability of operations in the West Lindrith Area.

6. Continental Oil Company, whose address is 152 North Durbin Street, Casper, Wyoming 82601, is the operator of the well for which this application is made.

7. The Jicarilla 22 Lease covers a four section block of Jicarilla Apache Indian leases including Sections 15, 16, 21 and 22, Township 25 North, Range 4 West, Rio Arriba County, New Mexico. Jicarilla 22 Well No. 2 is located 2140 feet from the south line and 1980 feet from the east line of Section 21, Township 25 North, Range 4 West, Rio Arriba County.

8. Jicarilla 22 Well No. 2 is completed in the Undesignated Gallup and Undesignated Dakota pools. Both zones are classified as oil producing zones. The well is now commingled in accordance with the New Mexico Oil Conservation Commission Order No. MC-1868.

9. Attached as Exhibits "D<sub>1</sub>" and "D<sub>2</sub>" are C-116 forms for 24 hour productivity tests dated August 4, 1970 for the Gallup and Dakota zones. The tests are the latest tests in Applicant's file for the Jicarilla 22 Well No. 2.

10. Attached as Exhibits "E<sub>1</sub>", "E<sub>2</sub>" and "E<sub>3</sub>" are production decline curves for Jicarilla 22 Well No. 2. Exhibit "E<sub>1</sub>" is a curve for the Dakota zone; Exhibit "E<sub>2</sub>" is a curve for the Gallup zone; and Exhibit "E<sub>3</sub>" is a production decline curve for the total production from the well. The curves show both oil and gas production.

11. Jicarilla 22 Well No. 2 is now artificially lifted from both zones through use of an intermittent plunger lift. The estimated shut-in stabilized bottom hole pressure is 1,500 psi for the Gallup zone and 2,100 psi for the Dakota zone. The operating bottom hole pressure for a similar installation has been measured at Jicarilla 28 Well No. 6. There the operating pressure, at 7,188 feet KB, was found to vary from a low of 425 psi to a high of 850 psi during operation of the plunger lift and gas lift valves. Applicant states that due to the extremely low permeability values for both zones, no significant volume of oil or gas will migrate from the high pressure Dakota zone to the lower pressure Gallup zone during normal operations or when the well is shut-in for short periods during emergencies.

12. Oil produced from the Gallup zone has a gravity of 45.2 degrees API and oil from the Dakota zone has a gravity of 47.0 degrees API. The two crude oils are compatible in the well bore and they have been produced as a commingled stream in the past with no problems.

13. Continental Oil Company owns all of the working interest for the Gallup and Dakota zones under the Jicarilla 22 Lease. The Jicarilla Apache Indian Tribe retained a 12½ percent royalty interest under the Jicarilla 22 Lease. There are no overriding royalty interest owners for the subject lease. The ownership of the royalty interest and the working interest for both the Gallup and Dakota production from the Jicarilla 22

14. Attached as Exhibit "F" is a computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams. This computation is similar to computations submitted to the Commission for previous applications.

15. Applicant states that in its opinion down hole commingling of production from the Gallup and Dakota zones, as herein proposed, will not in any way jeopardize the efficiency of any future secondary recovery operation for either the Gallup or Dakota zones.

16. Applicant has notified all offset operators and the United States Geological Survey of this application in writing by mailing such parties copies of this application at the same time the application was mailed to the New Mexico Oil Conservation Commission.

17. Granting the application herein requested will be in the public interests, protect correlative rights and increase the ultimate recovery of valuable natural resources.

For the foregoing reasons, Applicant hereby requests approval of the down hole commingling of production in the well bore at Jicarilla 22 Well No. 2.

WHEREFORE, Applicant requests that this matter be considered by the Secretary-Director of the New Mexico Oil Conservation Commission and that this application be granted.

