

CASE 7302: EL PASO NATURAL GAS COMPANY 0
FOR DOWNHOLE COMMINGLING, RIO ARRIBA 0.
COUNTY, NEW MEXICO

Case No.

7302

Application

Transcripts

Small Exhibits

ETC



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

July 29, 1981

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. David Burleson, Attorney
El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79978

Re: CASE NO. 7302
ORDER NO. R-6733

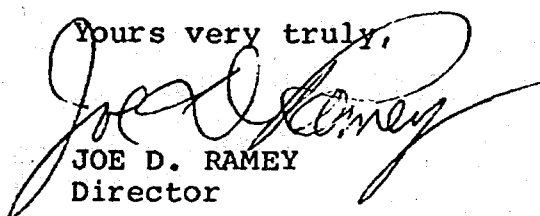
Applicant:

El Paso Natural Gas Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7302
Order No. R-6733

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15, 1981,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 28th day of July, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, El Paso Natural Gas Company,
plans to drill four wells in the SE/4 and SW/4 of Section 34,
Township 27 North, Range 7 West, and the SW/4 and NW/4 of
Section 2, Township 26 North, Range 7 West, respectively, NMPM,
Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle
Chacra and Mesaverde production within the wellbores of the
above-described wells.

(4) That from the Chacra zone, each of the subject wells
is expected to be capable of low marginal production only.

(5) That from the Mesaverde zone, each of the subject
wells is expected to be capable of low marginal production only.

(6) That the proposed commingling may result in the re-
covery of additional hydrocarbons from each of the subject pools,

-2-
Case No. 7302
Order No. R-6733

thereby preventing waste, and will not violate correlative rights.

(7) That the reservoir characteristics of each of the subject zones are expected to be such that underground waste would not be caused by the proposed commingling provided that the wells are not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject wells are shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the wells, applicant should test the Chacra zone separately and the Chacra and Mesaverde combined, and should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the productive zones.

(10) That this commingling authority should be rescinded with respect to any of the herein authorized wells if the pressures or productivity of any such well indicates that reservoir damage or waste might result from commingling in the wellbore.

IT IS THEREFORE ORDERED:

(1) That the applicant, El Paso Natural Gas Company, is hereby authorized to commingle Chacra and Mesaverde production within the wellbores of four wells to be drilled in the SE/4 and SW/4 of Section 34, Township 27 North, Range 7 West, and the SW/4 and NW/4 of Section 2, Township 26 North, Range 7 West, respectively, NMPM, Rio Arriba County, New Mexico.

(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells.

(3) That the operator of the subject wells shall immediately notify the Division's Aztec district office any time the wells have been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

-3-

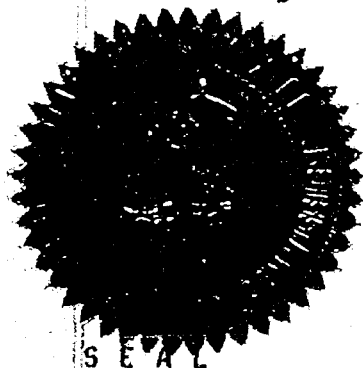
Case No. 7302

Order No. R-6733

(4) That the Division Director may rescind this commingling authority with respect to any of the subject wells if the pressures or productivity encountered in such well indicates that reservoir damage or waste may result from commingling in the wellbore of said well.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
15 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas
Company for downhole commingling,
Rio Arriba County, New Mexico.

CASE
7302

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

*Hearing
Registered
in this
transcript*

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

David T. Burleson, Esq.
General Counsel for El Paso
P. O. Box 1492
El Paso, Texas 79978

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JULY 15, 1981 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Paul M. Benchell	El Paso Natural Gas Co.	El Paso, TX
DAVID T. RIPLESON	El Paso Exploration Co.	"
Tom F. Hawkins	El Paso Exploration Co.	"
Huon Pham	ARCO Oil and Gas Co.	Midland, TX
ER Douglas	ARCO Oil and Gas Co.	Midland, TX
B. L. Stokely	ARCO Oil & Gas Co.	Midland, TX
Dwaine A. Carr	Campbell, England & Black, P.A.	Santa Fe
H. W. Terry	Getty Oil	Hobbs, N.M.
JOHN McDERMOTT	GETTY OIL	MIDLAND, TX
JEEakin	Getty Oil	Midland, TX
Z. B. WEHMEYER	GETTY OIL	HOBBS, N.M.
Joel K. Norton	GETTY OIL	Midland, TX
Clyde Mota	Amoco	Houston
Robert Kellian	Amoco	HOUSTON, TX
W. Kellian	Kellian Kellian	Santa Fe
THOMAS MUTRANOWSKI	ARCO Oil and Gas Co.	MIDLAND, TX
DAVID BOATWRIGHT	AMOCO PROD. Co.	HOUSTON, TX
James Wishart	Amoco Production Co.	Houston, TX
Gary Stephens	USGS	AIB.
H. M. BURTON	Arco	Dallas

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date

JULY 15, 1981

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Bob Hulen	Bryson	Santa Fe
J.D. Schaefer	Beach & Bonnell	ACQ.
Allan Brind	Marketing & Business (HRCO)	SF, NM
VICTOR LYON	Conoco Inc.	HOUSTON
George E. Young	Conoco Inc.	Hobbs
C.E. OSCOON JR	MESA	DENVER
W.A. McCay	Consultant	ROSWELL
Hugh Ingram	Conoco	HOBBS
Lowell Deckert	"	"

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I N D E X

PAUL W. BURCHELL

Direct Examination by Mr. Burleson

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TOM HAWKINS

Direct Examination by Mr. Burleson

16

E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two, Plat

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Applicant Exhibit Three, Documents

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MR. NUTTER: Call Case Number 7302.

MR. PEARCE: Application of El Paso
Natural Gas Company for downhole commingling, Rio Arriba County,
New Mexico.

MR. BURLESON: David Burleson for appli-
cant, associated with Montgomery and Andrews.

We'll have two witnesses, Mr. Examiner,
who will need to be sworn.

(Witnesses sworn.)

PAUL W. BURCHELL
being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. BURLESON:

Q. Please state your name and where you
reside.

A. My name is Paul W. Burchell and I reside
in El Paso, Texas.

Q. By whom are you employed and in what
capacity?

A. I'm employed by the El Paso Natural Gas

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2 Company as Senior Engineer in the Production Control Department.

3 Q Have you previously testified before the
4 Division or one of its --- one of its Examiners in that capacity,
5 previously?

6 A Yes, I have.

7 Q Were your qualifications accepted by the
8 Division on those occasions?

9 A They were.

10 Q Are you familiar with the case that's
11 the subject of this hearing?

12 A Case Number 7302, yes, I am.

13 MR. BURLESON: Mr. Examiner, are the
14 witness' qualifications accepted?

15 MR. NUTTER: They are.

16 MR. BURLESON: Acceptable to the Division.

17 Q Mr. Burchell, who is the operator of
18 the wells which are the subject of this case? Who will be
19 the operator of the wells?

20 A The El Paso Natural Gas Company.

21 Q What is El Paso seeking in Case 7302?

22 A In this particular case we are seeking
23 to drill and complete four wells in both the Chacra and the
24 Mesaverde formation and commingle the gas production from both
25 these zones. These wells will be known as the Rincon Unit

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Nos. 223, 223-A, 233, and 234. They are located in the south-east and the southwest of the Section 34, Township 27 North, Range 7 West, and in the southwest and the northwest of Section 2, and Section 2 is in 26 North, Range 7 West, respectively, and this will be in Rio Arriba County, New Mexico.

The proposal for allocating the gas to both zones will be described later on in my testimony.

Q. Why is El Paso asking to commingle down-hole the gas to be produced from these four wells?

A. Well, we -- we consider this the most economic and efficient method to undertake, principally due to the low productivity of both zones and also because of the high expense in completing these wells as isolated duals.

Q. Do you have a proposed exhibit which shows the location of the wells and the producing characteristics of the offsetting wells?

A. Yes, sir, I do.

Q. Would you explain the first of your exhibits? I believe you have two exhibits, right?

A. Yes, sir.

Q. Would you explain the first of those exhibits, then?

A. The first one is the Chacra formation well location plat and it's been marked as El Paso Natural

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2 Gas Company's Exhibit Number One. The shaded areas in the
3 south half of Section 34, 27 North, and the shaded area in the
4 west half of Section 2, 26 North, shows the location of the
5 proposed wells that we would like to drill, and subsequently
6 commingle.

7 The -- the other gas symbol wells shown
8 on the exhibit are Chacra producers, and Mr. Examiner, for
9 your convenience I have color coded the data on there.

10 The yellow, or the top figure by each
11 producing well is the original Chacra wellhead shut-in pressure
12 in pounds per square inch absolute.

13 The next figure under that, colored in
14 blue, is the 1980 average production rate in Mcf per day.

15 And the pink figure on the bottom re-
16 presents the oil or condensate accumulation that that well
17 produced since day number one, and as of the first of the
18 year.

19 Underneath each well is the date of the
20 well completion.

21 I would like to point out one correction
22 here, Mr. Examiner. At the time this exhibit was drafted it
23 was known to our department that the Bolin Company was the
24 operator and owner of those wells in Section 3 and in Section
25 10; however, I have just learned that they sold their gas

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2 production to a new company and it's known as the National
3 Coop Refining Association.

4

5 The -- the figures in yellow are all of
6 the original Chacra wellhead shut-in pressures. At the very
7 bottom of the exhibit I show the average of all of these pres-
8 sures and it shows that to be 989 pounds per square inch abso-
9 lute. In averaging these pressures I eliminated one value,
10 and, Mr. Examiner, that was in the northeast of Section 12 by
11 the Well No. 232, and there's a word drafted there, that's
12 called questionable, and I was informed by the Reservoir
13 Engineering Department that they felt that that figure was
14 not good. So I did not use it in my weighted average for the
15 rest of the wells.

15

16 Even if I did use it, it would only
17 lower that 989 pound original pressure down to 948, but I
18 did exclude it from my weighted average.

18

19 The -- the blue figures average out to
20 be 61 Mcf of gas per day for all, the average producing rate
21 for the Chacra wells. And of course the pink shows that there
22 is no oil production and it is all relatively water free.

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23 The next, I'd like to call your attention
24 to Exhibit Number Two and it has been marked as such by El
25 Paso Natural Gas Company. It's basically the same as the
first exhibit only in this case now it shows the Mesaverde

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formation well location plats.

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Again the same color scheme as I stated previously, the yellow represents the original Mesaverde well-head shut-in pressure.

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The blue represents the 1980 production rate in Mcf per day.

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And the pink represents the cumulative oil for all of the wells.

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The -- the weighted average pressure, the original shut-in pressure for the Mesaverde is shown on the bottom of the exhibit as 1036 pounds per square inch absolute.

