

CASE NO.

7434

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

22 December 1981

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the
amendment of Division Rule 112-A.

CASE
7434

BEFORE: Ramey
Mr. Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

1
2 MR. RAMEY: Call Case Number 7434.

3 MR. HALL: The Commission will consider
4 the amendment of Division Rule 112-A to permit the Division's
5 District Supervisors to approve the multiple completion of
6 wells under certain specified conditions and to delete the
7 requirement for notice to offset operators.

8 MR. RAMEY: This case was heard on De-
9 cember 3rd and because of an error in advertising was re-
10 opened today.

11 Are there any appearances or does any-
12 one have anything to add in Case 7434?

13 If not, the Commission will take the case
14 under advisement.

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16 (Hearing concluded.)
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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 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

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

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the
amendment of Division Rule
112-A.

CASE
7434

BEFORE: Commissioner Ramey
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

Commission:
For the ~~Applicant~~

J. Scott Hall, Esq.
ENERGY AND MINERALS DEPT.
Santa Fe, New Mexico 87501

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A P P E A R A N C E S

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For Amoco Production Co.:

Clyde Mote, Esq.
AMOCO PRODUCTION COMPANY
Houston, Texas

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As Chairman of the
Regulatory Practices
Committee for the New
Mexico Oil and Gas
Association:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

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(REPORTER'S NOTE: All other interested

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parties who made comments or asked

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questions during these hearings are

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listed on the Commission roster for

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3 December 1981.)

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I N D E X

R. L. STAMETS

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MR. RAMEY: All right, we'll call now
Case 7434.

MR. HALL: The Commission will consider
the amendment of Division Rule 112-A to permit the Division's
District Supervisors to approve the multiple completion of
wells under certain specified conditions and to delete the
requirement for notice to offset operators.

MR. RAMEY: We'll have a fifteen minute
recess before we start taking testimony.

(Thereupon a recess was
taken.)

MR. RAMEY: The hearing will come to
order.

Mr. Pearce, are you prepared to pro-
ceed?

MR. PEARCE: I'm ready.

MR. RAMEY: With Case 7434?

MR. PEARCE: Thank you, Mr. Ramey.
Case 7434 having been called, I would like the record to
reflect that I am W. Perry Pearce, appearing on behalf of
the New Mexico Oil Conservation Division.

I have one witness, Mr. Richard L. Stamets,

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2 who has been previously sworn and qualified, and with the
3 Commission's permission we will proceed with that matter.

4 MR. RAMEY: Please do.

5 MR. PEARCE: Thank you, sir.

6
7 R. L. STAMETS

8 being called as a witness and having been previously sworn
9 upon his oath, testified as follows, to-wit:

10
11 DIRECT EXAMINATION

12 BY MR. PEARCE:

13 Q Mr. Stamets, would you briefly review
14 for the members of the Commission and those in attendance at
15 this hearing the proposed changes set forth as Case 7434?

16 A Yes. In this case I'm going to put on
17 my white hat and try and make things easier for us and oil
18 operators.

19 The first thing we're going to consider
20 today is the amendment of Rule 112-A relative to multiple
21 completions.

22 Multiple completions have been around
23 in the -- in the oil business longer than I have, and that's
24 going on twenty-five years now. I believe when I first went
25 to work for the Oil Conservation Division back in 1957 we

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2 were approving some of the first multiple completions.
3 We've had an administrative process for approval of multiple
4 completions for a number of years, and after all of this
5 experience the multiple completion well has become essentially
6 routine and so what I've done is try and rewrite Rule 112-A
7 to reflect the more routine nature of this to give the Dis-
8 trict offices approval to approve multiple completions in
9 the same manner that they would approve notice of intention
10 to drill, or any other ordinary oil field activity, and then
11 a new administrative process where reservoir energy concerns
12 may be a matter of concern to us.

13 Let me just run through this, then, in
14 the proposal.

15 Rule 112-A, the first paragraph is the
16 same as what we've had now, just saying that you do have to
17 get Division approval for multiple completion.

18 Paragraph 2 goes into the new District
19 approval process. The -- it starts by saying the supervisor
20 of the appropriate Division district may authorize the mul-
21 tiple completion of qualifying conventional, tubingless, or
22 combination, whenever the zones to be completed are to be
23 produced through tubing or through casing where such casing
24 has an outside diameter of 2.875 inches, or less.

25 The supervisor may authorize one zone

1
2 to be produced through a casing -- through a casing/tubing
3 annulus if such zone produces no more than one barrel of
4 liquids per day.

5 Now, in this last -- let me talk about
6 this whole thing for a minute.

7 I think we can assume that if all the
8 zones are to be produced through tubing, there should be no
9 real problem with excessive use of reservoir energy in the
10 production of any of those zones.

11 When we get into a situation where one
12 zone may be going up the annulus it is possible that because
13 of liquids production inefficient use of reservoir energy
14 could occur.

15 Now, this -- the volume of liquids, the
16 volume of gas is going to vary from well to well, and I don't
17 have any sliding scale that I could present here today which
18 would magically show any of us exactly what volume of liquids
19 could be produced relative to another volume of gas. So
20 I've just simply said if it's more than a barrel a day, you
21 have to use some other process. That cannot be approved at
22 the District Office level. And that's strictly an arbitrary
23 figure.

24 Now going on, the second paragraph de-
25 scribes what you must do to obtain approval for multiple com-

1
2 pletion at the District; tells you how many forms must be
3 filed and what information must be on that form, which is
4 Form C-107.

5 Form C-107 is shown as Exhibit Two to
6 this case. This form is very similar to the existing Form
7 C-107. The information to be shown in the middle of the form
8 is somewhat different, primarily in paragraph E there,
9 showing the daily production, actual or estimated, and
10 showing Oil Bbls., Gas MCF, and Water Bbls.

11 Also, we have removed from the form any
12 requirement that the offset operators be listed or that they
13 be notified. Again, this has become such a routine situation
14 that we don't believe the offset operators have to be noti-
15 fied, and in my conversations with operators, both the Oil
16 and Gas Association and the Petroleum Association, no one
17 said that they felt that offset operators had to be notified,
18 so we are eliminating that provision.

19 Going on, then we do say that the Dist-
20 rict supervisor may forward any application to the Director
21 of the Division for approval. If for any reason he's not
22 satisfied with the application, he can send it on up.

23 Section III, then, describes the new
24 administrative approval process. It states that the Division
25 Director may authorize the multiple completion, qualifying

1
2 conventional, tubingless, or combination, not qualifying for
3 District approval or referred to him by a District supervisor.

4 When a zone of a proposed multiple com-
5 pletion is to be produced through a casing/tubing annulus,
6 and such zone produces more than one barrel a day of liquids,
7 the applicant shall furnish proof that such liquids may be
8 efficiently produced without undue use of reservoir energy
9 for the expected producing life of the well.

10 Application then, the next paragraph
11 goes into how you would file, and this would basically be
12 filing the same information with the Santa Fe Office, plus
13 this one additional requirement, demonstrating that the flow
14 up the annulus is efficient.

15 Upon receipt of a complete application
16 the Division Director may approve the matter administratively
17 or he may set it for public hearing. If he's not satisfied
18 with what he has received, he can set the matter for hearing.

19 Now, Section IV goes into what types of
20 multiple completions qualify for approval either at the Dist-
21 rict Office or administratively, and these are essentially
22 the same as our existing rules. The definitions and the
23 requirements are identical.

24 We have one slight change in Section
25 IV (a) (5), which is in the middle of that page. Let me read

1
2 that.

3 It says, downhole equipment used to
4 segregate the separate zones of the multiple completion will
5 be production-type packers, which is what we have in the
6 current rule, and then we've added polished bore receptacles,
7 or the equivalent, and shall effectively prevent communica-
8 tions between all producing zones.

9 And we have added polished bore recep-
10 tacles there because after a number of hearings we have
11 added those to our list of approved separation equipment.

12 The rest of that page is the same as
13 the existing rules, so we can move on to the next page,
14 which talks about -- Section V being how you would apply for
15 a hearing. It states that any multiple completion not
16 qualifying for District Approval or administrative approval
17 must be set for public hearing, and states that the operator
18 can apply for that either under the terms of Rule 1203 or
19 by filing Form C-107 with the Santa Fe office.

