

CASE 7505: BCO, INC. FOR DOWNHOLE COM-  
MUNICATING, RIO ARriba COUNTY, NEW MEXICO

DOCKET MAILED

Date 3/5/82

CASE NO.

7505

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.

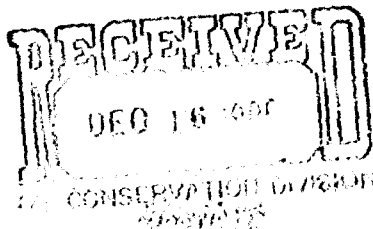


TONEY ANAYA  
GOVERNOR

STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
OIL CONSERVATION DIVISION  
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD  
AZTEC, NEW MEXICO 87410  
(505) 334-6178

December 11, 1985



BCO, Inc.  
135 Grant  
Santa Fe, NM 87501

Re: Dunn #12 O-03-23N-7W

Gentlemen:

Your recommended allocation of commingled production to the referenced wells is approved as follows:

	<u>Oil</u>	<u>Gas</u>
Gallup	75%	92%
Graneros	25%	8%

Sincerely,

Frank T. Chavez  
District Supervisor

FTC/dj

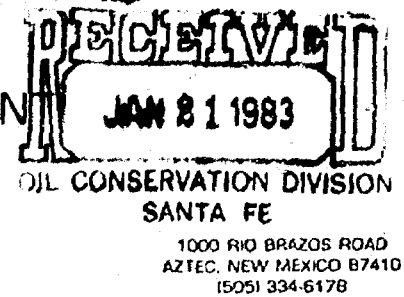
xc: Santa Fe  
EPNG Co.  
Well File  
Operator File

*R-6929*  
*Case No. 4505*



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
AZTEC DISTRICT OFFICE



January 17, 1982

*Cue 7505*

Bco, Inc.  
135 Grant  
Santa Fe NM 87501

Re: Commingled allocations

Dear Bob,

Your recommended allocations for the below-listed wells  
are accepted as follows:

	Lybrook Oil	Gallup Gas	Undes. Oil	Graneros Gas
Dunn #9 B-3-23N-7W	75%	92%	25%	8%
Dunn #10 A-3-23N-7W	75%	92%	25%	8%
Dunn #11 H-3-23N-7W	75%	92%	25%	8%
State H #3 M-2-23N-7W	75%	92%	25%	8%
State H #4 D-2-23N-7W	75%	92%	25%	8%

If you have any questions please call this office.

Yours truly,

*Frank T. Chavez*  
Frank T. Chavez  
District Supervisor

FTC:gc

/cc: Santa Fe

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
16 March 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of BCO, Inc., for down-  
hole commingling, Rio Arriba County,  
New Mexico.

CASE  
7505

BEFORE: RICHARD L. STAMETS

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:

Ernest L. Padilla, Esq.  
P. O. Box 2523  
Santa Fe, New Mexico 87501

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I N D E X

HARRY R. BIGBEE

Direct Examination by Mr. Padilla	3
Cross Examination by Mr. Stamets	15

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Order	7
Applicant Exhibit Three, Order	8
Applicant Exhibit Four, Tabulations	8

MR. STAMETS: We'll call next Case 7505.

MR. PEARCE: Application of BCO, Inc.  
for downhole commingling, Rio Arriba County, New Mexico.

MR. PADILLA: Mr. Examiner, Ernest L.  
Padilla from Santa Fe, New Mexico, on behalf of the applicant.

I have one witness who needs to be sworn.

(Witness sworn.)

HARRY R. BIGBEE

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

DIRECT EXAMINATION

BY MR. PADILLA:

Q. Mr. Bigbee, for the record, would you  
please state your name, by whom you are employed, and where  
you reside?

A. My name is Harry R. Bigbee. I go by  
the first name of Bob. I reside at Route 7, Box 125-C in  
Santa Fe, New Mexico.

Q. Mr. Bigbee, what's your relationship  
with BCO, Inc., the applicant in this case?

A. I am President of BCO and I'm Chief Exe-

1  
2       cutive Officer.

3               Q               What's your experience in the oil and  
4       gas industry?

5               A               I have basically grown up with the  
6       particular area that we operate in the last twenty years,  
7       and we specialized in the Gallup and to a lesser extent the  
8       Dakota formations.