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The average producing rate for each producing Mesaverde location averages to be 88 Mcf of gas per day.

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And for only those wells completed in 1977 and 1978 did I average the oil production, and that figure was 3.3 barrels of oil per day, and the Production Department has informed me that the average water production from these wells in this particular area amounts to 0.4 per day

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And that's all I have on that exhibit.

Q Let me ask you a couple of additional questions, all about the exhibit.

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2 You've arrayed this data indicating the
3 original wellhead shut-in pressure for both the Chacra wells
4 and the Mesaverde wells.

5 A. Yes, sir.

6 Q. Would you expect that the wells that are
7 completed, that are proposed to be drilled by El Paso and that
8 are the subject of this proceeding would come in at something
9 approximating the original shut-in wellhead pressure for these
10 wells that are shown on these two exhibits, Exhibit One and
11 Exhibit Two?

12 A. Yes, that's my opinion, that because of
13 the geologic and reservoir characteristics of both the Chacra
14 and the Mesaverde that the --- that any new wells drilled here
15 in this area will probably represent the original pressures.

16 Q. In other words you think --

17 A. And at least in -- for the -- for the
18 Commission's viewpoint, at least the relative, they will be
19 relatively the same.

20 Q. In other words, you would expect that
21 the Chacra zone would have a pressure approximating this aver-
22 age which is displayed on the bottom of Exhibit Number One,
23 which is 989 psia?

24 A. Yes.

25 Q. And that the Mesaverde zones would have

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2 something approximating the average shown for the Mesaverde
3 at the bottom of Exhibit Two, which is 1036 psia?

4 A. Yes, sir.

5 Q. One other thing with respect to Exhibit
6 Number Two. You have shown a shaded area and I note that with
7 respect to Section 2 you have not shaded the northeast quarter
8 nor the southeast quarter of Section 2. I note that only be-
9 cause as I understand it the spacing unit for the well No. 234
10 will be the entire north half of Section 2.

11 A. That is correct.

12 Q. And for the No. 233 it will be the entire
13 south half of Section 2.

14 A. That is correct. Just to clarify, the
15 Drafting Department shaded these areas as representing 160
16 acres only where that proposed well will be drilled. It did
17 not represent that acreage that would be dedicated to that
18 particular well.

19 Q. With respect to the south half of Section
20 34, it would be the unit for both the 223 and the 223-A Well?

21 A. That is correct.

22 Q. What general conclusions do you arrive
23 at from an examination of the data contained on the exhibits?

24 A. Well, in my opinion the -- the differ-
25 ence between the -- the average original pressures between

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2 the Chacra and the Mesaverde formation will be negligible.
3 As we show on Exhibit Number One, the average pressure for the
4 Chacra was 989 pounds and the average pressure for the Mesaverde
5 on Exhibit Number Two was 1036 pounds.

6 The differential pressure there amounts
7 to 47 pounds per square inch, and this would give you a ratio
8 of one to 1.07, which in my opinion is virtually one to one.

9 MR. NUTTER: Now that's based on original
10 pressures. What are the current pressures?

11 A. The original pressures, right.

12 MR. NUTTER: How about current pressures?

13 A. And current pressures, I do have that
14 information, if you'd like.

15 The -- first of all, if you take --
16 we'll talk about Section 2 and the nine sections surrounding
17 it -- and the eight sections surrounding it.

18 The Chacra most recent pressure, shut-in
19 pressures, average 428 pounds per square inch, whereas the
20 Mesaverde averages 578 per square inch.

21 MR. NUTTER: 578?

22 A. 578, yes, sir. This is a pressure dif-
23 ferential of 150 pounds per square inch, and this gives you
24 a ratio of one to 1.35.

25 Now I would like to discuss the eight

1 sections surrounding Section 34, and those two proposed wells.

2 The average Chacr shut-in pressure is
3 538 pounds per square inch and the average Mesaverde shut-in
4 pressure is 660 pounds per square inch. This is a Delta pres-
5 sure of 122 pounds and gives you a ratio of one to 1.22.
6

7 MR. NUTTER: Go ahead.

8 A. As I have stated, because of this negli-
9 gible difference of the existing pressures that we have under
10 study here, I believe that the four proposed wells that we
11 plan to commingle will encounter similar or relative pressures

12 My second opinion from studying these
13 exhibits, I believe that the stabilized flow rates for both
14 the Chacra and the Mesaverde can be considered quite low. The
15 average flow rate for the Chacra, shown on Exhibit One, was
16 61 Mcf per day and the average flow rate for the Mesaverde on
17 Exhibit Two was 88 Mcf per day; therefor, it is my opinion
18 that these wells that we propose to commingle will have a com-
19 bined stabilized flow rate of somewhere around 150 Mcf of gas
20 per day.

21 The third conclusion that I arrive at
22 from these exhibits would be the fact that on Exhibit One it
23 shows no oil or condensate production and very little water
24 being produced from the formation.

25 Where the Mesaverde formation on Exhibit

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2 Two shows an average of 3.3 barrels of oil per day and you
3 combine that with an average of 0.4 of water per day and you
4 have a total of 3.7 barrels of fluid expected from each well
5 from the Mesaverde formation.

6 In summary, I believe that the -- because
7 of these low pressure differentials particularly, that the
8 reservoir characteristics of both formations will be compatible.
9 And I don't believe that should a well be shut-in after it's
10 completed that there would be any migration or cross flow of
11 gas or fluids from one zone to the other.

12 Q Mr. Burchell, would there be any advan-
13 tage in commingling these two zones in these four wells?

14 A Yes. The -- the first would be the
15 efficiency in production. Because of the liquid production
16 that I elaborated on in Exhibit Two from the Mesaverde forma-
17 tion, I'd like to point out that because of these liquids and
18 because of the low reservoir pressure for the Mesaverde, that
19 it is our Production Department's experience in the area for
20 these wells that they -- that they have quite a bit of trouble
21 with the wells logging off. Therefor it is my opinion that
22 by commingling these two zones that we would have, in addition
23 to the Mesaverde gas, we would have the dry Chacra gas aiding
24 in lifting the liquids, and I believe this will result in a
25 more efficient and trouble-free gas flow from the wells.

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Q Might it also result in recovery of additional gas?

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A I think down the road, ultimately, we can say we will be recovering additional hydrocarbons.

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And of course, the second advantage is, and you're well aware of it, the economics in not completing these wells as isolated duals.

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To complete the Chacra and Mesaverde as isolated duals it is estimated that each well would cost \$346,430 per well; whereas, by completing a well and commingling it as a dual, it will only be \$316,500. This is a cost savings of almost \$30,000 per well, and when you consider the four wells that we plan to drill, that amounts to \$120,000 in savings.

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Q Do you propose a formula by which the gas and the fluid production would be allocated as between these two zones in these four wells?

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A Yes, sir. At this time it -- it appears that 100 percent of the liquids from these wells will probably be allocated to the Mesaverde formation, and it is recommended that the allocation of gas production be done in the following manner:

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First, it is recommended that we obtain the Chacra production after the well has been completed and

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2 a bridge plug to isolate the two zones has been set.

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4 The next step, I would recommend that
5 we clean out the bridge plug and that isolates the two zones,
6 then test the combined gas flow from both the Chacra and the
7 Mesaverde formation.

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9 And the third step, of course, we would
10 then deduct the original Chacra test from the combined test
11 and from that we can allocate the gas accordingly, and both
12 the testing and the allocating would be in consultation with
13 the NMOCD's supervisor in the Aztec District.

14

15 Q Mr. Burchell, you're not prepared to
16 testify concerning ownership, are you? That will be Mr.
17 Hawkins?

18

19 A Yes, sir.

20

21 Q Is that correct? In your opinion would
22 the granting of this application be in the interest of the
23 protection of correlative rights, the prevention of waste, and
24 prevention of any economic loss?

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26 A I believe so.

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28 Q Do you have anything further to present
29 in this case?

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31 A Not at this time.

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33 Q Were Exhibits One and Two prepared under
34 your supervision?

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A. They were.

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MR. BURLESON: Mr. Examiner, we ask that

Exhibits Number One and Two be admitted into evidence, and
that concludes our examination, direct examination of this
witness.

MR. NUTTER: Exhibits One and Two will
be admitted in evidence.

Are there any questions of the witness?
He may be excused.

MR. BURLESON: We next call Mr. Tom
Hawkins, whose testimony will concern ownership.

TOM HAWKINS

being called as a witness and being duly sworn upon his oath,
testified as follows to-wit;

DIRECT EXAMINATION

BY MR. BURLESON:

Q. Would you please state your name and
where you reside?

A. My name is Tom F. Hawkins. I reside
in El Paso, Texas.

Q. By whom are you employed and in what
capacity?

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A. I'm employed by El Paso Exploration Company as a landman in the Land Department. El Paso Exploration Company administers and performs all land work for El Paso Natural Gas Company.

Q. As a landman have you previously testified before this Division?

A. No.

Q. Would you tell us a little bit about your educational background?

A. I have a Bachelor of Business Administration degree in finance from the University of Texas at El Paso.

Q. Give us a brief resume of your work experience.

A. I have been employed by El Paso since April of 1978. I worked for two years in the Division Order Section of the Land Department and have worked since July, 1980, in the Title and Contracts Section, Land Department.

My main area of responsibility in the Title and Contracts Section is in the San Juan Basin of San Juan and Rio Arriba Counties, New Mexico, and specifically eight Federal units operated by El Paso, one of which is the Rincon Unit.

Q. Have you made a study of the ownership

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2 relating to the properties on which these four wells that are
3 the subject of this proceeding will be located?

4 A. Yes.

5 MR. BURLESON: Mr. Examiner, we move that
6 the witness' qualifications be accepted.

7 MR. NUTTER: The witness is qualified.

8 Q. Mr. Hawkins, I believe you've prepared
9 a number of pages, which we have included under Exhibit Number
10 Three. The indication is pages A, B, C, and D.

11 Would you by alluding to those pages in
12 the exhibit, will you tell us: hat the ownership is under these
13 various wells which are the subject of this proceeding?

14 A. Yes, sir. The Rincon Unit differs from
15 most units in that it is an undivided working interest unit,
16 or a fixed interest unit. El Paso Natural Gas Company owns
17 97.46 percent of the working interest in the unit and the
18 Wiser Oil Company owns 2.54 percent of the working interest.
19 This percentage is based on the total acreage each company
20 owns in the unit.

21 If you would note on Exhibit Three, page
22 A, that for the 223 Well both the Chacra and Mesaverde forma-
23 tions are outside of the participating area for those forma-
24 tions. The working interest on the drilling block is owned
25 by El Paso, but as we previously stated, this is a fixed in-

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2 terest unit.