20 Section VI goes into operation and
21 testing, and in sections -- or parts (a) through (e) here
22 are essentially the same as our existing rules. There are
23 a few changes I would like to mention.

24 In paragraph (c) in the second line
25 we're talking about the segregation tests and/or packer leak-

age, we have provided fifteen days after the multiple completion to do this. This was suggested by an operator in the San Juan Basin who said sometimes it is difficult to actually get out and run this test within seven days, and that doesn't seem like an undue period of time to allow for such tests.

We have removed the requirement for submittal of a packer setting report. That can now simply be shown on Form C-103 or Form C-105.

The next change is in paragraph (e). There we have provided twenty days after the completion of a well for furnishing of the diagrammatic sketch of mechanical installation. It formerly said fifteen days. Twenty days was requested by an operator in the San Juan Basin. It doesn't seem unreasonable and it does tie in with our filing dates for Form C-105.

The next two paragraphs are new paragraphs which have been added.

Paragraph (f) says that no multiple completion may continue to produce in a manner which would unnecessarily be wasteful of reservoir energy.

Paragraph (g) states that the Division may require the proper plugging of any abandoned zone of a multiply completed well if such plugging appears necessary to prevent waste or protect correlative rights.

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2 Q Mr. Stamets, in addition, Exhibit Three
3 to Case 7434 deals with the second part of this case as it
4 relates to changes in downhole commingling regulations of
5 the Division. Would you at this time summarize for the Com-
6 missioners and those in attendance at this hearing those pro-
7 posed changes?

8 A Yes. We have had administrative approval
9 for the downhole commingling of oil zones available for us
10 and the operators for a number of years. We've had quite a
11 few hearings in the last few years for downhole commingling
12 of gas zones or gas and oil zones, and to sort of facilitate
13 our work and to allow the operators to get approval of such
14 downhole commingling without necessity of coming in for a
15 hearing, we have proposed these additional rules.

16 Rule 303-C, the first paragraph there
17 in Section 1, we have simply added in authorization to approve
18 gas-gas and gas-oil zones in addition to the oil zones ori-
19 ginally authorized by the rule.

20 And then no changes have been made in
21 Section (a) there, for wells involving oil zones. Everything
22 is identical through the first seven sentences there, seven
23 parts.

24 You get into paragraph (b), this is all
25 new and it is taken from the provisions of many of our gas

1
2 downhole commingling orders.

3 So these would be the requirements which
4 must be met for wells which are -- which involve a gas zone.

5 The first is that the commingling is
6 necessary to permit a zone, or zones, to be produced which
7 would not otherwise be economically producible; that there
8 would be no cross flow between the zones to be commingled;
9 that any zone which is produced from fluid-sensitive sands,
10 which may be subject to damage from water or other produced
11 liquids, is protected from contact from such liquids produced
12 from other zones in the well; that the fluids from each zone
13 are compatible with fluids from the others; and that the
14 combining of the fluids will not result in the formation of
15 precipitates which may damage any of the reservoirs; that
16 the ownership of the zones to be commingled is common, in-
17 cluding working interest, royalty, and overriding royalty;
18 that the bottom hole pressure of the lower pressure zone is
19 not less than 50 percent of the bottom hole pressure of the
20 higher pressure zone, adjusted to a common datum.

21 The next page starts out with part 2
22 on how to obtain approval, and down through part (h) these
23 are essentially the same as our existing rules.

24 Part (i) is new. It says, a formula
25 for the allocation of production to each of the commingled

1 zones and the description of the factors or data used in
2 determining such a formula. This, of course, is often based
3 on the production history of the well or may be based on
4 reserve calculations, or such other reasonable formula as the
5 operator may determine.
6

7 And then the final part there, (j), is
8 the same as in the existing rule for obtaining approval.

9 Next Section 3, simply provides that the
10 Division Director may approve this if nobody has objected
11 within twenty days, and that's the same as our existing rule.

12 The next part, 4, talks about operation
13 of the well, and that is the same as the existing rule until
14 we get down to the second sentence, which starts about the
15 middle of that paragraph.

16 This says that the production from the
17 well with a commingled oil zone shall be subject to the lower
18 daily gas/oil ratio limitations applicable to the reservoirs.
19 The production attributable to an oil zone commingled with a
20 gas zone shall be subject to the daily gas/oil ratio limita-
21 tion applicable to such zone or pool. And the last sentence
22 is the same, simply requiring that wells be tested on a com-
23 mingled basis annually.

24 The next paragraph, 5, is basically the
25 same as in the existing rule.

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2 And that's all I have on this proposal.

3 MR. PEARCE: Mr. Commissioner, at this
4 time we would move the admission of Exhibits One, Two, and
5 Three to Case 7434, and the staff of the Division has nothing
6 additional at this time.

7 MR. RAMEY: Exhibits One, Two, and Three
8 will be admitted.

9
10 CROSS EXAMINATION

11 BY MR. RAMEY:

12 Q Mr. Stamets, on on number four there that
13 you just recently completed discussing, I wonder if you
14 shouldn't put the word "oil" after "such" if you're talking
15 about the lower -- "The production attributable to the oil
16 zone commingled with the gas zone shall be subject to the
17 daily gas-oil ratio limitation applicable to such oil zone
18 or pool"?

19 A Yes, I think that would improve the
20 language there.

21 MR. RAMEY: Any questions of the witness?

22 A Oh, I might -- I did have a discussion
23 with someone during the break about this and they did make
24 a couple of suggestions.

25 Right at the beginning of 303-C, in

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2 Part A, they did suggest that the -- for clarification we
3 should say that the total combined daily oil production zones
4 before commingling would be the equivalent shown there, and
5 I think that would perhaps clarify that rule.

6 MR. RAMEY: Mr. Yates.

7
8 QUESTIONS BY MR. YATES:

9 Q Peyton Yates, with the -- representing
10 the Petroleum Association.

11 We had a question. Generally, we're
12 very much in favor of the proposed changes and welcome the
13 Commission's attempt to try to make simpler the field oper-
14 ations.

15 However, we had a question and I'm not
16 quite sure, I just came across this yesterday, whether or
17 not we still have the same latitude and (inaudible) of the
18 regulations as proposed as you had in these old regulations;
19 namely, the part of the old regulations, paragraph 2-A --

20 A Which, are we talking about 112 or 303?

21 Q 112, excuse me, 112-A, paragraph Two-A,
22 the old regulations, the Secretary-Director of the Commission --
23 excuse me, the Division -- had the authority to grant excep-
24 tions to the rules affecting multiple completion in cases
25 in areas where it had been approved before. In other words,

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2 if there were a precedent established there was no need to
3 come up again in certain pools for a hearing, and it appears
4 you attempted to do this somewhat, but I wonder if you'd dis-
5 cuss this. Do you agree that the Director still has that
6 same latitude under these new regulations?

7 A It is the intent of this rule as written
8 to be more flexible than what you're talking about.

9 The rule as it is currently written pro-
10 vides for administrative approval if there are already simi-
11 lar dual completions in those same two pools.

12 And this rule goes beyond that, allowing
13 for approval of the dual completion in any set of pools whether
14 or not there have ever been any pooled before, so long as it
15 meets the construction requirements of these rules.

16 Q Well, that's the question, Dick, is
17 whether or not if you have a case that does not meet the con-
18 struction requirements but has previously been approved in
19 a hearing, can, under the new guidelines that we have here,
20 is it possible that the Director says, we've already approved
21 this for these wells in this pool -- for this -- for one well,
22 therefor, we can approve the second one administratively
23 rather than have a hearing, or is he forced into a hearing
24 mechanism because that particular method is not defined under
25 this method? Do you see?

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2 A I see what you mean, and I agree that it
3 does not permit that. What type of a multiple completion are
4 you talking about, though? Can you give me an example?