9               Q               Mr. Bigbee, are you familiar with the  
10      area under consideration for downhole commingling today?

11              A               Yes, I am.

12              Q               Are you familiar with completion tech-  
13      niques in the area of concern?

14              A               Yes, I am.

15              Q               Are you familiar with previous orders  
16      of the Oil Conservation Commission or the Division concerning  
17      authorization of downhole commingling in the area of concern?

18              A               Yes, I'm aware of two orders that were  
19      applicable -- where BCO was the applicant, and I'm also aware  
20      of the Dufer's Point, which is a combined Gallup --

21              Q               Are you familiar with the producing  
22      characteristics of the Gallup-Greenhorn and the Dakota forma-  
23      tion?

24              A               Yes, I am.

25              Q               Are you familiar with the purpose of

1  
2 the case today?

3 A. Yes, sir, I am.

4 MR. PADILLA: Mr. Examiner, we tender  
5 Mr. Bigbee as a practical oil man.

6 MR. STAMETS: The witness is considered  
7 qualified.

8 MR. PADILLA: Mr. Examiner, also at this  
9 time we would request amendment of our application to include  
10 the Greenhorn formation. In this regard I realize that it  
11 has not been advertised and we would, however, put on our  
12 case today and if necessary we'd readvertise the case for  
13 another two weeks.

14 MR. STAMETS: Okay, Mr. Chavez, who's  
15 the supervisor of our Aztec District Office, advises me that  
16 the Greenhorn is often considered a portion of the Gallup and  
17 so the advertisement today probably would be sufficient to  
18 cover that formation, and we will consider it as such and  
19 amend the application if it is necessary, to include the  
20 Greenhorn.

21 MR. PADILLA: Thank you, Mr. Examiner.

22 Q Mr. Bigbee, referring to what has been  
23 marked as Exhibit Number One, would you please tell the Exa-  
24 miner what that is and what it contains?

25 A. Yes. This is a map that shows approxi-



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A. "H" 3 and "H" 4.

MR. STAMETS: Okay, thank you.

A. Okay, the Dunn No. 3 in Section 3 was also authorized to be commingled. The well was junked and abandoned.

By a previous order of the Commission the Dunn No. 2 in Section 10 was approved to be downhole commingled in the Dakota, the Greenhorn, and the Gallup, and the Dunn No. 1, which is also in Section 10, has been plugged and abandoned in the Gallup. It was deepened to the Dakota and it has been very unsuccessful and very uneconomic.

These are the only wells that I'm aware of in this nine section area that go to the Dakota, and I don't believe there are any to the south there. We are the only people that have Dakota production in this area.

Q Mr. Bigbee, which, if you haven't already mentioned, which well is producing from the -- or wells are producing from the Greenhorn formation?

A. The Dunn No. 2 is the only well at the present time that is producing from the Greenhorn.

Q Mr. Bigbee, let me hand you what has been marked as Exhibit Number Two and would you please tell us what that is and what it contains?

A. Yes. This is Order Number -- okay, the

1  
2 Order Number R-6719 on Case Number 7279, which authorized  
3 downhole commingling in the three wells that I've mentioned  
4 in Section 2 and Section 3, being the "H" 3, "H" 4, and Dunn  
5 3.

6 Q Mr. Bigbee, I hand you what's been marked  
7 as Exhibit Number Three. Would you please identify that and  
8 tell us what it is and what it contains?

9 A Yes. This is the Commission's Order  
10 Number R-5310 in Case Number 5736, which authorized the  
11 downhole commingling in the Dunn No. 2 in Section 10.

12 Q Now, Mr. Bigbee, on Exhibit Number Four,  
13 would you tell us what that is and what it --

14 A Exhibit Number Four is a tabular presenta-  
15 tion of the production that has come from these three wells.

16 The Dunn No. 2 has been the longest  
17 production. It was primarily a gas well. It is on the up  
18 side of the formation and it's the only well that we intend  
19 at this point to complete in what we call the Upper Dakota,  
20 and we classify the Dakota as being the Upper Graneros, the  
21 Lower Graneros, and the Up Dakota, and it is our belief that  
22 the gas production has primarily come from the Upper Dakota,  
23 although it's completed in the other formations, including  
24 the Greenhorn and Gallup.