Respectfully submitted,

CONTINENTAL OIL COMPANY

By W. C. Blackburn

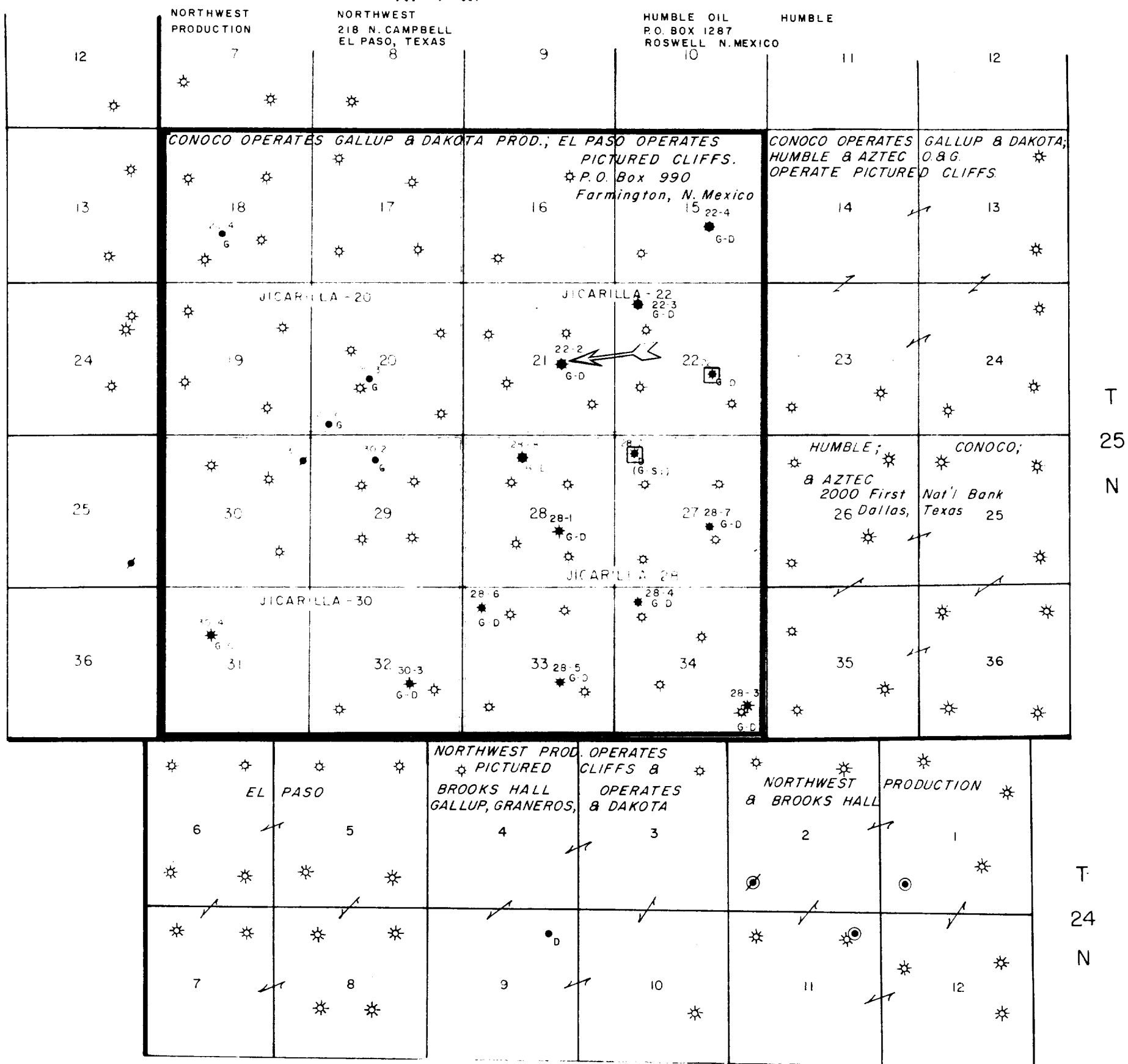
W. C. Blackburn  
Division Manager

Subscribed and sworn to before me this 3rd day of September, 1970, by W. C. Blackburn

My commission expires September 1971

Mary H. Hanson  
Notary Public

R. 4 W.



- LEGEND -

- G GALLUP PRODUCING WELL
- D DAKOTA PRODUCING WELL
- ☀ G-G GALLUP (Oil) - CHACRA (Gas) DUAL
- ☀ G-D GALLUP (Oil) - DAKOTA (Oil) DUAL
- ☀ GAS PRODUCING WELL
- (PICTURED CLIFFS)
- ☐ SHUT-IN WELL
- ◎ DUAL GALLUP - GRANEROS
- ☒ GALLUP (Oil) - DAKOTA (Oil) - Separate Strings of Casing.

WEST LINDRITH BLOCK

JICARILLA APACHE LEASES  
Rio Arriba County, New Mexico

EXHIBIT "A"

Engineer J.A. Mazza Drawn by NFD 12 12 67  
PRODUCTION DEPARTMENT  
CONTINENTAL OIL COMPANY 1-69  
8-70