5 Q Well, one in which you may have differ-
6 ences -- I think you tried to address it where you have dif-
7 ferences in tubing sizes. You have some paragraph at the
8 bottom of IV (b), in a paragraph there, that gives the Director
9 some leeway. I'm just -- I can't -- I don't have a specific
10 example of it, other than that you may have tubing sizes that
11 are different than those listed here, and we're not saying --
12 we're not objecting to coming up and having a hearing for
13 special cases, but in this second go-around are you forced
14 into having a hearing?

15 MR. RAMEY: In other words, Mr. Yates, if
16 you would utilize 3-inch tubing in one well and have a hearing
17 for it, well, then you feel like you ought to be able to use
18 3-inch tubing in the same pool, in the same zone?

19 MR. YATES: That's correct, once it's
20 been approved at one hearing. And we want to make sure the
21 Director still has that authority to permit that.

22 A It certainly seems like a reasonable
23 addition, and I will make a note of that.

24 MR. RAMEY: Mr. Mote?
25

CROSS EXAMINATION

BY MR. MOTE:

Q Mr. Stamets, on Rule 303-C --

MR. RAMEY: Wait just a minute, please.

MR. STAMETS: Let me make a note, please

MR. PEARCE: Thank you.

Q Rule 303-C (b) small (b), for wells involving a gas zone.

A Yes.

Q Number 2, my people tell me, is almost identical to Number 6, and that both the requirement that there be no cross flow between the zones being commingled, with the requirement in (6) that the bottom hole pressure differential of 50 percent. The one would take care of the other, I think. One or the other must be redundant, must be considered redundant. Any comments on that?

A I don't think redundancy hurts in this particular rule.

Q Another question that they've raised is whether or not you can even actually prove whether or not cross flow occurs between zones being commingled. How do you prove it or disprove it?

A Well, reasonable people must agree to a

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2 certain set of numbers, and Amoco is possessed of quite a few
3 engineers and I feel confident that they would be able to
4 come in and demonstrate that it wasn't going to happen if
5 it wasn't going to happen, and we are certainly qualified to
6 review the evidence that they submit and make that determin-
7 ation.

8 After all, this is the sort of thing we've
9 been doing at hearings for several years, and it -- it's not
10 been a problem.

11 Q Would there be any objection to adding
12 the word "detrimental" between "no" and "crossflow" so that
13 it might be recognized that there may be some crossflow that
14 might occur and not be detrimental, especially in view of
15 Number (6) where you have the pressure differential esta-
16 blished?

17 A Well, I'm not certain that -- that that
18 would be helpful there. We're talking about an administrative
19 process here, and that perhaps should require more of an
20 applicant than a process at a hearing where he can be cross
21 examined and the issue can be discussed.

22 My preference is that there should be
23 reasonable evidence that there is going to be no crossflow
24 for wells to be approved administratively.

25 Q I realize that Number 2, which is to ob-

tain approval for downhole commingling, 303-C #2.

I realize most of the items listed there are already in the rules, but it occurs to us that this might be a good time to bring up a point; that is, that most of the items that are stated to be required to be furnished to obtain downhole commingling are items which imply that the downhole commingling has already occurred. I believe (d), (e), (f), (g), (h), and (i) all assume that the commingling has occurred, and in most of those cases unless the commingling has actually occurred that information cannot be furnished.

A That's certainly not the way I read those paragraphs. I feel that they all anticipate that -- that the commingling has not occurred.

Q Well, let's take for example number (f), which requires them to give an estimated bottom hole pressure for each artificially lifted zone. You give a current measured bottom hole pressure for each zone capable of flowing.

The only way you could get estimated would be to have both zones flowing. If you have one zone behind the pipe how would you possibly give a bottom hole pressure in that zone if you hadn't yet commingled?

A Well, it does say estimated, so certainly you could estimate what your pressure would be based on nearby wells, and perhaps the experience that's been obtained in

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2 that zone -- in completion of that zone in recent wells.

3 Q Well, (g) following it doesn't say any-
4 thing about estimation. How could you give a description of
5 fluid characteristics of each zone? How would we know what
6 the fluid characteristics are without that zone being produced?

7 A What you're discussing is a situation
8 where you are proposing to downhole commingle zones which are
9 not currently completed.

10 Q Yes, sir, primarily.

11 A Well, again, as I stated, this is an ad-
12 ministrative process and I feel that the burden should be
13 greater on the operator for an administrative process than
14 one where there is a hearing and an open discussion, and it
15 would seem as though this information is reasonable informa-
16 tion to be supplied.

17 I know of no reason why the operator
18 couldn't go in and set a bridge plug and test the new zone.
19 Certainly he would have information on any existing zone in
20 the well.

21 Q We would have a suggestion in connection
22 with the entire paragraph 2. If you could condition the fur-
23 nishing of material to the extent such information is avail-
24 able to the operator, since it's all within the discretion of
25 the Division Director anyway, whether or not the commingling

1
2 is permitted. It appears to me that if we added to number
3 2 a clause saying to the extent such information is available
4 to the operator that this would clear it up to an extent
5 showing that in all cases wouldn't have to make all these tests
6 before the application is made.

7 A I'm certain that the Commission has heard
8 your recommendation and I don't believe I concur.

9 MR. MOTE: I don't have anything further
10 at this time.

11 MR. RAMEY: Any other questions of Mr.
12 Stamets? Mr. Kalteyer.

13
14 QUESTIONS BY MR. KALTEYER:

15 Q Charles Kalteyer for Gulf Oil.

16 I do want to commend the Commission for
17 their simplification of the multiple completion and downhole
18 commingling.

19 I had one question of clarification and
20 that is in the Rule 112-A, multiple completion, item II,
21 District Approval. You set that out and then for Item III,
22 Roman numeral III, you've used the term administrative ap-
23 proval.

24 I guess your terminology, administra-
25 tive approval means Division Office, Santa Fe Division Office?

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A Yes, it --

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Q And I was wondering about clarification of why not call that Division approval versus District approval in several instances there.

6

They're both administrative.

7

8

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A Well, we'll certainly think about that and -- and see if such language appears to clarify the -- the division of approval.

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Q In Item V there on page 7, it could be difficult to interpret where you've put them both together for hearings, any multiple completion not qualifying for District or administrative approval ... the words right together.

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And in Rule 303-C, I strongly support your comments about clarifying that Item 1(a) by inserting the word "combined", the combined total daily oil production from oil zones before commingling . . . and also to set out the bottom perforations lowermost zones barrels per day be set out as the oil limit. It does refer to it down below in one paragraph.

22

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And the heading of that column over there is barrels, but the way it's set out it's oil in barrels per day.

A

Yes, I believe that would improve the

1
2 clarity of this rule.

3 Q We have a problem, usually have to end
4 up having to phone Dan to get it straightened out.

5 A Getting back to your comments on the
6 three types of approval, it seems to me that that's fairly
7 clear. It could be that if we're going to say anything about
8 that it might be in the opening statement up there in I;
9 simply state that there are three ways for getting approval.

10 MR. RAMEY: I'm just going to mention,
11 Mr. Kalteyer, you probably shouldn't, you know, praise the
12 Commission yet. We haven't made a decision yet. You know,
13 this is a Division proposal to the Commission.

14 MR. KALTEYER: We'll commend them for
15 their proposal, then.

16 MR. RAMEY: Mr. Kellahin.

17
18 STATEMENT BY MR. KELLAHIN:

19 MR. KELLAHIN: Mr. Ramey, the New Mexico
20 Oil and Gas Association Sub-Committee on Rules and Regulations
21 of the Division supports the removal from the hearing process
22 of what has become, we believe, routine cases in multiple
23 completion and downhole commingling.

24 Of those comments addressed to you today
25 the only one that I recall not being raised here this morning

1
2 that was raised in our committee discussions was a question
3 of concern in the interpretation of the ownership of the zones
4 to be commingled.

5 The rule provides and you generally re-
6 quire that the ownership of the zones to be commingled is
7 common. I would assume that that would also allow an operator
8 to present to you written commitments in situations where the
9 ownership is not in common and in which the parties have
10 agreed that the production can be commingled.

11 I recall that El Paso's had some recent
12 downhole commingling cases in which that was presented for
13 consideration, and if that is broad enough to include those
14 kinds of cases, it may be helpful to amend it.