25 MR. STAMETS: While we're right here,

1  
2 let me kind of get these straightened out now.

3 I have Exhibit Number Four and it says,  
4 Dunn No. 3.

5 A. Okay. Ernie -- Mr. Padilla, it appears,  
6 has given me all four for the Dunn No. 2, and there should  
7 be three, three exhibits there.

8 MR. STAMETS: Mr. Bigbee, because of the  
9 confusion, I'm going to ask you to repeat your conclusions --

10 A. Okay.

11 MR. STAMETS: --about the Dunn No. 2  
12 Well.

13 A. Okay. The Dunn No. 2 is basically com-  
14 pleted in the Upper Graneros, Upper Dakota, as well as both  
15 Graneros, the Greenhorn, and the Gallup. It is on a high.  
16 It was a gas well and made very little water. It is pretty  
17 well depleted at this point and as the totals show, it would  
18 still be marginal but under our economics and today's prices,  
19 it would still be profitable to drill wells similar to this.

20 We do not anticipate that any other  
21 wells that we are going to drill in the area will be gas  
22 wells; nor do we anticipate that they will be completed in  
23 the Upper Dakota.

24 MR. STAMETS: While we're on this ex-  
25 hibit, going back to 1976 you show three months production

1  
2 and everything to the Gallup. Now, was this well completed  
3 initially only in the Gallup?

4 A. No, sir, it was initially completed in  
5 the Dakota and we then placed a bridge plug between the Gal-  
6 lup and Dakota, completed the Gallup, tested the Gallup, and  
7 after the commingling was approved removed the bridge plug  
8 and placed both of them back into production.

9 Any testing of the Dakota was negligible  
10 prior to that three month period.

11 MR. STAMETS: When -- when was the well  
12 commingled?

13 A. According to the chart it would have  
14 been in '77 and my recollection tells me it was early in '77.

15 MR. STAMETS: So then the gas production  
16 we see from there on out really represents the Dakota contri-  
17 bution to this well.

18 A. Yes, sir, that is correct. In the  
19 Gallup it's an oil well with a -- a marginal oil well with  
20 what we've been estimating as 6000-to-1 gas/oil ratio, which  
21 is similar to the Lybrook-Gallup, and the balance of the gas  
22 has been allocated to the Dakota, and the original order had  
23 approved -- had directed that the District Supervisor and  
24 our company agree upon an allocation method, and that was  
25 the method determined for this well.

1  
2 It was not the method for the other  
3 wells.

4 MR. STAMETS: All right. Thank you.

5 A. The Dunn No. 3 was completed in the  
6 Dakota, Upper Dakota, Upper Graneros and Lower Graneros; made  
7 a substantial amount of water, which we believe came from the  
8 Upper Dakota. We plugged off the Upper Dakota, tested the  
9 Graneros sands, they looked okay. We came up to complete the  
10 Gallup and we ran into approximately 600 feet of bad pipe and  
11 ended up with a substantial amount of junk in the hole and  
12 the well was plugged and abandoned.

13 It is our opinion that this well would  
14 have been comparable to the next two pages and that this well  
15 was just an unsuccessful venture.

16 It did help establish that the Upper  
17 Dakota is making a lot of water.

18 The State "H" 3 was completed in the  
19 Dakota and it again made substantial water. We isolated the  
20 Upper Graneros and Lower Graneros -- no, just the Upper Gran-  
21 eros, I'm sorry, that Lower hasn't been perforated, -- and  
22 we produced it by itself from approximately November of 1980  
23 through June of '81, at which time we received a commingling  
24 order and completed the Gallup and placed the well in opera-  
25 tion. It's still an extremely marginal well,

1  
2 The State "H" 4 was produced from the  
3 Dakota. It was a better oil well than the State "H" 3. It  
4 turned out to be a better oil well in the Upper Graneros,  
5 as well as in the Gallup, and we are -- it was the last one  
6 completed and we would hope that we -- that future wells  
7 approximate what this well is doing.