3 Q. A minute, please. Let's get the signi-
4 ficance of that, Tom.

5 By that you mean that the costs of
6 drilling the well and the production resulting from the drilling
7 of the well will be borne and shared by El Paso and Wiser in
8 accordance with their unit percentage?

9 A. Yes, sir.

10 Q. Okay, go ahead.

11 A. The royalty is owned by the Federal
12 government, as the two leases dedicated to the well are
13 Federal leases.

14 The overriding owners are listed as
15 shown. There is a sliding scale on the Federal Lease Tract
16 No. 19, which is based on a rate per Mcf with a BTU adjustment,
17 which is adjusted annually.

18 The ownership of the 223-A Well on page
19 B, which is an infill to the 223 Well, shows that both forma-
20 tions are outside of the participating area. The working
21 interest is owned by El Paso, but as we stated, this is a
22 fixed interest unit.

23 The royalty is owned by the Federal
24 government, as the two leases dedicated to the well are Federal
25 leases.

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2 The overriding interest owners are also
3 listed as shown.

4 Q Tom, before you proceed to the next one,
5 let's just recapitulate just a second with respect to this.

6 All the Chacra production will be allo-
7 cated to what you've described here as Tract No. 18, is that
8 right --

9 A Yes, sir.

10 Q --in the southeast quarter.

11 MR. NUTTER: In other words, in both of
12 these instances the Chacra has 160 acres dedicated to it.

13 MR. BURLESON: That's right.

14 MR. NUTTER: The Mesaverde has 320 dedi-
15 cated to it.

16 MR. BURLESON: Exactly.

17 A Yes, sir.

18 MR. NUTTER: So these two tracts combined
19 have a slightly different overriding royalty ownership.

20 MR. BURLESON: That's right.

21 A Yes, sir.

22 MR. NUTTER: But both working interest
23 and royalty interest is identical throughout the 160 and the
24 320.

25 MR. BURLESON: As for these two.

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A. Yes, sir.

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MR. NUTTER: Okay.

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MR. BURLESON: The working interest, incidentally, is identical for all four; however, there is some variance in the royalty interest as we go on.

7

A. So we've covered two.

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11

The ownership for the 233 Well, and that's page C of the exhibit, shows that the Chacra formation is outside of the participating area, while the Mesaverde formation is within the participating area.

12

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14

The working interest is owned, as shown for the lease, but this is a fixed interest unit, as we've already covered.

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19

The royalty is owned by the State of New Mexico, as two State leases are dedicated to the well.

20

21

22

The royalty and override interest owners for the Mesaverde formation is shared with the Mesaverde participating area royalty and overriding owners.

23

24

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The ownership for the 234 Well, page D, shows that both formations are outside of the participating area.

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The working interest is owned as shown,
but this is a fixed interest unit.

4

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The royalty is owned by the State of New
Mexico, as two State leases are dedicated to the well.

6

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The overriding royalty for the Chacra
and Mesaverde formations are owned as shown.

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Q Just to return to page C just for a
second, Tom, I'm not sure whether you covered this or not,
but you've indicated that the Mesaverde formation is inside
the Mesaverde participating area for the Rincon Unit, and I
think you probably said, although I'm not certain, and I want
to make the record clear on this, that the production that
the -- that is that the royalty and the overrides will be shared
in accordance with the Rincon Unit agreement --

A. Yes, sir.

Q Insofar as it relates to the sharing of
royalty and --

A. To the participating area.

Q --overriding royalties, and it will be
shared in accordance with the ownership of those parties with-
in the entire participating area.

A. Yes, sir, that's correct.

Q One other thing that I might note, at
the top of the page on all of these pages you have indicated

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the acreage that's dedicated to the Chacra and the Mesaverde,
have you not?

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For instance, in page A, 223, you show
Chacra 160 acres, being the southeast quarter of Section 34.
For the Mesaverde you show the south half of Section 34. of
27, 7?

8

A. Yes, sir.

9

Q. And the other pages are in the same

10

manner?

11

A. Yes, sir.

12

Q. Now have you contacted the interest

13

owners, other interest owners, and attempted to obtain their
approval to the commingling of production as we have requested
in this proceeding?

14

15

16

A. Yes.

17

Q. How were they contacted?

18

A. By letter dated October 17th, 1980, and

19

follow-up letters dated April 24th, 1981, and July 7th, 1981.

20

Q. What response to date have you received

21

from those letters?

22

A. The only working interest owner other

23

than El Paso, the Wiser Oil Company, has approved the com-

24

mingling, as have all but -- all but two of the seventeen

25

overriding owners on the drilling blocks not committed to the

1
2 participating area.

3 We have noted who has approved and who
4 hasn't on our exhibit for the drilling blocks.

5 Also, of the 97 royalty and overriding
6 owners in the Chacra and Mesaverde formations in the Rincon
7 Unit, all but eleven of them have approved the commingling.
8 We have not received any reply from these eleven; however,
9 they have all been notified of the time, place, and the date
10 of this hearing and their right to appear.

11 Q. There have been no objections registered
12 by anyone, have there, Tom?

13 A. Nobody has objected, no, sir.

14 Q. To the best of your knowledge have you
15 contacted all of the owners in the Rincon Unit who own an
16 interest and who might be affected by the commingling of
17 production?

18 A. Yes, I have. Yes, we have.

19 MR. BURLESON: This concludes our exam-
20 ination of this witness, and we request that Exhibit Number
21 Three be admitted into evidence.

22 MR. NUTTER: Exhibit Three will be admit-
23 ted in evidence.

24 Are there any questions --

25 MR. BURLESON: That concludes our pre-

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sentation.

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MR. NUTTER: Are there any questions of
the witness? He may be excused.

5

6

Do you have anything further, Mr. Burle-
son?

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MR. BURLESON: No, sir.

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MR. NUTTER: Does anyone have anything
they wish to offer in Case Number 7302?

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We'll take the case under advisement.

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(Hearing concluded.)

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SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7302 heard by me on 7/15 1981.

[Signature] Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
15 July 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas
Company for downhole commingling,
Rio Arriba County, New Mexico.

CASE
7302

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

David T. Burleson Esq.
General Counsel for El Paso
P. O. Box 1492
El Paso Texas 79978

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I N D E X

PAUL W. BURCHELL

Direct Examination by Mr. Burleson

3

TOM HAWKINS

Direct Examination by Mr. Burleson

16

E X H I B I T S

Applicant Exhibit One Plat

5

Applicant Exhibit Two, Plat

7

Applicant Exhibit Three, Documents

18

MR. MUTTER: Call Case Number 7302.

MR. PEARCE Application of El Paso
Natural Gas Company for downhole commingling, Rio Arriba County
New Mexico.

MR. BURLESON David Burleson for appli-
cant, associated with Montgomery and Andrews.

We'll have two witnesses, Mr. Examiner.
who will need to be sworn.

(Witnesses sworn.)

PAUL W. BURCHELL
being called as a witness and being duly sworn upon his oath
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. BURLESON:

Q Please state your name and where you
reside.

A. My name is Paul W. Burchell and I reside
in El Paso, Texas.

Q By whom are you employed and in what
capacity?

A. I'm employed by the El Paso Natural Gas

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Company as Senior Engineer in the Production Control Department.

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4

Q Have you previously testified before the Division or one of its -- one of its Examiners in that capacity previously?

5

6

A Yes, I have.

7

8

Q Were your qualifications accepted by the Division on those occasions?

9

A They were.

10

11

Q Are you familiar with the case that's the subject of this hearing?

12

A Case Number 7302, yes, I am.

13

14

MR. BURLESON: Mr. Examiner, are the witness' qualifications accepted?

15

MR. NUTTER: They are.

16

MR. BURLESON: Acceptable to the Division.

17

18

Q Mr. Burchell, who is the operator of the wells which are the subject of this case? Who will be the operator of the wells?

19

20

A The El Paso Natural Gas Company.

21

Q What is El Paso seeking in Case 7302?

22

23

A In this particular case we are seeking to drill and complete four wells in both the Chacra and the Mesaverde formation and commingle the gas production from both these zones. These wells will be known as the Rincon Unit

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2 Nos. 223, 223-A, 233, and 234. They are located in the south-
3 east and the southwest of the Section 34, Township 27 North,
4 Range 7 West, and in the southwest and the northwest of Section
5 2, and Section 2 is in 26 North, Range 7 West, respectively,
6 and this will be in Rio Arriba County, New Mexico.

7 The proposal for allocating the gas to
8 both zones will be described later on in my testimony.

9 Q Why is El Paso asking to commingle down-
10 hole the gas to be produced from these four wells?

11 A Well, we -- we consider this the most
12 economic and efficient method to undertake, principally due
13 to the low productivity of both zones and also because of the
14 high expense in completing these wells as isolated duals.

15 Q Do you have a proposed exhibit which
16 shows the location of the wells and the producing character-
17 istics of the offsetting wells?

18 A Yes, sir, I do.

19 Q Would you explain the first of your
20 exhibits? I believe you have two exhibits, right?

21 A Yes, sir.

22 Q Would you explain the first of those
23 exhibits, then?

24 A The first one is the Chacra formation
25 well location plat and it's been marked as El Paso Natural

1
2 Gas Company's Exhibit Number One. The shaded areas in the
3 south half of Section 34, 27 North, and the shaded area in the
4 west half of Section 2, 26 North, shows the location of the
5 proposed wells that we would like to drill, and subsequently
6 commingle.

7 The -- the other gas symbol wells shown
8 on the exhibit are Chacra producers, and Mr. Examiner, for
9 your convenience I have color coded the data on there.

10 The yellow, or the top figure by each
11 producing well is the original Chacra wellhead shut-in pressure
12 in pounds per square inch absolute.

13 The next figure under that, colored in
14 blue, is the 1980 average production rate in Mcf per day.

15 And the pink figure on the bottom re-
16 presents the oil or condensate accumulation that that well
17 produced since day number one, and as of the first of the
18 year.

19 Underneath each well is the date of the
20 well completion.

21 I would like to point out one correction
22 here, Mr. Examiner. At the time this exhibit was drafted it
23 was known to our department that the Bolin Company was the
24 operator and owner of those wells in Section 3 and in Section
25 10; however, I have just learned that they sold their gas

1
2 production to a new company and it's known as the National
3 Coop Refining Association.

4 The -- the figures in yellow are all of
5 the original Chacra wellhead shut-in pressures. At the very
6 bottom of the exhibit I show the average of all of these pres-
7 sures and it shows that to be 989 pounds per square inch abso-
8 lute. In averaging these pressures I eliminated one value,
9 and, Mr. Examiner, that was in the northeast of Section 12 by
10 the Well No. 232, and there's a word drafted there, that's
11 called questionable, and I was informed by the Reservoir
12 Engineering Department that they felt that that figure was
13 not good. So I did not use it in my weighted average for the
14 rest of the wells.