15 A I would -- I would certainly think that
16 if all of the owners have agreed in writing, that downhole
17 commingling could be authorized administratively, and I would
18 ask that you would submit some proposed language on that.

19 MR. RAMEY: Is that agreeable, Mr. Kel-
20 lahin?

21 MR. KELLAHIN: Yes, sir.

22 MR. RAMEY: Any other questions?

23 If not, the witness may be excused.

24 We will readvertise and reopen Case
25 7434 and also Case 7433 on December 22nd of this year.

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 Conserva-
Commission
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.

El. 1 Box 195-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
OF THE ENERGY AND MINERALS DEPARTMENT

CASE NO. 7434
Order No. R-6882-A

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN
MOTION FOR THE PURPOSE OF CONSIDERING
THE AMENDMENT OF RULE 112-A AND RULE 303-C
OF THE OIL CONSERVATION DIVISION RULES AND
REGULATIONS AND THE AMENDMENT OF DIVISION
FORM C-107:

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that Order No. R-6882, dated January 12, 1982, does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That paragraph 3 on pages 3 and 4 of Exhibit "C" of Order No. R-6882, dated January 12, 1982, is hereby corrected to read in its entirety as follows:

"3. The Division Director may approve the proposed downhole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures or other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (j)."

(2) That this order shall be effective nunc pro tunc as of January 12, 1982.

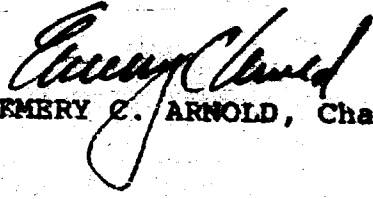
-2-

Case No. 7434

Order No. R-6882-A

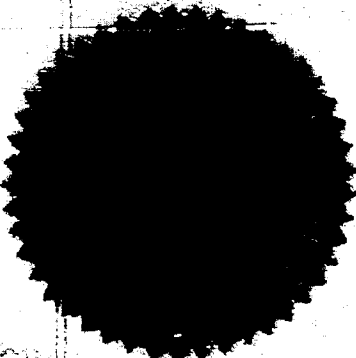
DONE at Santa Fe, New Mexico, this 22nd day of January,
1982.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member


JOE D. RAMEY, Member & Secretary



S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN
MOTION FOR THE PURPOSE OF CONSIDERING
THE AMENDMENT OF RULE 112-A AND RULE 303-C
OF THE OIL CONSERVATION DIVISION RULES AND
REGULATIONS AND THE AMENDMENT OF DIVISION
FORM C-107:

CASE NO. 7434
Order No. R-6882

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at Santa Fe, New Mexico on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 12th day of January, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the multiple completion of any oil or gas well in New Mexico is prohibited except after approval of the Oil Conservation Division (Division) after notice and hearing or after administrative approval granted under provisions of Division Rule 112-A.
- (3) That the multiple completion of wells is a standard industry practice with 200 or more such completions annually.
- (4) That as a result of limitations contained in said Rule 112-A, approximately half of all applications for multiple completion must presently be set for hearing.
- (5) Experience has shown that most of the applications now set for public hearing could be processed administratively and without notice to offset operators without posing a risk of contributing to waste nor causing violation of correlative rights.

-2-

Case No. 7434

Order No. R-6882

(6) That the proposed amendment to Division Rule 112-A as shown on Exhibit "A" attached to this order, contains administrative approval processes which will permit most applications for multiple completion to be approved without notice and hearing, provided that certain "standard" downhole equipment is utilized and that volumes of liquids which would be wasteful of reservoir energy are not proposed for production through a casing-tubing annulus.

(7) That said amendment also contains proposals for hearings for certain multiple completions and for the operation and testing of approved multiple completions.

(8) That in order to effectuate the proposed administrative processes, Division Form C-107, Application for Multiple Completion, should be amended as shown on Exhibit "B" attached to this Order.

(9) That the proposed amended Rule 112-A and Form C-107 should be adopted effective February 1, 1982.

(10) That the Division Rule 303-A prohibits the commingling of production from separate common sources of supply (pools) within the wellbore of any oil or gas well except after notice and hearing.

(11) That Division Rule 303-C provides an administrative procedure to permit the commingling within a common wellbore of production from separate oil pools under certain conditions.

(12) That in recent years the Division has heard many applications for downhole commingling of gas pools and gas pools and oil pools.

(13) That many such applications have been approved and that certain standards for approval and operation of such wells have been developed.

(14) That such standards are incorporated in the proposed amendment of Division Rule 303-C, as shown on Exhibit "C" to this Order, which further contains an administrative procedure for approval of the downhole commingling of production from oil pools, gas pools, and oil and gas pools.

(15) That adoption of the proposed amended Rule 303-C should permit more efficient industry and Division operations, should permit more economic well operations and longer well life thereby achieving greater ultimate production thereby preventing waste, all without violation of correlative rights.

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Case No. 7434

Order No. R-6882

(16) That effective February 1, 1982, Division Rule 303-C should be amended as shown on Exhibit "C" attached to this Order.

(17) That adoption of the proposed rule amendments and revised Division Form C-107 will serve to prevent waste and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1982, Division Rule 112-A is hereby revised to read in its entirety as shown on Exhibit "A" attached to this Order.

(2) That effective February 1, 1982, Division Form C-107, Application for Multiple Completion, is hereby revised as shown on Exhibit "B" attached to this Order.

(3) That effective February 1, 1982, Division Rule 303-C is hereby revised to read in its entirety as shown on Exhibit "C" attached to this Order.

(4) 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member


JOE D. RAMEY, Member & Secretary

SEAL

RULE 112-A. MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only as hereinafter provided. Multiple completion of any well without prior approval by the Division shall be solely at the operator's risk and shall in no way commit the Division to subsequent approval thereof.

II. District Approval

The supervisor of the appropriate Division district may authorize the multiple completion (qualifying conventional, tubingless, or combination) whenever the zones to be completed are to be produced through tubing or through casing where such casing has an outside diameter of 2.875 inches or less. The supervisor may authorize one gas zone to be produced through a casing-tubing annulus if such zone produces no more than one barrel of liquids per day.

To obtain approval for multiple completion the operator shall file four copies of Division Form C-107 (Application for Multiple Completion) with the appropriate district office. Form C-107 shall be accompanied by a diagrammatic sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

The district supervisor may forward any application to the Director of the Division for approval.

III. Administrative Approval (Division Director)

The Division Director may authorize the multiple completion (qualifying conventional, tubingless, or combination) not qualifying for District approval or referred to him by the District supervisor.

When any gas zone of a proposed multiple completion is to be produced through a casing-tubing annulus and such zone produces more than one barrel per day of liquids, the applicant shall furnish proof that such liquids may be efficiently produced without undue use of reservoir energy for the expected producing life of the well.

Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the Division's Santa Fe Office, and two copies to the District Office for the area in which the

well is located. Application shall be made on the Division Form C-107 (Application for Multiple Completion) and shall be accompanied by the following:

- (a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.
- (b) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

Upon receipt of a complete application the Division Director may approve the matter administratively or he may set any such application for public hearing.

IV. Qualifying Multiple Completions

The following defines those mechanical installations qualifying for District or Administrative approval of multiple completion.

- (a) The applicant proposes to utilize one of the conventional mechanical installations described below:
 - (1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus; or
 - (2) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing; or
 - (3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be

safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and

- (4) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and
 - (5) The downhole equipment used to segregate the separate zones of the multiple completion will be production-type packer(s), polished bore receptacles, or the equivalent, and shall effectively prevent communication between all producing zones.
- (b) The applicant proposes to employ one of the following tubingless and/or combination methods of completion:
- (1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875 inches OD or less), one to each common source of supply, all cemented in a common well-bore; or
 - (2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore; and demonstrates that
 - (3) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and
 - (4) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and
 - (5) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion

which intervals are in a zone through which one or more other casing strings pass.

The requirements of paragraphs (3) and (4) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the Division Director, circumstances warrant such modification.