8 Q Are you through with that --

9 A Yes, Exhibit Number Four.

10 Q -- exhibit?

11 Mr. Bigbee, do you expect that production  
12 from other wells that you drill in the area will be pretty  
13 much the same as you have encountered already in the area?

14 A We are hopeful that we've got some bet-  
15 ter techniques; at the present time we would hope that the  
16 Gallup would produce somewhere in the area of 20 to 30 bar-  
17 rels a day after the initial decline.

18 Our expectations on the Upper Graneros  
19 aren't completely determined at this point. We're experi-  
20 menting with the area like we did in the Gallup for ten years  
21 prior to -- when things were extremely marginal in the area.  
22 And it is our belief that we can make better wells as we  
23 continue to experiment in the Upper Graneros, Lower Graneros,  
24 and Greenhorn.

25 Q Mr. Bigbee, are you satisfied with the

1 method of allocation from the commingled wells there now,  
2 which you want to continue consulting with the supervisor  
3 of the District Office in Aztec?  
4

5 A. Yes, I believe it's as accurate a way  
6 to estimate the production. The -- it's always difficult  
7 when you don't test zones out separately to estimate. Both  
8 of these zones are extremely marginal. It's unfortunate that  
9 we don't have pool rules similar to Dufer Point, which al-  
10 lows you to commingle the Gallup and the Dakota without iso-  
11 lating, determining which is coming from which zone, but  
12 lack of being in the Dufer's Point, we are willing to go on  
13 this and continue to allocate as best we can.

14 Q Mr. Bigbee, to your knowledge is the  
15 ownership of the lands and of the formations under consider-  
16 ation here today identical? That is, is the royalty interest  
17 the same, and is the working interest and the overriding  
18 royalty interest? Is that the same?

19 A. Within any one drilling tract, yes.

20 Q Can you tell us anything about the pres-  
21 sures that you have encountered in the area?

22 A. Yes, we --

23 Q From both zones?

24 A. We measured some bottom hole pressures  
25 last year, which included the Upper Dakota. It appeared

1  
2 that the Dakota is running around 2400 pounds, and past ex-  
3 perience in the Gallup would say it was around 1900 or 2000.  
4 We did not -- have not run any bottom hole pressure tests on  
5 the Gallup recently.

6 Q Mr. Bigbee, would approval of this ap-  
7 proval of this application result in the recovery of hydro-  
8 carbons that would not otherwise be produced, especially from  
9 the Dakota or the Greenhorn formation?

10 A Yes. As regards to the Dakota, we would  
11 not drill these wells to the Dakota strictly for their pro-  
12 duction.

13 We would drill the wells as Gallup wells  
14 and they would be able to stand on their own economically.  
15 The Gallup really does two things. It pays the cost to get  
16 to the total depth of the Gallup, which makes the deeper zone  
17 cheaper. In addition to that, we're using the higher gas/oil  
18 ratio which we're getting from the Gallup to operate the  
19 wells on a piston intermitter gas lift system, so it pays 80  
20 percent of the drilling cost and it also helps lift marginal  
21 production.

22 MR. PADILLA: Mr. Examiner, that's all  
23 the questions I have of the witness and we now offer Exhibits  
24 One through Five and also ask that the Examiner take admini-  
25 strative notice of Case Files for the two orders that we have

1  
2 presented.

3 MR. STAMETS: Are there five exhibits  
4 or four exhibits?

5 A. I think the fifth exhibit is four pages  
6 long.

7 MR. PADILLA: There are four exhibits,  
8 Mr. Examiner.

9 A. That's those survey plats that he has.

10 MR. STAMETS: All right. The four ex-  
11 hibits then will be admitted.

12 MR. PADILLA: Mr. Examiner, I had brought  
13 an Exhibit Number Five which is -- are some proposed C-102's  
14 which BCO has not yet filed with the Division, but intends  
15 to drill sometime this spring.

16 MR. STAMETS: Okay, I don't believe  
17 those are necessary to complete the case.

18  
19 CROSS EXAMINATION

20 BY MR. STAMETS:

21 Q Mr. Bigbee, apparently you have found  
22 some water in the area. Do you have this situation under  
23 control now where you don't have water being produced in  
24 these wells?