15 Even if I did use it, it would only
16 lower that 989 pound original pressure down to 948, but I
17 did exclude it from my weighted average.

18 The -- the blue figures average out to
19 be 61 Mcf of gas per day for all, the average producing rate
20 for the Chacra wells. And of course the pink shows that there
21 is no oil production and it is all relatively water free.

22 The next, I'd like to call your attention
23 to Exhibit Number Two and it has been marked as such by El
24 Paso Natural Gas Company. It's basically the same as the
25 first exhibit only in this case now it shows the Mesaverde

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formation well location plats.

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Again the same color scheme as I stated previously, the yellow represents the original Mesaverde well head shut-in pressure.

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The blue represents the 1980 production rate in Mcf per day.

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And the pink represents the cumulative oil for all of the wells.

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The -- the weighted average pressure, the original shut-in pressure for the Mesaverde is shown on the bottom of the exhibit as 1036 pounds per square inch absolute.

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The average producing rate for each producing Mesaverde location averages to be 88 Mcf of gas per day.

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And for only those wells completed in 1977 and 1978 did I average the oil production, and that figure was 3.3 barrels of oil per day, and the Production Department has informed me that the average water production from these wells in this particular area amounts to 0.4 per day

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24

25

Q And that's all I have on that exhibit.
Let me ask you a couple of additional questions, all about the exhibit.

1
2 You've arrayed this data indicating the
3 original wellhead shut-in pressure for both the Chacra wells
4 and the Mesaverde wells.

5 A Yes, sir.

6 Q Would you expect that the wells that are
7 completed, that are proposed to be drilled by El Paso and that
8 are the subject of this proceeding would come in at something
9 approximating the original shut-in wellhead pressure for these
10 wells that are shown on these two exhibits Exhibit One and
11 Exhibit Two?

12 A Yes, that's my opinion, that because of
13 the geologic and reservoir characteristics of both the Chacra
14 and the Mesaverde that the --- that any new wells drilled here
15 in this area will probably represent the original pressures.

16 Q In other words you think --

17 A And at least in -- for the -- for the
18 Commission's viewpoint, at least the relative, they will be
19 relatively the same.

20 Q In other words, you would expect that
21 the Chacra zone would have a pressure approximating this aver-
22 age which is displayed on the bottom of Exhibit Number One,
23 which is 989 psia?

24 A Yes.

25 Q And that the Mesaverde zones would have

1
2 something approximating the average shown for the Mesaverde
3 at the bottom of Exhibit Two, which is 1036 psia?

4 A. Yes, sir.

5 Q. One other thing with respect to Exhibit
6 Number Two. You have shown a shaded area and I note that with
7 respect to Section 2 you have not shaded the northeast quarter
8 nor the southeast quarter of Section 2. I note that only be-
9 cause as I understand it the spacing unit for the well No. 234
10 will be the entire north half of Section 2.

11 A. That is correct.

12 Q. And for the No. 233 it will be the entire
13 south half of Section 2.

14 A. That is correct. Just to clarify, the
15 Drafting Department shaded these areas as representing 160
16 acres only where that proposed well will be drilled. It did
17 not represent that acreage that would be dedicated to that
18 particular well.

19 Q. With respect to the south half of Section
20 34, it would be the unit for both the 223 and the 223-A Well?

21 A. That is correct.

22 Q. What general conclusions do you arrive
23 at from an examination of the data contained on the exhibits?

24 A. Well, in my opinion the -- the differ-
25 ence between the -- the average original pressures between

1
2 the Chacra and the Mesaverde formation will be negligible.
3 As we show on Exhibit Number One, the average pressure for the
4 Chacra was 989 pounds and the average pressure for the Mesaverde
5 on Exhibit Number Two was 1036 pounds.

6 The differential pressure there amounts
7 to 47 pounds per square inch, and this would give you a ratio
8 of one to 1.07, which in my opinion is virtually one to one.

9 MR. NUTTER Now that's based on original
10 pressures. What are the current pressures?

11 A. The original pressures, right.

12 MR. NUTTER: How about current pressures?

13 A. And current pressures. I do have that
14 information, if you'd like.

15 The -- first of all, if you take --
16 we'll talk about Section 2 and the nine sections surrounding
17 it -- and the eight sections surrounding it.

18 The Chacra most recent pressure, shut-in
19 pressures, average 428 pounds per square inch, whereas the
20 Mesaverde averages 578 per square inch.

21 MR. NUTTER: 578?

22 A. 578, yes, sir. This is a pressure dif-
23 ferential of 150 pounds per square inch, and this gives you
24 a ratio of one to 1.35.

25 Now I would like to discuss the eight

1 sections surrounding Section 34, and those two proposed wells.

2 The average Chacr shut-in pressure is
3 538 pounds per square inch and the average Mesaverde shut-in
4 pressure is 660 pounds per square inch. This is a Delta pres
5 sure of 122 pounds and gives you a ratio of one to 1.22.

6 MR. NUTTER: Go ahead.

7 A. As I have stated, because of this negli-
8 gible difference of the existing pressures that we have under
9 study here, I believe that the four proposed wells that we
10 plan to commingle will encounter similar or relative pressures

11 My second opinion from studying these
12 exhibits, I believe that the stabilized flow rates for both
13 the Chacra and the Mesaverde can be considered quite low. The
14 average flow rate for the Chacra, shown on Exhibit One, was
15 61 Mcf per day and the average flow rate for the Mesaverde on
16 Exhibit Two was 98 Mcf per day; therefor, it is my opinion
17 that these wells that we propose to commingle will have a com-
18 bined stabilized flow rate of somewhere around 150 Mcf of gas
19 per day.

20 The third conclusion that I arrive at
21 from these exhibits would be the fact that on Exhibit One it
22 shows no oil or condensate production and very little water
23 being produced from the formation.

24 Where the Mesaverde formation on Exhibit
25

1
2 Two shows an average of 3.3 barrels of oil per day and you
3 combine that with an average of 0.4 of water per day and you
4 have a total of 3.7 barrels of fluid expected from each well
5 from the Mesaverde formation.

6 In summary, I believe that the -- because
7 of these low pressure differentials particularly, that the
8 reservoir characteristics of both formations will be compatible.
9 And I don't believe that should a well be shut-in after it's
10 completed that there would be any migration or cross flow of
11 gas or fluids from one zone to the other.

12 Q. Mr. Burchell, would there be any advantage
13 in commingling these two zones in these four wells?

14 A. Yes. The -- the first would be the
15 efficiency in production. Because of the liquid production
16 that I elaborated on in Exhibit Two from the Mesaverde formation,
17 I'd like to point out that because of these liquids and
18 because of the low reservoir pressure for the Mesaverde, that
19 it is our Production Department's experience in the area for
20 these wells that they -- that they have quite a bit of trouble
21 with the wells logging off. Therefor it is my opinion that
22 by commingling these two zones that we would have, in addition
23 to the Mesaverde gas, we would have the dry Chacra gas aiding
24 in lifting the liquids, and I believe this will result in a
25 more efficient and trouble-free gas flow from the wells.

Q Might it also result in recovery of additional gas?

A. I think down the road, ultimately, we can say we will be recovering additional hydrocarbons.

And of course, the second advantage is, and you're well aware of it, the economics in not completing these wells as isolated duals.

To complete the Chacra and Mesaverde as isolated duals it is estimated that each well would cost \$346,430 per well; whereas, by completing a well and commingling it as a dual, it will only be \$316,500. This is a cost savings of almost \$30,000 per well, and when you consider the four wells that we plan to drill, that amounts to \$120,000 in savings.

Q Do you propose a formula by which the gas and the fluid production would be allocated as between these two zones in these four wells?

A. Yes, sir. At this time it -- it appears that 100 percent of the liquids from these wells will probably be allocated to the Mesaverde formation, and it is recommended that the allocation of gas production be done in the following manner:

First, it is recommended that we obtain the Chacra production after the well has been completed and

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a bridge plug to isolate the two zones has been set.

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The next step, I would recommend that we clean out the bridge plug and that isolates the two zones, then test the combined gas flow from both the Chacra and the Mesaverde formation.

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And the third step, of course, we would then deduct the original Chacra test from the combined test and from that we can allocate the gas accordingly, and both the testing and the allocating would be in consultation with the NMOCD's supervisor in the Aztec District.

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Q Mr. Burchell, you're not prepared to testify concerning ownership, are you? That will be Mr. Hawkins?

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A Yes, sir.
Q Is that correct? In your opinion would the granting of this application be in the interest of the protection of correlative rights, the prevention of waste, and prevention of any economic loss?

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A I believe so.
Q Do you have anything further to present in this case?

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A Not at this time.
Q Were Exhibits One and Two prepared under your supervision?

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A. They were.

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MR. BURLESON: Mr. Examiner, we ask that

Exhibits Number One and Two be admitted into evidence, and that concludes our examination, direct examination of this witness.

MR. NUTTER: Exhibits One and Two will be admitted in evidence.

Are there any questions of the witness? He may be excused.

MR. BURLESON: We next call Mr. Tom Hawkins, whose testimony will concern ownership.

TOM HAWKINS

being called as a witness and being duly sworn upon his oath, testified as follows to-wit:

DIRECT EXAMINATION

BY MR. BURLESON:

Q Would you please state your name and where you reside?

A My name is Tom F. Hawkins. I reside in El Paso, Texas.

Q By whom are you employed and in what capacity?

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A. I'm employed by El Paso Exploration

Company as a landman in the Land Department. El Paso Exploration Company administers and performs all land work for El Paso Natural Gas Company.

Q. As a landman have you previously testified before this Division?

A. No.

Q. Would you tell us a little bit about your educational background?

A. I have a Bachelor of Business Administration degree in finance from the University of Texas at El Paso.

Q. Give us a brief resume of your work experience.

A. I have been employed by El Paso since April of 1978. I worked for two years in the Division Order Section of the Land Department and have worked since July, 1980, in the Title and Contracts Section, Land Department.

My main area of responsibility in the Title and Contracts Section is in the San Juan Basin of San Juan and Rio Arriba Counties, New Mexico, and specifically eight Federal units operated by El Paso, one of which is the Rincon Unit.

Q. Have you made a study of the ownership

1
2 relating to the properties on which these four wells that are
3 the subject of this proceeding will be located?

4 A. Yes.

5 MR. BURLESON: Mr. Examiner, we move that
6 the witness' qualifications be accepted.

7 MR. NUTTER: The witness is qualified.

8 Q. Mr. Hawkins, I believe you've prepared
9 a number of pages, which we have included under Exhibit Number
10 Three. The indication is pages A, B, C, and D.

11 Would you by alluding to those pages in
12 the exhibit will you tell us what the ownership is under these
13 various wells which are the subject of this proceeding?