V. Hearings

- (a) Any multiple completion not qualifying for district or administrative approval must be set for public hearing.
- (b) Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Division's Santa Fe Office. Application may be made in accordance with Rule 1203 or on the Division Form C-107, Application for Multiple Completion, setting forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed.

VI. Operation and Testing

All multiple completions, whether approved after hearing or by district or administrative procedure, shall be subject to the following rules:

- (a) Prior to actual multiple completion of a well, the operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the Division on Form C-103.
- (b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata.
- (c) The operator shall commence a segregation test and/or packer leakage test not later than fifteen (15) days after actual multiple completion of the well. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed and at such other intervals as the Division may prescribe. The Operator shall also make all other tests and determinations deemed necessary by the Division. The Division shall be notified of the time such tests are to be commenced and tests may be witnessed by the

Division at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the Division within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the Division and commence remedial action on the well.

- (d) The well shall be so equipped that reservoir pressures may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined.
- (e) Within 20 days after the completion of the well, the operator shall furnish the Division with a diagrammatic sketch of the mechanical installation which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and surface or bottomhole pressure for each of the separate zones, and the log of the well if the same has not been previously submitted.
- (f) No multiple completion may continue to produce in a manner which is unnecessarily wasteful of reservoir energy.
- (g) The Division may require the proper plugging of any abandoned zone of a multiply completed well if such plugging appears necessary to prevent waste or protect correlative rights.

APPLICATION FOR MULTIPLE COMPLETION

Operator	County	Date		
Address	Lease	Well No.		
Location of Well	Unit	Section	Township	Range

All Applicants for multiple completion must complete Items 1 and 2 below.

1. The following facts are submitted:	Upper Zone	Intermediate Zone	Lower Zone
a. Name of Pool and Formation			
b. Top and Bottom of Pay Section (Perforations)			
c. Type of production (Oil or Gas)			
d. Method of Production (Flowing or Artificial Lift)			
e. Daily Production <input type="checkbox"/> Actual <input type="checkbox"/> Estimated Oil Bbls. Gas MCF Water Bbls.			

2. The following must be attached:

- Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location and type of packers and side door chokes, and such other information as may be pertinent.
- Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.
- Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed it shall be submitted as provided by Rule 112-A.)

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

Signed _____ Title _____ Date _____

(This space for State Use)

Approved By _____ Title _____ Date _____

NOTE: If the proposed multiple completion will result in an unorthodox well location and/or a non-standard proration unit in one or more of the producing zones, then separate application for approval of the same should be filed simultaneously with this application.

RULE 303 C. DOWNHOLE COMMINGLING

1. The Director of the Division shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well-bore of oil-oil, gas-gas, or gas-oil zones in a well when the following facts exist and the following conditions are met:

(a) For wells involving oil zones:

- (1) The total combined daily oil production from oil zones before commingling (as determined in accordance with Section 2, paragraphs (d) and (e) below) does not exceed the following:

<u>Bottom perforation, lowermost pool</u>	<u>Bbls/day oil</u>
Less than 4,999 feet	20
5,000 feet to 5,999 feet	30
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

- (2) Oil zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception to this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artificial lift prior to commingling.)
- (3) Neither zone produces more water than the combined oil limit as determined in paragraph (1) above.
- (4) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.
- (5) The total value of the crude will not be reduced by commingling.

- (6) Ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).
- (7) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in either of the zones to be commingled.

(b) For Wells Involving a Gas Zone:

- (1) That the commingling is necessary to permit a zone or zones to be produced which would not otherwise be economically producible.
 - (2) That there will be no crossflow between the zones to be commingled.
 - (3) That any zone which is producing from fluid-sensitive sands, which may be subject to damage from water or other produced liquids, is protected from contact from such liquids produced from other zones in the well.
 - (4) The fluids from each zone are compatible with the fluids from the other(s), and combining the fluids will not result in the formation of precipitates which might damage any of the reservoirs.
 - (5) That ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).
 - (6) The bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.
2. To obtain approval for downhole commingling, the operator of the well shall submit the following in duplicate to the Division Director plus one copy to the appropriate District Office of the Division.
- (a) Name and address of the operator.
 - (b) Lease name, well number, well location, name of the pools to be commingled.

- (c) A plat of the area showing the acreage dedicated to the well and the ownership of all offsetting leases.
- (d) A current (within 30 days) 24-hour productivity test on Division Form C-116 showing the amount of oil, gas, and water produced from each zone.
- (e) A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)
- (f) Estimated bottom-hole pressure for each artificially lifted zone. A current (within 30 days) measured bottom-hole pressure for each zone capable of flowing.
- (g) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.
- (h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.
- (i) A formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.
- (j) A statement that all offset operators and, in the case of a well on Federal land, the United States Geological Survey, have been notified in writing of the proposed commingling.

3. The Division Director may approve the proposed downhole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures of other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting

period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (j).

4. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from a well with commingled oil zones shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. The production attributable to an oil zone commingled with a gas zone shall be subject to the daily gas-oil ratio limitation applicable to such oil zone or pool. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually.

5. The Division Director may rescind authority to commingle production in the well-bore and require both zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for downhole commingling under the provisions of Section 1(a) or 1(b).

To ease the administrative burden on operators and the Division, a greatly simplified approval process is proposed. Most multiple completions should be approvable at the District office level in the same manner as an intention to drill. It is proposed to amend Rule 112-A to read in its entirety as follows:

"RULE 112-A. MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only as hereinafter provided. Multiple completion of any well without prior approval by the Division shall be solely at the operator's risk and shall in no way commit the Division to subsequent approval thereof.

II. District Approval

The supervisor of the appropriate Division district may authorize the multiple completion (qualifying conventional, tubingless, or combination) whenever the zones to be completed are to be produced through tubing or through casing where such casing has an outside diameter of 2.875 inches or less. The supervisor may authorize one zone to be produced through a casing-tubing annulus if such zone produces no more than one barrel of liquids per day.

To obtain approval for multiple completion the operator shall file four copies of Division Form C-107 (Application for Multiple Completion) with the appropriate district office. Form C-107 shall be accompanied by a diagrammatic sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

The district supervisor may forward any application to the Director of the Division for approval.

III. Administrative Approval

The Division Director may authorize the multiple completion (qualifying conventional, tubingless, or combination) not qualifying for District approval or referred to him by the District supervisor.

When any zone of a proposed multiple completion is to be produced through a casing-tubing annulus and such zone produces more than one barrel per day of liquids, the applicant shall furnish proof that such liquids may be efficiently produced without undue use of reservoir energy for the expected producing life of the well.

Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the Division's Santa Fe Office, and two copies to the District Office for the area in which the well is located. Application shall be made on the Division Form C-107 (Application for Multiple Completion) and shall be accompanied by the following:

- (a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.
- (b) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

Upon receipt of a complete application the Division Director may approve the matter administratively or he may set any such application for public hearing.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCD DEBIT No. 1
CASE 7434

IV. Qualifying Multiple Completions

The following defines those mechanical installations qualifying for District or Administrative approval of multiple completion.

- (a) The applicant proposes to utilize one of the conventional mechanical installations described below:
- (1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus; or
 - (2) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing; or
 - (3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and
 - (4) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and
 - (5) The downhole equipment used to segregate the separate zones of the multiple completion will be production-type packer(s), polished bore receptacles, or the equivalent, and shall effectively prevent communication between all producing zones.
- (b) The applicant proposes to employ one of the following tubingless and/or combination methods of completion:
- (1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875 inches OD or less), one to each common source of supply, all cemented in a common well-bore; or
 - (2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore; and demonstrates that
 - (3) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and
 - (4) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and
 - (5) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

The requirements of paragraphs (3) and (4) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the Division Director, circumstances warrant such modification.

V. Hearings

- (a) Any multiple completion not qualifying for district or administrative approval must be set for public hearing.
- (b) Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Division's Santa Fe Office. Application may be made in accordance with Rule 1203 or on the Division Form C-107, Application for Multiple Completion, setting forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed.