25 Yes, sir, the State "H" 3 and the "H" 4,

1  
2 they were very successful in turning it off. They are making  
3 negligible water. We do not intend at the present time to  
4 even penetrate the Upper Dakota because we're afraid of  
5 vertical fractures and therefor we don't know at this point  
6 whether we're going to try to complete the Lower Graneros or  
7 whether we're afraid we might hit water there. We do intend  
8 to drill through the Lower Graneros and quit.

9 MR. STAMETS: Any other questions of  
10 the witness? He may be excused.

11 Anything further in this case?

12 The case will be taken under advisement.

13  
14 (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 Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2005 heard by me on 3-16 1982

Richard L. Stum, Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7505  
Order No. R-6929

APPLICATION OF BCO, INC. FOR  
DOWNHOLE COMMINGLING, RIO ARRIBA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 26th day of March, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises.

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, BCO, Inc., is the owner and operator of certain wells and leases in Sections 2, 3, 4, 9, and 10, Township 23 North, Range 7 West, Rio Arriba County, New Mexico.
- (3) That the applicant seeks authority to commingle Lybrook-Gallup (including the Greenhorn formation) and Basin-Dakota production within the wellbore of its current and future wells in said five sections.
- (4) That from each of said zones, wells within the subject area are and are expected to be capable of low marginal production only.
- (5) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

-2-  
Case No. 7505  
Order No. R-6929

(6) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that any well therein is not shut-in for an extended period.

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

(8) That in order to allocate the commingled production to each of the commingled zones in any well in the subject area, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

IT IS THEREFORE ORDERED:

(1) That the applicant, BCO, Inc., is hereby authorized to commingle Lybrook-Gallup (including the Greenhorn formation) and Basin-Dakota production within the wellbore of its current or future wells in Sections 2, 3, 4, 9, and 10 of Township 23 North, Range 7 West, NMPH, Rio Arriba County, New Mexico.

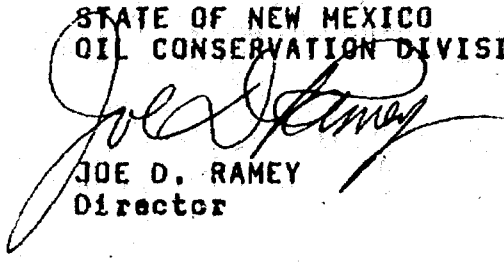
(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in any well downhole commingled under terms of this order.