14 A. Yes, sir. The Rincon Unit differs from
15 most units in that it is an undivided working interest unit,
16 or a fixed interest unit. El Paso Natural Gas Company owns
17 97.46 percent of the working interest in the unit and the
18 Wiser Oil Company owns 2.54 percent of the working interest.
19 This percentage is based on the total acreage each company
20 owns in the unit.

21 If you would note on Exhibit Three, page
22 A, that for the 223 Well both the Chacra and Mesaverde forma-
23 tions are outside of the participating area for those forma-
24 tions. The working interest on the drilling block is owned
25 by El Paso, but as we previously stated, this is a fixed in-

1
2 interest unit.

3 Q A minute, please. Let's get the signi-
4 ficance of that, Tom.

5 By that you mean that the costs of
6 drilling the well and the production resulting from the drilling
7 of the well will be borne and shared by El Paso and Wiser in
8 accordance with their unit percentage?

9 A Yes sir.

10 Q Okay, go ahead.

11 A The royalty is owned by the Federal
12 government, as the two leases dedicated to the well are
13 Federal leases.

14 The overriding owners are listed as
15 shown. There is a sliding scale on the Federal Lease Tract
16 No. 19, which is based on a rate per Mof with a BTU adjustment
17 which is adjusted annually.

18 The ownership of the 223-A Well on page
19 B, which is an infill to the 223 Well, shows that both forma-
20 tions are outside of the participating area. The working
21 interest is owned by El Paso, but as we stated this is a
22 fixed interest unit.

23 The royalty is owned by the Federal
24 government, as the two leases dedicated to the well are Federal
25 leases.

1
2 The overriding interest owners are also
3 listed as shown.

4 Q Tom, before you proceed to the next one,
5 let's just recapitulate just a second with respect to this.

6 All the Chacra production will be allo-
7 cated to what you've described here as Tract No. 18, is that
8 right --

9 A Yes, sir.

10 Q ---in the southeast quarter.

11 MR. NUTTER: In other words, in both of
12 these instances the Chacra has 160 acres dedicated to it.

13 MR. BURLESON: That's right.

14 MR. NUTTER: The Mesaverde has 320 dedi-
15 cated to it.

16 MR. BURLESON: Exactly.

17 A Yes, sir.

18 MR. NUTTER: So these two tracts combined
19 have a slightly different overriding royalty ownership.

20 MR. BURLESON: That's right.

21 A Yes, sir.

22 MR. NUTTER: But both working interest
23 and royalty interest is identical throughout the 160 and the
24 320.

25 MR. BURLESON: As for these two.

1
2 A. Yes, sir.

3 MR. NUTTER: Okay.

4 MR. BURLISON: The working interest,
5 incidentally, is identical for all four; however, there is
6 some variance in the royalty interest as we go on.

7 A. So we've covered two.

8 The ownership for the 233 Well, and that's
9 page C of the exhibit, shows that the Chacra formation is out-
10 side of the participating area, while the Mesaverde formation
11 is within the participating area.

12 The working interest is owned, as shown
13 for the lease, but this is a fixed interest unit, as we've
14 already covered.

15 The royalty is owned by the State of New
16 Mexico, as two State leases are dedicated to the well.

17 The royalty and override interest owners
18 for the Mesaverde formation is shared with the Mesaverde
19 participating area royalty and overriding owners.

20 The override for the Chacra formation
21 is owned as shown, since the Chacra formation is not in the
22 participating area.

23 The ownership for the 234 Well, page D,
24 shows that both formations are outside of the participating
25 area.

1
2 The working interest is owned as shown.
3 but this is a fixed interest unit.

4 The royalty is owned by the State of New
5 Mexico, as two State leases are dedicated to the well.

6 The overriding royalty for the Chacra
7 and Mesaverde formations are owned as shown.

8 Q Just to return to page C just for a
9 second, Tom, I'm not sure whether you covered this or not,
10 but you've indicated that the Mesaverde formation is inside
11 the Mesaverde participating area for the Rincon Unit, and I
12 think you probably said, although I'm not certain, and I want
13 to make the record clear on this, that the production that
14 the -- that is that the royalty and the overrides will be shared
15 in accordance with the Rincon Unit agreement --

16 A Yes, sir.

17 Q Insofar as it relates to the sharing of
18 royalty and --

19 A To the participating area.

20 Q --overriding royalties, and it will be
21 shared in accordance with the ownership of those parties with-
22 in the entire participating area.

23 A Yes, sir, that's correct.

24 Q One other thing that I might note, at
25 the top of the page on all of these pages you have indicated

1
2 the acreage that's dedicated to the Chacra and the Mesaverde,
3 have you not?

4 For instance, in page A, 223, you show
5 Chacra 160 acres, being the southeast quarter of Section 34.
6 For the Mesaverde you show the south half of Section 34 of
7 27, 7?

8 A. Yes, sir.

9 Q. And the other pages are in the same
10 manner?

11 A. Yes, sir.

12 Q. Now have you contacted the interest
13 owners, other interest owners, and attempted to obtain their
14 approval to the commingling of production as we have requested
15 in this proceeding?

16 A. Yes.

17 Q. How were they contacted?

18 A. By letter dated October 17th, 1980, and
19 follow-up letters dated April 24th, 1981 and July 7th, 1981.

20 Q. What response to date have you received
21 from those letters?

22 A. The only working interest owner other
23 than El Paso, the Wiser Oil Company has approved the com-
24 mingling, as have all but -- all but two of the seventeen
25 overriding owners on the drilling blocks not committed to the

1
2 participating area.

3 We have noted who has approved and who
4 hasn't on our exhibit for the drilling blocks.

5 Also, of the 97 royalty and overriding
6 owners in the Chacra and Mesaverde formations in the Rincon
7 Unit, all but eleven of them have approved the commingling.
8 We have not received any reply from these eleven; however,
9 they have all been notified of the time, place, and the date
10 of this hearing and their right to appear.

11 Q. There have been no objections registered
12 by anyone, have there Tom?

13 A. Nobody has objected, no, sir.

14 Q. To the best of your knowledge have you
15 contacted all of the owners in the Rincon Unit who own an
16 interest and who might be affected by the commingling of
17 production?

18 A. Yes. I have. Yes, we have.

19 MR. BURLESON: This concludes our exam-
20 ination of this witness, and we request that Exhibit Number
21 Three be admitted into evidence.

22 MR. NUTTER: Exhibit Three will be admit-
23 ted in evidence.

24 Are there any questions ---

25 MR. BURLESON: That concludes our pre--

1
2 sentation.

3 MR. NUTTER: Are there any questions of
4 the witness? He may be excused.

5 Do you have anything further, Mr. Burle
6 son?

7 MR. BURLESON: No, sir.

8 MR. NUTTER: Does anyone have anything
9 they wish to offer in Case Number 7302?

10 We'll take the case under advisement.

11
12 (Hearing concluded.)
13
14
15
16
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20
21
22
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24
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7302
heard by me on 7/15 1981.

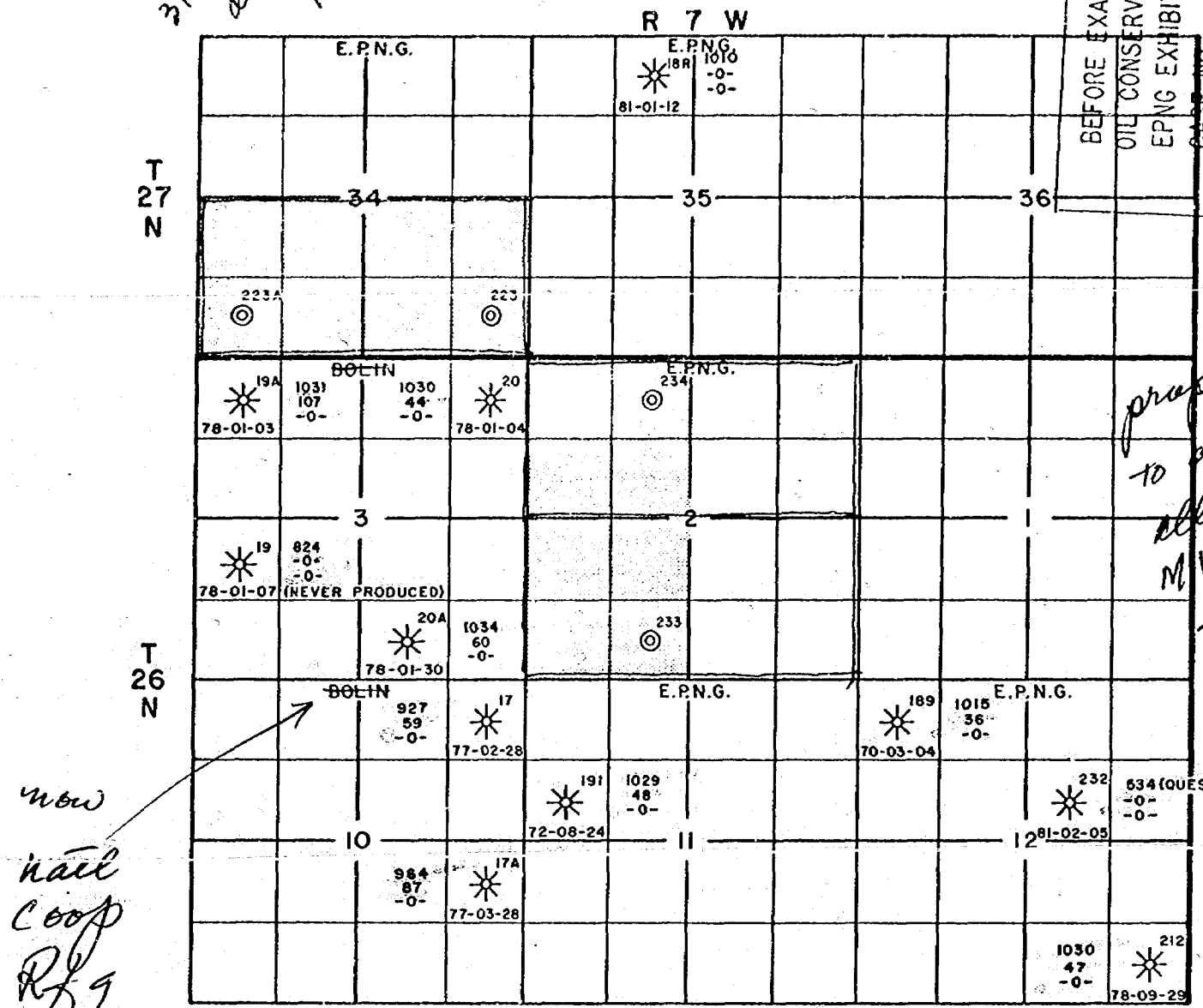
[Signature] Examiner
Oil Conservation Division

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346000 to
 316000 to
 drill & commingle
 save 30000 per
 well