VI. Operation and Testing

All multiple completions, whether approved after hearing or by district or administrative procedure, shall be subject to the following rules:

- (a) Prior to actual multiple completion of a well, the operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the Division on Form C-103.
- (b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata.
- (c) The operator shall commence a segregation test and/or packer leakage test not later than fifteen (15) days after actual multiple completion of the well. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed and at such other intervals as the Division may prescribe. The Operator shall also make all other tests and determinations deemed necessary by the Division. The Division shall be notified of the time such tests are to be commenced and tests may be witnessed by the Division at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the Division within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the Division and commence remedial action on the well.
- (d) The well shall be so equipped that reservoir pressures may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined.
- (e) Within 20 days after the completion of the well, the operator shall furnish the Division with a diagrammatic sketch of the mechanical installation which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and surface or bottomhole pressure for each of the separate zones, and the log of the well if the same has not been previously submitted.
- (f) No multiple completion may continue to produce in a manner which is unnecessarily wasteful of reservoir energy.
- (g) The Division may require the proper plugging of any abandoned zone of a multiply completed well if such plugging appears necessary to prevent waste or protect correlative rights.

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OPERATOR		

APPLICATION FOR MULTIPLE COMPLETION

Operator _____ County _____ Date _____

Address _____ Lease _____ Well No. _____

Location of Well _____ Unit _____ Section _____ Township _____ Range _____

All Applicants for multiple completion must complete Items 1, 2, and 4 below.

1. The following facts are submitted:	Upper Zone	Intermediate Zone	Lower Zone
a. Name of Pool and Formation			
b. Top and Bottom of Pay Section (Perforations)			
c. Type of production (Oil or Gas)			
d. Method of Production (Flowing or Artificial Lift)			
e. Daily Production <input type="checkbox"/> Actual <input type="checkbox"/> Estimated Oil Bbls. Gas MCF Water Bbls.			

DRAFT

2. The following must be attached:

- Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location and type of packers and side door chokes, and such other information as may be pertinent.
- Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.
- Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed it shall be submitted as provided by Rule 112-A.)

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

Signed _____ Title _____ Date _____

(This space for State Use)

Approved By _____ Title _____ Date _____

NOTE: If the proposed multiple completion will result in an unorthodox well location and/or a non-standard proration unit in one or more of the producing zones, then separate application for approval of the same should be filed simultaneously with this application.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCD EXHIBIT No. 2
CASE 7434

V. DOWNHOLE COMMINGLING

It is proposed to amend Rule 303 C. to permit administrative approval of gas-gas and gas-oil downhole commingling in addition to oil-oil as permitted by current rules. Rule 303 C. would be amended to read as follows:

"RULE 303 C. DOWNHOLE COMMINGLING

1. The Director of the Division shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well-bore of oil-oil, gas-gas, or gas-oil zones in a well when the following facts exist and the following conditions are met:

(a) For wells involving oil zones:

- (1) The total ^{combined oil} daily production from oil zones before commingling (as determined in accordance with Section 2, paragraphs (d) and (e) below) does not exceed the following:

<u>Bottom perforation, lowermost pool</u>	<u>Bbls/day</u>
Less than 4,999 feet	20
5,000 feet to 5,999 feet	30
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

- (2) Oil zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception to this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artificial lift prior to commingling.)
- (3) Neither zone produces more water than the combined oil limit as determined in paragraph (1) above.
- (4) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.
- (5) The total value of the crude will not be reduced by commingling.
- (6) Ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).
- (7) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in either of the zones to be commingled.

(b) For Wells Involving a Gas Zone:

- (1) That the commingling is necessary to permit a zone or zones to be produced which would not otherwise be economically producible.
- (2) That there will be no crossflow between the zones to be commingled.
- (3) That any zone which is producing from fluid-sensitive sands, which may be subject to damage from water or other produced liquids, is protected from contact from such liquids produced from other zones in the well.
- (4) The fluids from each zone are compatible with the fluids from the other(s), and combining the fluids will not result in the formation of precipitates which might damage any of the reservoirs.
- (5) That ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).
- (6) The bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
OCD EXHIBIT No. 3
CASE 7434

2. To obtain approval for downhole commingling, the operator of the well shall submit the following in duplicate to the Division Director plus one copy to the appropriate District Office of the Division.

- (a) Name and address of the operator.
- (b) Lease name, well number, well location, name of the pools to be commingled.
- (c) A plat of the area showing the acreage dedicated to the well and the ownership of all offsetting leases.
- (d) A current (within 30 days) 24-hour productivity test on Division Form C-116 showing the amount of oil, gas, and water produced from each zone.
- (e) A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)
- (f) Estimated bottom-hole pressure for each artificially lifted zone. A current (within 30 days) measured bottom-hole pressure for each zone capable of flowing.
- (g) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.
- (h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.
- (i) A formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.
- (j) A statement that all offset operators and, in the case of a well on Federal land, the United States Geological Survey, have been notified in writing of the proposed commingling.

3. The Division Director may approve the proposed downhole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures of other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (j).

4. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from a well with commingled oil zones shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. The production attributable to an oil zone commingled with a gas zone shall be subject to the daily gas-oil ratio limitation applicable to such zone or pool. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually. *oil*

5. The Division Director may rescind authority to commingle production in the well-bore and require both zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for downhole commingling under the provisions of Section 1(a) or 1(b). "

Dockets Nos. 1-82 and 2-82 are tentatively set for January 6 and January 20, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 7390: (Continued and Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. 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.

(The following cases have been continued from December 3, 1981 Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 3, 1981

**9 A.M. - OIL CONSERVATION COMMISSION - MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-43, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

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CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 F to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

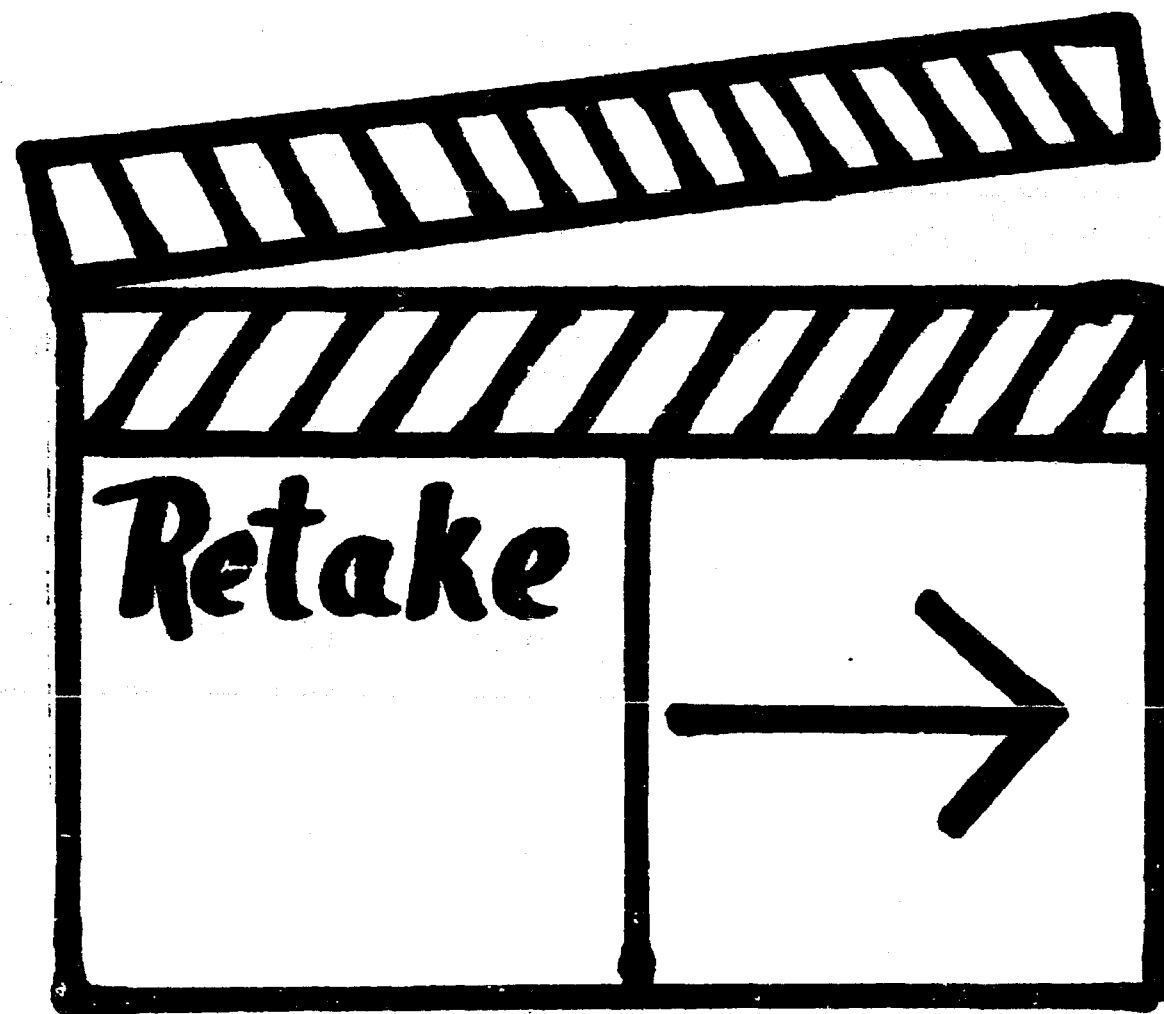
CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