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

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

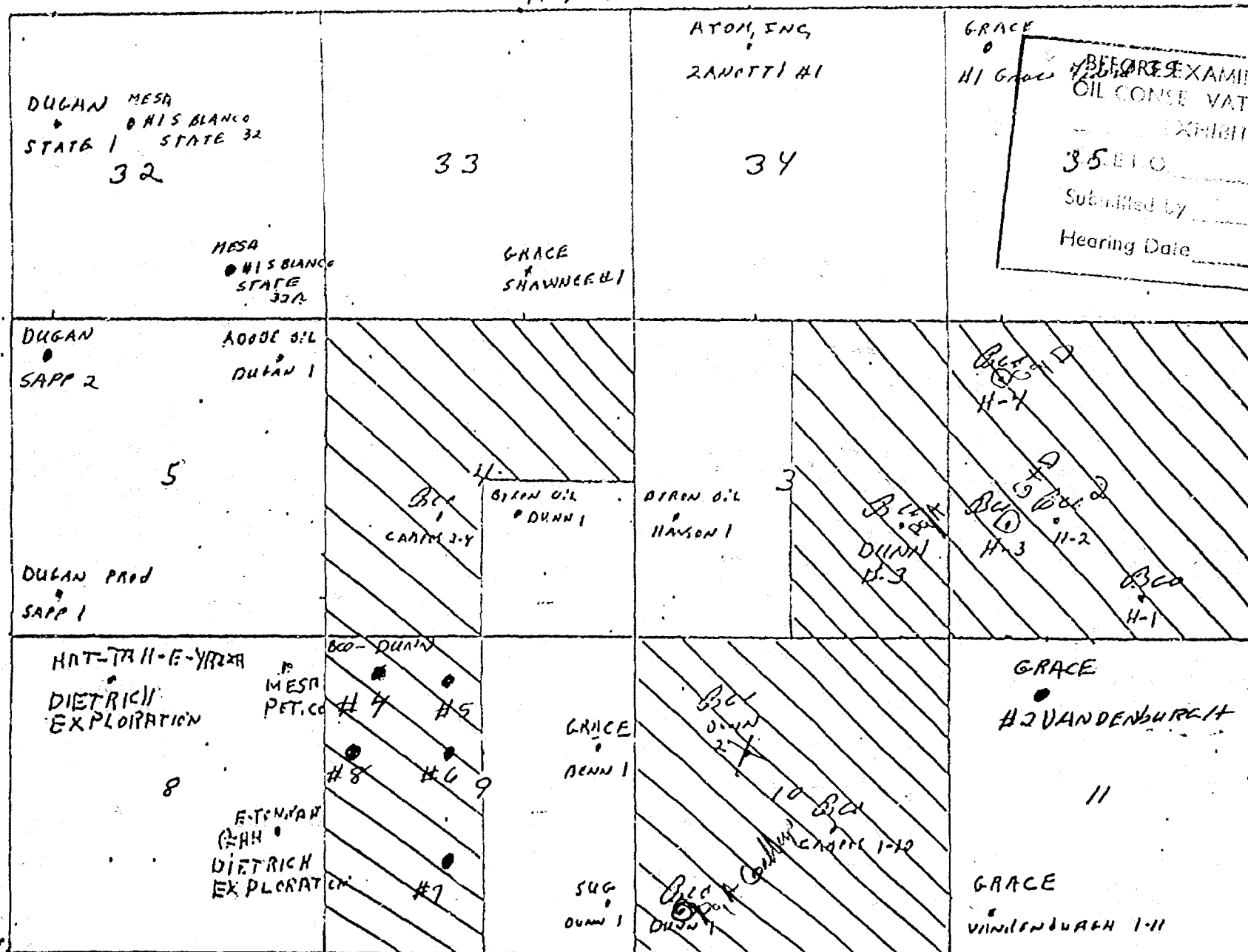
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

fd/

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

APPLICATION OF BCO, INC. FOR  
DOWNHOLE COMMINGLING, RIO ARRIBA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

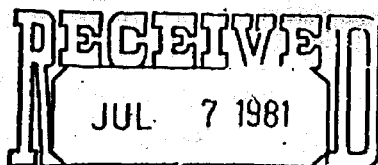
CASE NO. 7279	
Order No. RE-6719	
EXAMINER STATEMENTS	
OIL CONSERVATION DIVISION	
2	
CASE NO.	
Submitted by	
Hearing Date	

This cause came on for hearing at 9 a.m. on June 17, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of July, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, BCO, Inc., is the owner and operator of the Dunn Well No. 3 located in Unit I of Section 3 and State H Wells Nos. 3 and 4, located in Units M and D, respectively, of Section 2, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.
- (3) That the applicant seeks authority to commingle Lybrook-Gallup and Basin-Dakota production within the wellbores of the above-described wells.
- (4) That from the Basin-Dakota zone, the subject wells are capable of low marginal production only.
- (5) That from the Lybrook-Gallup zone, the subject wells are expected to be capable of low marginal production only.



BCO, INC.

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

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

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

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

IT IS THEREFORE ORDERED:

(1) That the applicant, BCO, Inc., is hereby authorized to commingle Lybrook-Gallup and Basin-Dakota production within the wellbores of the Dunn Well No. 3 located in Unit I of Section 3 and State Wells Nos. 3 and 4, located in Units M and D, respectively, of Section 2, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

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

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

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

Case No. 7279  
Order No. R-67

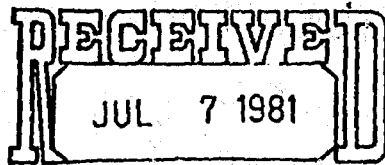
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

S E A L

fd/



B C O, INC.

THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF BCO INC. FOR  
DOWNHOLE COMMINGLING, RIO  
ARRIBA COUNTY, NEW MEXICO.