EL PASO NATURAL GAS COMPANY
 EXHIBIT NO. 1
 CHACRA FORMATION WELL LOCATION PLAT
 RINCON UNIT - RIO ARriba COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER
 OIL CONSERVATION DIVISION
 EPNG EXHIBIT NO. 1
 CASE NO. 7302
 SUBMITTED BY Paul W. Burchell
 HEARING DATE July 15, 1981



now
 nail
 coop
 R & G
 Assoc

propose
 to allocate
 all oil & gas
 to MV and
 of gas
 obtain
 Chacra
 prod w/
 Bridge
 Plat
 in place;
 remove BP
 and Tech
 combined
 rate &
 detn MV
 by subse-
 tion

LEGEND

- ⊙ PROPOSED CHACRA - MESAVARDE COMMINGLED WELLS
- * 1034 ORIGINAL CHACRA WELLHEAD SHUT-IN PRESSURE-PSIA
- 134 1980 AVERAGE PRODUCTION RATE IN MCFPD
- 34 OIL CUM. AS OF 1-1-81
- 78-01-07 DATE OF WELL COMPLETION

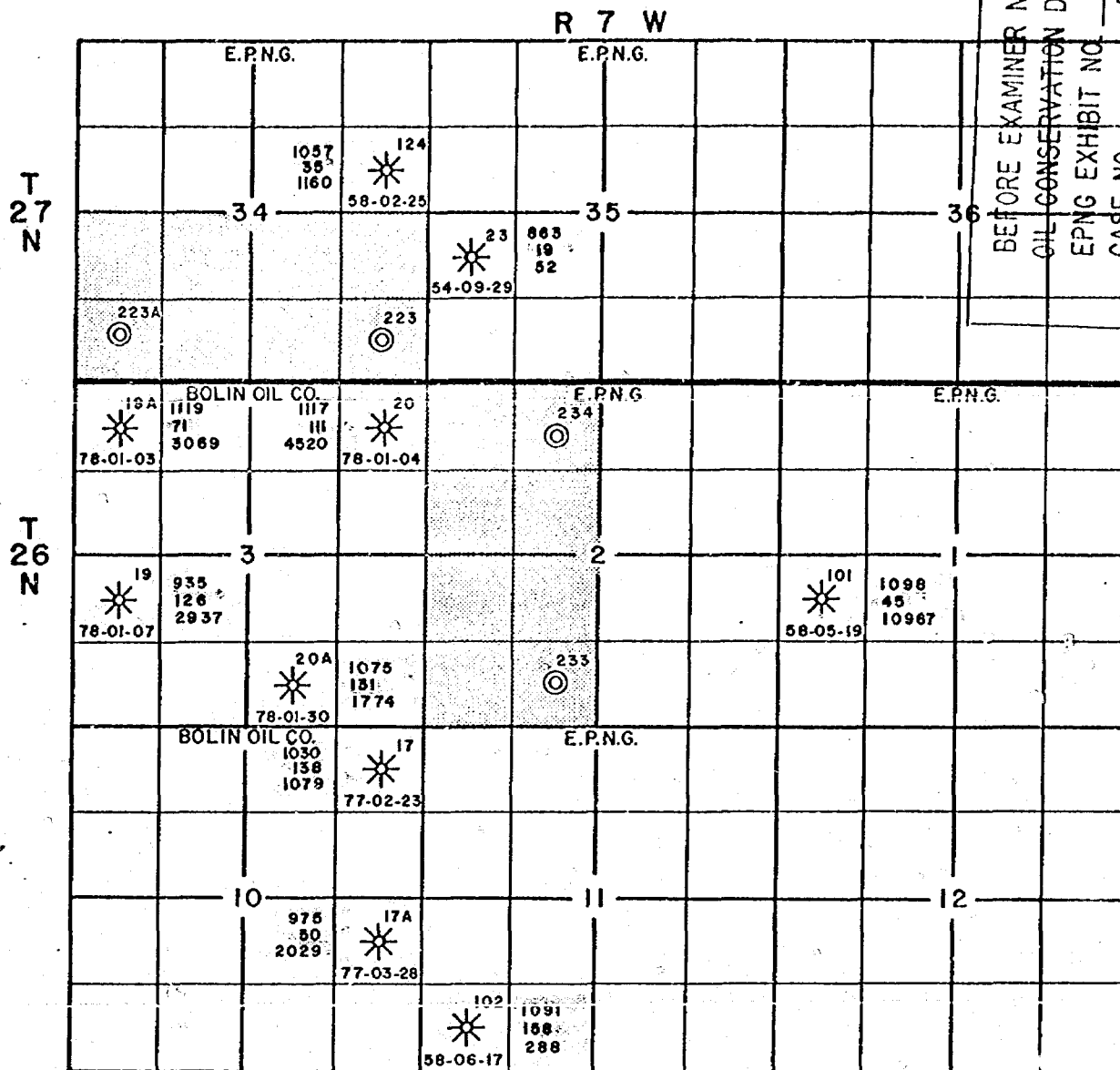
AVERAGES

989 PSIA - ORIGINAL CHACRA WHSIP (does not include well in NE 1/4 of Sec 12)
 61 MCFPD - 1980 PRODUCTION RATE
 NO OIL PRODUCTION AND RELATIVELY WATER FREE current pressures

PREPARED BY: RESERVOIR ENGINEERING DEPARTMENT

ave per
 538 psi (wells around Sec 34)
 428 ave
 (around Sec 2)

EL PASO NATURAL GAS COMPANY
EXHIBIT NO. 2
MESAVERDE FORMATION WELL LOCATION PLAT
RINCON UNIT - RIO ARRIBA COUNTY, NEW MEXICO



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EPNG EXHIBIT NO. 2
CASE NO. 7302

SUBMITTED BY Paul W. Butcherell
HEARING DATE July 15, 1981

LEGEND

- ⊙ PROPOSED CHACRA - MESAVERDE COMMINGLED WELLS
- * 12 3 4 ORIGINAL MESAVERDE WELLHEAD SHUT-IN PRESSURE - PSIA
- * 123 1980 AVERAGE PRODUCTION RATE IN MCFPD
- * 12 OIL CUM. AS OF 1-1-81
- 78-01-07 DATE OF WELL COMPLETION

AVERAGES

1036 PSIA - ORIGINAL MESAVERDE WHSIP
88 MCFPD - 1980 PRODUCTION RATE
3.3 BOPD - FOR WELLS COMPLETED IN 1977 & 1978
0.48 WPD - FOR ALL MESAVERDE WELLS

MV
current pressures
578 psia
at (wells surrounding
Sec 2)

PREPARED BY: RESERVOIR ENGINEERING DEPARTMENT

660 current press (wells surrounding
Sec 24)

#223 Well

Outside PA Chacra - 160.00 acres, SE/4 Sec. 34-27N-7W
 Outside PA Mesaverde - 320.00 acres, S/2 Sec. 34-27N-7W

Chacra

Tract #19		
USA Lease #SF 080385		
Description: SE/4		
Royalty - USA - 12.5%		
Approval	WI - EPNG- All	
OK	ORRI - Union Oil Co. of California	Sliding Scale Override
OK	Pattie Beamon Lundell, et al	Sliding Scale Override
OK	Union Oil Co. of California	3.458333%
OK	R. Beamon	.250000%
OK	Pattie Beamon Lundell	.125000%
OK	Richard H. Godfrey, Jr.	.125000%
OK	Houston E. Hill & Mozelle C. Hill	.125000%
OK	Phyllis F. Hoffman	.250000%
No Reply	Crown Central	.666667%
		5.000000%

Mesaverde

Tract #19
 USA Lease #SF 080385
 (same as above)

Tract #18
 USA Lease #SF 080213
 Description: SW/4
 Royalty - USA - 12.5%
 WI - EPNG- All
 ORRI - H. K. Riddle, Trustee of the
 Hansel King Riddle II Trust

No Reply

5%

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 7302

#223A Well

Outside PA Chacra - 160.00 acres, SW/4 Sec. 34-27N-7W
 Outside PA Mesaverde - 320.00 acres, S/2 Sec. 34-27N-7W

Chacra

Tract #18
 USA Lease #SF 080213
 Description: SW/4
 Royalty - USA - 12.5%
 WI - EPNG- All
 ORRI - H. K. Riddle, Trustee of the
 Hansel King Riddle II Trust

No Reply

5%

Mesaverde

Tract #18
 USA Lease #SF 080213
 (same as above)

Tract #19
 USA Lease #SF 080385
 Description: SE/4
 Royalty - USA - 12.5%
 WI - EPNG- All

OK
 OK
 OK
 OK
 OK
 OK
 OK
 OK

ORRI - Union Oil Co. of California
 Pattie Beamon Lundell, et al
 Union Oil Co. of California
 R. Beamon
 Pattie Beamon Lundell
 Richard H. Godfrey, Jr.
 Houston E. Hill & Mozelle C. Hill
 Phyllis F. Hoffman
 Crown Central

Sliding Scale Override
 Sliding Scale Override
 3.458333%
 .250000%
 .125000%
 .125000%
 .125000%
 .250000%
 .666667%
 5.000000%

No Reply

#233 Well

Outside PA Chacra - 160.00 acres, SW/4 Sec. 2-26N-7W
 Inside PA Mesaverde - 320.00 acres, S/2 Sec. 2-26N-7W

Chacra

	Tract #28	
	State of NM Lease #E-291-35	
	Description: SW/4	
	Royalty - State of NM - 12.5%	
	WI - EPNG - All	
OK	ORRI - Union Oil Co. of California	Sliding Scale Override
OK	Pattie B. Lundell, et al	Sliding Scale Override
OK	Helen L. Harvey	4.041667%
OK	William M. Siegenthaler	.041667%
OK	Jeffie Lou Pecor	.166666%
OK	J. I. Harvey	.750000%
		<u>5.000000%</u>

Mesaverde

Tract #26
 State of NM Lease #E-291-3
 Description: SE/4
 Royalty - State of NM - 12.5%
 WI - The Wiser Oil Co. - All
 ORRI - None

Tract #28
 State of NM Lease #E-291-35
 (same as above for Chacra)

#234 Well

Outside PA Chacra - 160.68 acres, NW/4 Sec. 2-26N-7W
 Outside PA Mesaverde - 321.54 acres, N/2 Sec. 2-26N-7W

Chacra

Tract #27
 State of NM Lease #E-291-35
 Description: Lots 3, 4, S/2 NW/4 (NW/4) 160.68 acres
 Royalty - State of NM - 12.5%
 WI - EPNG - All
 OK ORRI - Union Oil Co. of California Sliding Scale Override
 OK Hondo Oil and Gas Co. 5%