ALL FOLLOWS DOCUMENTS WERE RETURNED DUE TO:

A PROBLEM IN FILMING



Dockets Nos. 1-82 and 2-82 are tentatively set for January 6 and January 20, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 7390: (Continued and Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. 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.

(The following cases have been continued from December 3, 1981 Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

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CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

Page 2

COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

Docket No. 42-81

DOCKET: EXAMINER HEARING - MONDAY - DECEMBER 28, 1981

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

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

CASE 7450: Application of Kenai Oil and Gas Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ojito Unit Area, comprising 6425 acres, more or less, of Federal and fee lands in Townships 24 and 25 North, Ranges 1 and 2 West.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 3, 1981

9 A.M. - OIL CONSERVATION COMMISSION MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 F to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

DOCKET NO. 38-81 FOR THE EXAMINER HEARING TO BE HELD ON DECEMBER 2, 1981, WILL BE MAILED UNDER SEPARATE COVER.

(1)

H. 3. 1. 1. 1.

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. ~~etc~~ Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, Baker Land Office Building, Santa Fe, and at the Division's District Offices in Cortesia, Aztec, and Hobbs.

"All" means Lea, Chavez, Lovell, Eddy, San Juan, Sandoval, Rio Arriba, McKinley, Union, and Quay.

Case 7434

all
The Commission will consider the amendment of Rule Division Three 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to affect operators ^{30 days C-107, Application for Multiple Completion, should also be reviewed.}
Also to be considered will be the amendment of Rule 303 C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

HERBIE
DICK

John

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

WJH

By

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN
MOTION FOR THE PURPOSE OF CONSIDERING
THE AMENDMENT OF RULE 112-A AND RULE 303-C
OF THE OIL CONSERVATION DIVISION RULES AND
REGULATIONS AND THE AMENDMENT OF DIVISION
FORM C-107:

Ja

CASE NO. 7434

Order No. R-6882

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at Santa Fe, New Mexico on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of January, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the multiple completion of any oil or gas well in New Mexico is prohibited except after approval of the Oil Conservation Division (Division) after notice and hearing or after administrative approval granted under provisions of Division Rule 112-A.

(3) That the multiple completion of wells is a standard industry practice with 200 or more such completions annually.

(4) That as a result of limitations ^{contained in said} ~~in the Division~~ Rule 112-A, approximately half of all applications for multiple completion ^{presently} must be set for hearing.

(5) Experience has shown that most of the applications now set for public hearing could be processed administratively and without notice to offset operators without posing a risk of contributing to waste nor causing violation of correlative rights.

(6) That the proposed amendment to Division Rule 112-A as shown on Exhibit "A" attached to this order, contains administrative approval processes which will permit most applications for multiple completion to be approved without notice and hearing, provided that certain "standard" downhole equipment is utilized and that volumes of liquids which would be

FINDS:

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

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(5) Experience has shown that most of the applications now set for public hearing could be processed administratively and without notice to offset operators without posing a risk of contributing to waste nor causing violation of correlative rights.

(6) That the proposed amendment to Division Rule 112-A as shown on Exhibit "A" attached to this order, contains administrative approval processes which will permit most applications for multiple completion to be approved without notice and hearing, provided that certain "standard" downhole equipment is utilized and that volumes of liquids which would be

wasteful of reservoir energy are not proposed for production through a casing-tubing annulus.

(7) That said amendment also contains proposals for hearings for certain multiple completions and for the operation and testing of approved multiple completions.

(8) That in order to effectuate the proposed administrative processes, Division Form C-107, Application for Multiple Completion, should be amended as shown on Exhibit "B" attached to this Order.

(9) That the proposed amended Rule 112-A and Form C-107 should be adopted effective February 1, 1982.

(10) That the Division Rule 303-A prohibits the commingling of production from separate common sources of supply (pools) within the wellbore of any oil or gas well except after notice and hearing.

(11) That Division Rule 303-C provides an administrative procedure to permit the commingling within a common wellbore of production from separate oil pools under certain conditions.

(12) That in recent years the Division has heard many applications for downhole commingling of gas pools and gas pool, and oil pools.

(13) That many such applications have been approved and that certain standards for approval and operation of such wells have been developed.

permit more economic well operations and longer well life
thereby achieving greater ultimate production thereby preventing
waste, all without violation of correlative rights.

(14) That such standards are incorporated in the proposed amendment of Division Rule 303-C, as shown on Exhibit "C" to this Order, which further contains an administrative procedure for approval of the downhole commingling of production from oil pools, gas pools, and oil and gas pools.

(15) (16) That effective February 1, 1982, Division Rule 303-C should be amended as shown on Exhibit "C" attached to this Order.

(17) ~~(16)~~ That adoption of the proposed rule amendments and revised Division Form C-107 will serve to prevent waste and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1982, Division Rule 112-A ^{hereby} is revised to read in its entirety as shown on Exhibit "A" attached to this Order.

(2) That effective February 1, 1982, Division Form C-107, Application for Multiple Completion, ^{hereby} is revised as shown on Exhibit "B" attached to this Order.

(3) That effective February 1, 1982, Division Rule 303-C ^{hereby} is revised to read in its entirety as shown on Exhibit "C" attached to this Order.

(4) 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.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member

JOE D. RAMEY, Member & Secretary

S E A L

To ease the administrative burden on operators and the Division, a greatly simplified approval process is proposed. Most multiple completions should be approvable at the District office level in the same manner as an intention to drill. It is proposed to amend Rule 112-A to read in its entirety as follows:

"RULE 112-A. MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only as hereinafter provided. Multiple completion of any well without prior approval by the Division shall be solely at the operator's risk and shall in no way commit the Division to subsequent approval thereof.

II. District Approval

The supervisor of the appropriate Division district may authorize the multiple completion (qualifying conventional, tubingless, or combination) whenever the zones to be completed are to be produced through tubing or through casing where such casing has an outside diameter of 2.875 inches or less. The supervisor may authorize one zone to be produced through a casing-tubing annulus if such zone produces no more than one barrel of liquids per day.

To obtain approval for multiple completion the operator shall file four copies of Division Form C-107 (Application for Multiple Completion) with the appropriate district office. Form C-107 shall be accompanied by a diagrammatic sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

The district supervisor may forward any application to the Director of the Division for approval.

III. Administrative Approval (*Division Director*)

The Division Director may authorize the multiple completion (qualifying conventional, tubingless, or combination) not qualifying for District approval or referred to him by the District supervisor.

When any zone of a proposed multiple completion is to be produced through a casing-tubing annulus and such zone produces more than one barrel per day of liquids, the applicant shall furnish proof that such liquids may be efficiently produced without undue use of reservoir energy for the expected producing life of the well.