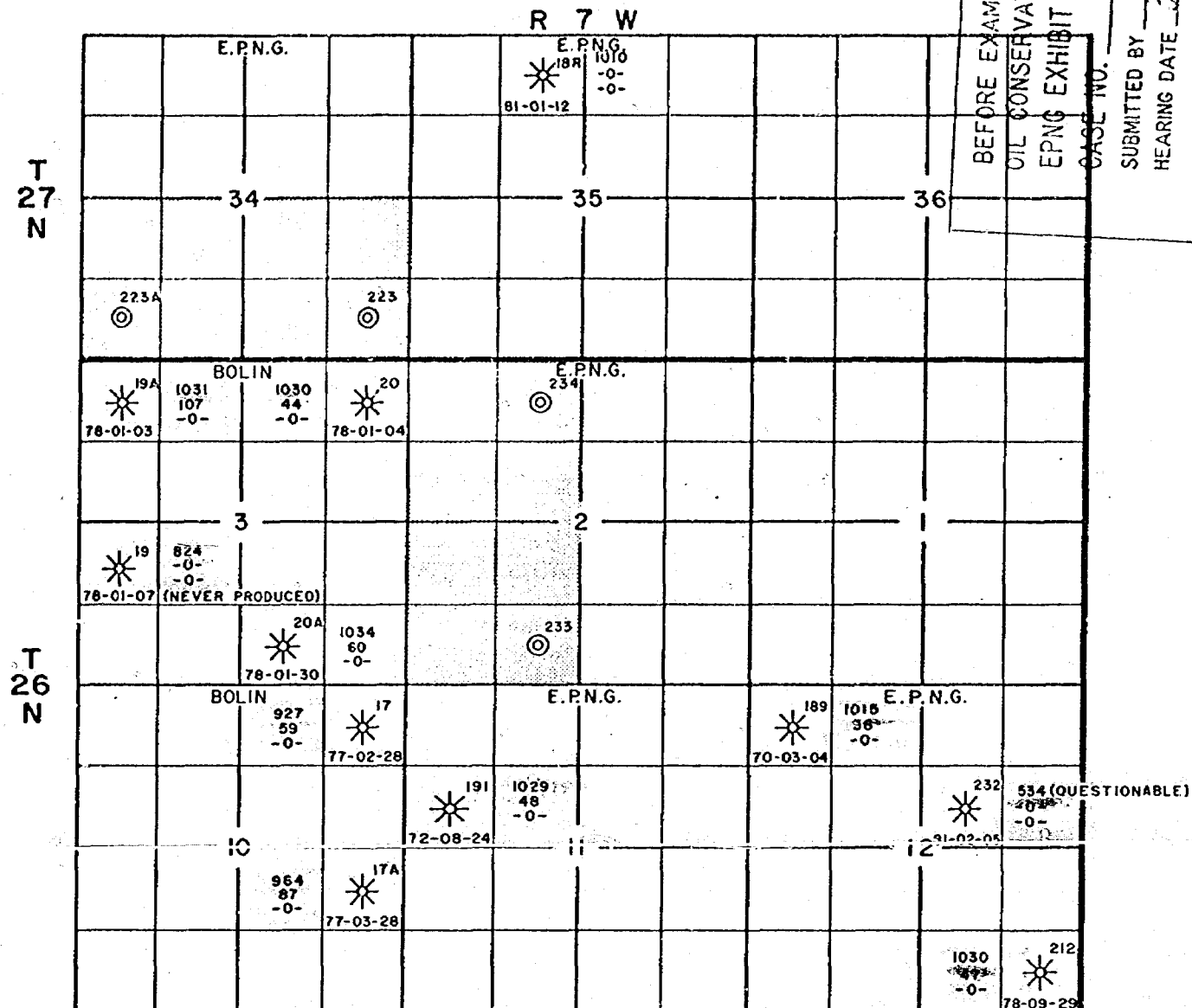
Mesaverde

Tract #26
 State of NM Lease #E-291-3
 Description: Lots 1, 2, S/2 NE/4 (NE/4) 160.76 acres
 Royalty - State of NM - 12.5%
 WI - The Wiser Oil Co. - All
 ORRI - None

Tract #27
 State of NM Lease #E-291-35
 (same as above)

EL PASO NATURAL GAS COMPANY
EXHIBIT NO. 1
CHACRA FORMATION WELL LOCATION PLAT
RINCON UNIT - RIO ARriba COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EPNG EXHIBIT NO. 1
CASE NO. 7302
SUBMITTED BY Paul W. Burchell
HEARING DATE July 15, 1981

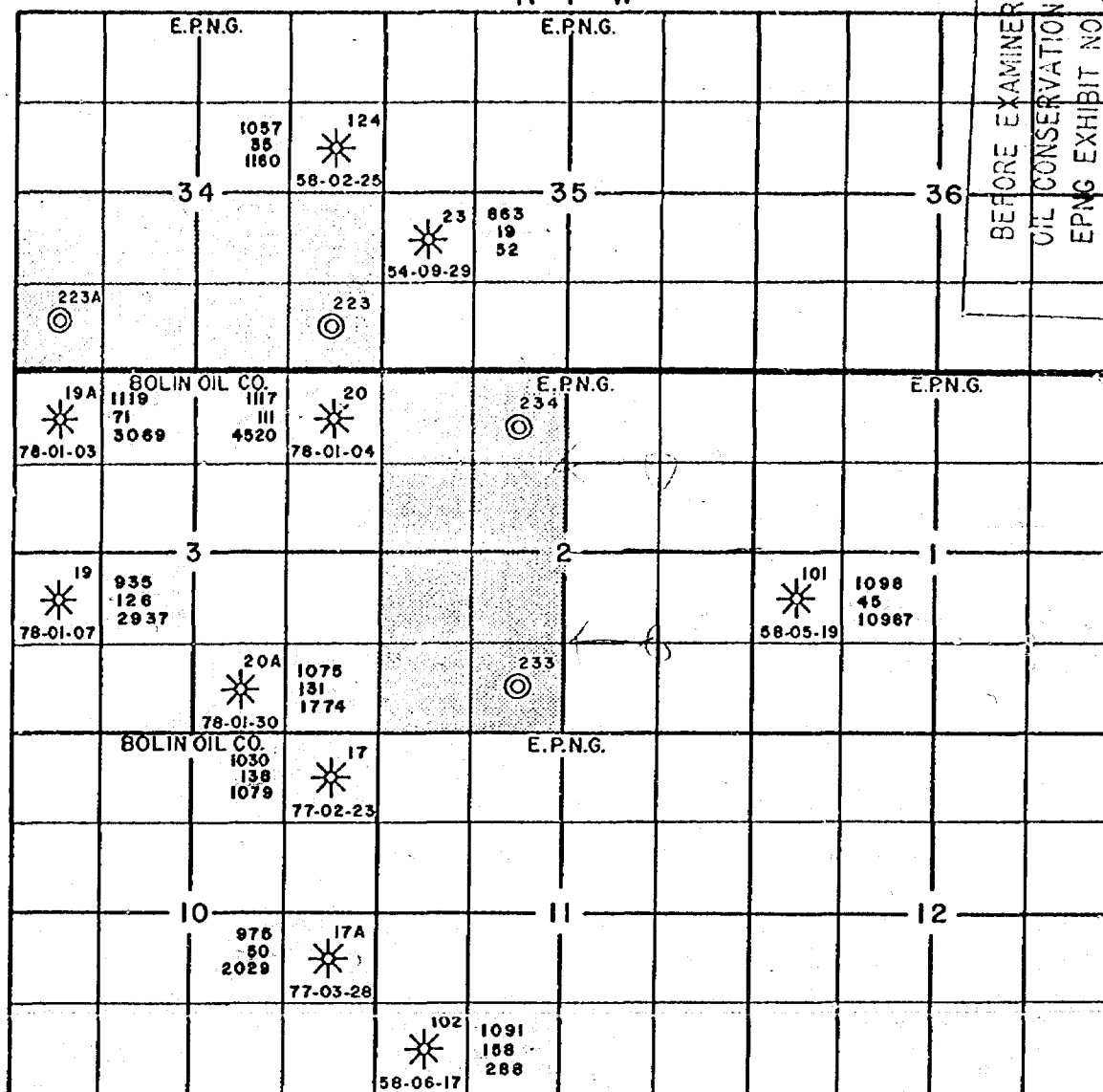


EL PASO NATURAL GAS COMPANY
EXHIBIT NO. 2
MESAVERDE FORMATION WELL LOCATION PLAT
RINCON UNIT - RIO ARriba COUNTY, NEW MEXICO

R 7 W

T 27 N

T 26 N



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EPNG EXHIBIT NO. 2
CASE NO. 7302

SUBMITTED BY *Bul W Burchell*
HEARING DATE *July 15, 1981*

LEGEND

- ⊙ PROPOSED CHACRA - MESAVERDE COMMINGLED WELLS
- * 12 3 4 ORIGINAL MESAVERDE WELLHEAD SHUT-IN PRESSURE - PSIA
- 123 1980 AVERAGE PRODUCTION RATE IN MCFFPD
- 12 OIL CUM. AS OF 1-1-81
- 78-01-07 DATE OF WELL COMPLETION

AVERAGES

- 1036 PSIA - ORIGINAL MESAVERDE WHSIP
- 88 MCFPD - 1980 PRODUCTION RATE
- 3.3 BOPD - FOR WELLS COMPLETED IN 1977 & 1978
- 0.4 BWPD - FOR ALL MESAVERDE WELLS

PREPARED BY: RESERVOIR ENGINEERING DEPARTMENT

#223 Well

Outside PA Chacra - 160.00 acres, SE/4 Sec. 34-27N-7W
 Outside PA Mesaverde - 320.00 acres, S/2 Sec. 34-27N-7W

Chacra

Tract #19		
USA Lease #SF 080385		
Description: SE/4		
Royalty - USA - 12.5%		
Approval	WI	- EPNG- All
OK	ORRI	- Union Oil Co. of California
OK		Pattie Beamon Lundell, et al
OK		Union Oil Co. of California
OK		R. Beamon
OK		Pattie Beamon Lundell
OK		Richard H. Godfrey, Jr.
OK		Houston E. Hill & Mozelle C. Hill
OK		Phyllis F. Hoffman
No Reply		Crown Central
		Sliding Scale Override
		Sliding Scale Override
		3.458333%
		.250000%
		.125000%
		.125000%
		.125000%
		.250000%
		.666667%
		5.000000%

Mesaverde

Tract #19		
USA Lease #SF 080385		
(same as above)		
Tract #18		
USA Lease #SF 080213		
Description: SW/4		
Royalty - USA - 12.5%		
	WI	- EPNG- All
No Reply	ORRI	- H. K. Riddle, Trustee of the
		Hansel King Riddle II Trust
		5%

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 7302

#223A Well

Outside PA Chacra - 160.00 acres, SW/4 Sec. 34-27N-7W
 Outside PA Mesaverde - 320.00 acres, S/2 Sec. 34-27N-7W

Chacra

Tract #18
 USA Lease #SF 080213
 Description: SW/4
 Royalty - USA - 12.5%
 WI - EPNG- All
 ORRI - H. K. Riddle, Trustee of the
 Hansel King Riddle II Trust 5%
 No Reply

Mesaverde

Tract #18
 USA Lease #SF 080213
 (same as above)

	Tract #19	
	USA Lease #SF 080385	
	Description: SE/4	
	Royalty - USA - 12.5%	
	WI - EPNG- All	
OK	ORRI - Union Oil Co. of California	Sliding Scale Override
OK	Pattie Beamon Lundell, et al	Sliding Scale Override
OK	Union Oil Co. of California	3.458333%
OK	R. Beamon	.250000%
OK	Pattie Beamon Lundell	.125000%
OK	Richard H. Godfrey, Jr.	.125000%
OK	Houston E. Hill & Mozelle C. Hill	.125000%
OK	Phyllis F. Hoffman	.250000%
No Reply	Crown Central	.666667%
		5.000000%

#233 Well

Outside PA Chacra - 160.00 acres, SW/4 Sec. 2-26N-7W
 Inside PA Mesaverde - 320.00 acres, S/2 Sec. 2-26N-7W

Chacra

	Tract #28	
	State of NM Lease #E-291-35	
	Description: SW/4	
	Royalty - State of NM - 12.5%	
	WI - EPNG - All	
OK	ORRI - Union Oil Co. of California	Sliding Scale Override
OK	Pattie B. Lundell, et al	Sliding Scale Override
OK	Helen L. Harvey	4.041667%
OK	William M. Siegenthaler	.041667%
OK	Jeffie Lou Pecor	.166666%
OK	J. I. Harvey	.750000%
		<u>5.000000%</u>

Mesaverde

Tract #26
 State of NM Lease #E-291-3
 Description: SE/4
 Royalty - State of NM - 12.5%
 WI - The Wiser Oil Co. - All
 ORRI - None

Tract #28
 State of NM Lease #E-291-35
 (same as above for Chacra)

#234 Well

Outside PA Chacra - 160.68 acres, NW/4 Sec. 2-26N-7W
Outside PA Mesaverde - 321.54 acres, N/2 Sec. 2-26N-7W

Chacra

Tract #27

State of NM Lease #E-291-35

Description: Lots 3, 4, S/2 NW/4 (NW/4) 160.68 acres

Royalty - State of NM - 12.5%

WI - EPNG - All

OK

ORRI - Union Oil Co. of California

Sliding Scale Override

OK

Hondo Oil and Gas Co.

58

Mesaverde

Tract #26

State of NM Lease #E-291-3

Description: Lots 1, 2, S/2 NE/4 (NE/4) 160.76 acres

Royalty - State of NM - 12.5%

WI - The Wiser Oil Co. - All

ORRI - None

Tract #27

State of NM Lease #E-291-35

(same as above)

Dockets Nos. 23-81 and 24-81 are tentatively set for July 29 and August 12, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 15, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7302: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacra and Mesaverde production in the wellbores of four wells to be drilled in the SE/4 and SW/4 of Section 34, Township 27 North, Range 7 West, and the SW/4 and NW/4 of Section 2, Township 26 North, Range 7 West, respectively.

CASE 7303: Application of Florida Hydrocarbons Company for surface commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the surface commingling of Morrow, Strawn, Atoka, and Wolfcamp gas produced from five wells located in Unit F of Section 10, Units G and O of Section 15, and Units A and I of Section 22, all in Township 23 South, Range 34 East, Antelope Ridge Field, after separately metering the gas produced from each well and each zone. Lease liquids would be separated out at the wellhead and the gas processed in a plant, allocating plant production back to each well on the basis of meter readings. Applicant further seeks a procedure whereby additional wells could be similarly commingled in said system.

CASE 7304: Application of ARCO Oil and Gas Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Custer Well No. 1, the surface location of which is 810 feet from the North line and 2164 feet from the West line of Section 6, Township 25 South, Range 37 East, Custer Field, to a bottom hole location within 100 feet of a point 1650 feet from the North line and 660 feet from the West line of said Section 6, at a true vertical depth of approximately 12,800 feet.

CASE 7305: Application of Amoco Production Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 34, Township 23 South, Range 28 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 34. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7306: Application of Getty Oil Company for pool creation, special pool rules, and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Lower Pennsylvanian gas pool for its Federal 33 Well No. 1 located in Unit G of Section 33, Township 26 South, Range 33 East, and the promulgation of special rules therefor, including provisions for 640-acre spacing. Applicant also seeks approval of a 616.24-acre non-standard gas proration unit comprising Sections 33 and 34, Township 26 South, Range 33 East.

CASE 7307: Application of Mesa Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Mesaverde formation underlying the W/2 of Section 23, Township 26 North, Range 6 West, to be dedicated to its Federal Well No. 12E drilled at a standard location thereon.

CASE 7308: Application of Mesa Petroleum Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all royalty interests in the Mesaverde formation underlying the E/2 of Section 23, Township 26 North, Range 6 West, to be dedicated to its Federal Well No. 11E drilled at a standard location thereon.

CASE 7074: (Reopened and Readvertised)

In the matter of Case 7074 being reopened pursuant to the provisions of Order No. R-6565, which order created the South Elkins-Fusselman Gas Pool in Chaves County, New Mexico, to permit all interested parties to appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined to be a retrograde gas condensate reservoir.

J. O. SETH (1883-1963)
FRANK ANDREWS (1914-1981)

A. K. MONTGOMERY
SETH D. MONTGOMERY
FRANK ANDREWS III
OWEN M. LOPEZ
VICTOR R. ORTEGA
JOHN E. CONWAY
JEFFREY R. BRANNEN
JOHN B. POUND
GARY R. KILPATRICK
THOMAS W. OLSON
WALTER J. MELENDRES
BRUCE L. HERR
MICHAEL W. BRENNAN
ROBERT R. WORCESTER
JOHN B. DRAPER
NANCY M. ANDERSON
RUDOLPH B. SACKS, JR.
JANET MCL. MCKAY
EDWARD F. MITCHELL III
ALLEN H. BRILL
CARRIE L. PARKER

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW
325 PASEO DE PERALTA
POST OFFICE BOX 2307
SANTA FE, NEW MEXICO 87501
TELEPHONE 505-982-3873
TELECOPY 505-982-4289

ALBUQUERQUE OFFICE
SUITE 916
BANK OF NEW MEXICO BUILDING
4TH AND GOLD AVENUE, S.W.
POST OFFICE BOX 1396
ALBUQUERQUE, NEW MEXICO 87103
TELEPHONE 505-243-3733

July 14, 1981

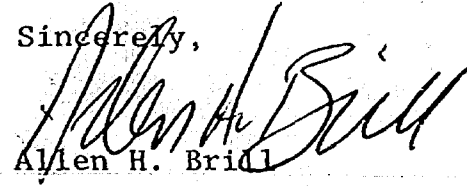
New Mexico Energy and
Minerals Department
Oil Conservation Division
Land Office Building
Santa Fe, New Mexico 87503

Re: Application of El Paso Natural Gas Company
for Downhole Commingling, Rio Arriba County,
New Mexico; NMOCD Case No. 7302

Gentlemen:

Please be advised that David T. Burleson of the office
of General Counsel of El Paso Natural Gas Company, El Paso,
Texas, is associated with our firm for the presentation of
evidence and argument in the above-referenced case.

Sincerely,


Allen H. Brill

AHB:to

El Paso NATURAL GAS
COMPANY

RECEIVED
JUL 23 1981
OIL CONSERVATION DIVISION
SANTA FE
P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

June 16, 1981

Case 2302

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

El Paso Natural Gas Company respectfully requests a hearing to be set before the Division or its designated examiner on July 15, 1981, if possible. El Paso seeks approval to drill and complete four (4) wells in both the Chacra and Mesaverde Formations, and downhole commingle the production. The proposed wells are the Rincon Unit Nos. 223, 223A, 233 and 234. They will be located in the SE $\frac{1}{4}$ and SW $\frac{1}{4}$ of Section 34, T27N-R7W, and the SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of Section 2, T26N-R7W, respectively, Rio Arriba County, New Mexico.

Very truly yours,

E. R. Manning
E. R. Manning

je

cc: Messrs. D. C. Adams - Farmington
D. E. Adams
D. T. Burleson
D. N. Canfield
E. J. Coel
J. F. Eichelmann, Jr.
C. E. Matthews
D. R. Read
L. G. Truby
T. F. Hawkins

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7302

Order No. R-6733

APPLICATION OF EL PASO NATURAL GAS COMPANY
FOR DOWNHOLE COMMINGLING, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 15
19 81, at Santa Fe, New Mexico, before Examiner Daniel S.
Nutter.

NOW, on this day of July, 1981, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, El Paso Natural Gas Company, is
plans to drill four wells in the SE/4 and SW/4 of Section 34,
the owner and operator of the
Township 27 North, Range 7 West, and the SW/4 and NW/4 of Section 2,
located in Unit of Section, Township 26 North,
Range 7 West, respectively, NPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle
Chacra and Mesaverde production
within the wellbores of the above-described wells.

(4) That from the Chacra ^{each of} zone, the [^] subject wells ^{expected to be} is capable of low marginal production only.

(5) That from the Mesaverde ^{each of} zone, the [^] subject wells ^{expected to be} is capable of low marginal production only.

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused ^{are} by the proposed commingling provided that the wells ^{are} not shut-in for an extended period.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject wells are shut-in for 7 consecutive days.

~~(9) That in order to allocate the commingled production to each of the commingled zones in the subject wells, _____ percent of the commingled _____ production should be allocated to the Chacra _____ zone, and _____ percent of the commingled _____ production to the Mesaverde _____ zone.~~

(ALTERNATE)

(9) That in order to allocate the commingled production to each of the commingled zones in the wells, applicant should ^{and should} ~~test the Chacra zone separately, and the Chacra and Mesaverde combined,~~ consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the productive zones.

(10) That this commingling authority should be ^{with respect to any of the herein authorized wells} ~~revested~~ of the pressures or productivity of any such well indicates that reservoir damage or waste might result from commingling in the wellbore.

IT IS THEREFORE ORDERED:

(1) That the applicant, El Paso Natural Gas Company, is hereby authorized to commingle Chacara and Mesaverde production within the wellbores of

(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells.

(~~ALTERNATE~~)

~~(2)~~ That _____ percent of the commingled _____
production shall be allocated to the _____ Chacra _____
zone and _____ percent of the commingled _____
production shall be allocated to the _____ Mesaverde _____
zone.

(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

(4) That the Division Director may assume this commingling authority with respect to any of the subject wells if the pressures or productivity encountered in such well indicates that reservoir damage or waste may result from commingling in the wellbore of said well.