Application for administrative approval of a multiple completion shall be made in QUADRUPPLICATE, with two copies of the application to be mailed to the Division's Santa Fe Office, and two copies to the District Office for the area in which the well is located. Application shall be made on the Division Form C-107 (Application for Multiple Completion) and shall be accompanied by the following:

- (a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.
- (b) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

Upon receipt of a complete application the Division Director may approve the matter administratively or he may set any such application for public hearing.

Exh. 6.4 "A"
Order No R

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OCD / CASE No. 1
CASE 7434

IV. Qualifying Multiple Completions

The following defines those mechanical installations qualifying for District or Administrative approval of multiple completion.

- (a) The applicant proposes to utilize one of the conventional mechanical installations described below:
- (1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus; or
 - (2) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing; or
 - (3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and
 - (4) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and
 - (5) The downhole equipment used to segregate the separate zones of the multiple completion will be production-type packer(s), polished bore receptacles, or the equivalent, and shall effectively prevent communication between all producing zones.
- (b) The applicant proposes to employ one of the following tubingless and/or combination methods of completion:
- (1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875 inches OD or less), one to each common source of supply, all cemented in a common well-bore; or
 - (2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore; and demonstrates that
 - (3) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and
 - (4) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and
 - (5) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

The requirements of paragraphs (3) and (4) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the Division Director, circumstances warrant such modification.

EX H
R

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V. Hearings

- (a) Any multiple completion not qualifying for district or administrative approval must be set for public hearing.
- (b) Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Division's Santa Fe Office. Application may be made in accordance with Rule 1203 or on the Division Form C-107, Application for Multiple Completion, setting forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed.

VI. Operation and Testing

All multiple completions, whether approved after hearing or by district or administrative procedure, shall be subject to the following rules:

- (a) Prior to actual multiple completion of a well, the operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the Division on Form C-103.
- (b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata.
- (c) The operator shall commence a segregation test and/or packer leakage test not later than fifteen (15) days after actual multiple completion of the well. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed and at such other intervals as the Division may prescribe. The Operator shall also make all other tests and determinations deemed necessary by the Division. The Division shall be notified of the time such tests are to be commenced and tests may be witnessed by the Division at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the Division within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the Division and commence remedial action on the well.
- (d) The well shall be so equipped that reservoir pressures may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined.
- (e) Within 20 days after the completion of the well, the operator shall furnish the Division with a diagrammatic sketch of the mechanical installation which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and surface or bottomhole pressure for each of the separate zones, and the log of the well if the same has not been previously submitted.
- (f) No multiple completion may continue to produce in a manner which is unnecessarily wasteful of reservoir energy.
- (g) The Division may require the proper plugging of any abandoned zone of a multiply completed well if such plugging appears necessary to prevent waste or protect correlative rights."

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LAND OFFICE	
OPERATOR	

APPLICATION FOR MULTIPLE COMPLETION

Operator _____ County _____ Date _____

Address _____ Lease _____ Well No. _____

Location of Well _____ Unit _____ Section _____ Township _____ Range _____

All Applicants for multiple completion must complete Items 1, 2, and 3 below.

1. The following facts are submitted:	Upper Zone	Intermediate Zone	Lower Zone
a. Name of Pool and Formation			
b. Top and Bottom of Pay Section (Perforations)			
c. Type of production (Oil or Gas)			
d. Method of Production (Flowing or Artificial Lift)			
e. Daily Production <input type="checkbox"/> Actual <input type="checkbox"/> Estimated Oil Bbls. Gas MCF Water Bbls.			

2. The following must be attached:

- Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location and type of packers and side door chokes, and such other information as may be pertinent.
- Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.
- Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed it shall be submitted as provided by Rule 112-A.)

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

Signed _____ Title _____ Date _____

(This space for State Use)

Approved By _____ Title _____ Date _____

NOTE: If the proposed multiple completion will result in an unorthodox well location and/or a non-standard proration unit in one or more of the producing zones, then separate application for approval of the same should be filed simultaneously with this application.

Exhibit B
Order NO R.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. 2
CASE 7434

V. DOWNHOLE COMMINGLING

It is proposed to amend Rule 303 C. to permit administrative approval of gas-gas and gas-oil downhole commingling in addition to oil-oil as permitted by current rules. Rule 303 C. would be amended to read as follows:

"RULE 303 C. DOWNHOLE COMMINGLING

1. The Director of the Division shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well-bore of oil-oil, gas-gas, or gas-oil zones in a well when the following facts exist and the following conditions are met:

(a) For wells involving oil zones:

- (1) The total ^{combined oil} daily production from oil zones before commingling (as determined in accordance with Section 2, paragraphs (d) and (e) below) does not exceed the following:

<u>Bottom perforation, lowermost pool</u>	<u>Gals/day oil</u>
Less than 4,999 feet	28
5,000 feet to 5,999 feet	30
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

- (2) Oil zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception to this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artificial lift prior to commingling.)
- (3) Neither zone produces more water than the combined oil limit as determined in paragraph (1) above.
- (4) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.
- (5) The total value of the crude will not be reduced by commingling.
- (6) Ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).
- (7) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in either of the zones to be commingled.

(b) For Wells Involving a Gas Zone:

- (1) That the commingling is necessary to permit a zone or zones to be produced which would not otherwise be economically producible.
- (2) That there will be no crossflow between the zones to be commingled.
- (3) That any zone which is producing from fluid-sensitive sands, which may be subject to damage from water or other produced liquids, is protected from contact from such liquids produced from other zones in the well.
- (4) The fluids from each zone are compatible with the fluids from the other(s), and combining the fluids will not result in the formation of precipitates which might damage any of the reservoirs.
- (5) That ownership of the zones to be commingled is common (including working interest, royalty, and overriding royalty).
- (6) The bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
CASE NO. 7434
CCD

Exhibit 2
Order No R

Page 1

2. To obtain approval for downhole commingling, the operator of the well shall submit the following in duplicate to the Division Director plus one copy to the appropriate District Office of the Division.

- (a) Name and address of the operator.
- (b) Lease name, well number, well location, name of the pools to be commingled.
- (c) A plat of the area showing the acreage dedicated to the well and the ownership of all offsetting leases.
- (d) A current (within 30 days) 24-hour productivity test on Division Form C-116 showing the amount of oil, gas, and water produced from each zone.
- (e) A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)
- (f) Estimated bottom-hole pressure for each artificially lifted zone. A current (within 30 days) measured bottom-hole pressure for each zone capable of flowing.
- (g) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.
- (h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.
- (i) A formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.
- (j) A statement that all offset operators and, in the case of a well on Federal land, the United States Geological Survey, have been notified in writing of the proposed commingling.

3. The Division Director may approve the proposed downhole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures of other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (j).

4. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from a well with commingled oil zones shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. The production attributable to an oil zone commingled with a gas zone shall be subject to the daily gas-oil ratio limitation applicable to such zone or pool. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually. *Oil*

5. The Division Director may rescind authority to commingle production in the well-bore and require both zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for downhole commingling under the provisions of Section 1(a) or 1(b)."

Exhibit "C"

Order No R

HERBIE
DICK
R-6882-A

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
OF THE ENERGY AND MINERALS DEPARTMENT

CASE NO. 7434
Order No. R-6882-A

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN
MOTION FOR THE PURPOSE OF CONSIDERING
THE AMENDMENT OF RULE 112-A AND RULE 303-C
OF THE OIL CONSERVATION DIVISION RULES AND
REGULATIONS AND THE AMENDMENT OF DIVISION
FORM C-107:

NUNC PRO TUNC ORDER

BY THE COMMISSION:

It appearing to the Commission that Order No. R-6882, dated January 12, 1982, does not correctly state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That paragraph 3 on pages ^{and 4} 3 of Exhibit "C" of Order No. R-6882, dated January 12, 1982, is hereby corrected to read in its entirety as follows:

"3. The Division Director may approve the proposed downhole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures (or) other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (j)."

(2) That this order shall be effective nunc pro tunc as of January 12, 1982.

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Case No. 7434
Order No. R-6882-A

DONE at Santa Fe, New Mexico, this _____ day of January,
1982.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member

JOE D. RAMEY, Member & Secretary

S E A L