CASE NO. 5736
BEFORE EXAMINER STAFF
OIL CONSERVATION DIVISION
ORDER No. R-5310
EXHIBIT NO. 3
CASE NO.
Submitted by
Hearing Date
ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of October, 1976, the Commission a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, BCO Inc., is the owner and operator of the Dunn Well No. 2, located in Unit F of Section 10, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle Lybrook Gallup, Basin-Dakota, undesignated Greenhorn, and Mancos stringer production within the wellbore of the above-described well.

(4) That from each of the aforesaid pools and zones, the subject well is capable of low marginal production only.

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

(6) That the reservoir characteristics of each of the subject pools and zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(7) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate

-2-

Case No. 5736  
Order No. R-5310

remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(8) That in order to allocate the commingled production to each of the commingled zones in the subject well, applicant should consult with the supervisor of the Aztec district office of the Commission after completion of the well to determine an allocation formula for the Mancos-Gallup production and the Greenhorn-Dakota production.

IT IS THEREFORE ORDERED:

(1) That the applicant, BCO Inc., is hereby authorized to commingle Lybrook-Gallup, Basin-Dakota, undesignated Greenhorn and Mancos stringer production within the wellbore of the Duna Well No. 2, located in Unit F of Section 10, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) That upon completion of the well, applicant shall consult with the supervisor of the Aztec district office of the Commission and determine an allocation formula for the Mancos-Gallup production and the Greenhorn-Dakota production.

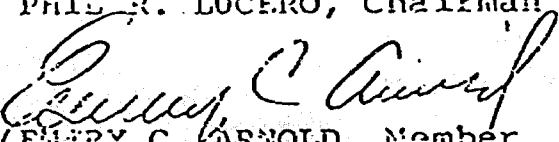
(3) That the operator of the subject well shall immediately notify the Commission's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

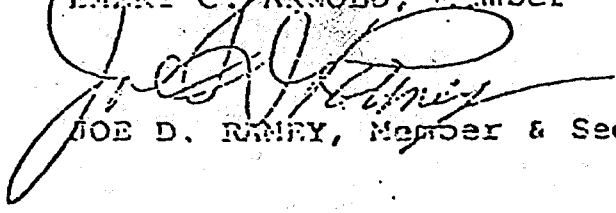
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

jr/

Case #7279 BCO, Inc

Sheet #4

Sheet 50 Sheet

Month	# Days	Subs	Subs	Subs	Subs	Subs	Subs
10-80	0	0	0	0	0	0	0
11-80	7	126	0	0	126	0	0
12-80	0	0	0	0	0	0	0
1-81	0	0	0	0	0	0	0
2-81	0	0	0	0	0	0	0
3-81	0	0	0	0	0	0	0
4-81	10	91	0	0	91	0	0
5-81	7	57	0	0	57	0	0
6-81	5	186	0	0	186	0	0
7-81	31	348	0	0	348	0	0
8-81	18	285	391	676	348	5407	5897
9-81	28	420	974	1394	420	4990	5425
10-81	29	435	819	1254	435	3234	4184
11-81	30	450	598	1048	450	3744	4209
12-81	31	465	555	1020	465	3304	3704
1-82	22	330	476	806	330	3222	3647
2-82	28	420	457	877	420	3444	29639
		3613	4870	7883	5163		

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

CASE NO. \_\_\_\_\_  
EXHIBIT NO. 4

Submitted by \_\_\_\_\_  
Hearing Date \_\_\_\_\_

Insured by \_\_\_\_\_  
Approved by \_\_\_\_\_

Case # 7229

Quota # 2

Oil Production

Gas Production

Year

Barrel

Value

Cost

Barrel

Value

Cost

3 MONTHS

1976

548

548

3120

3120

1977

1655

1655

72385

14518

86223

1978

1296

1296

60992

17776

68268

1979

1063

1063

39508

6378

45886

1980

908

908

17872

5058

22920

5470

5470

191757

36850

207007

Initials	Date
Prepared by	
Approved by	

Cover # 7279 BCO Bone

total 50 Balc

Month	# Days	Oil Production		Gas Production	
		Substa	Well	Substa	Well
10-80	3	36	0	36	0
11-80	12	121	0	121	0
12-80	16	69	0	69	0
1-81	3	39	0	39	0
2-81	0	0	0	0	0
3-81	0	0	0	0	0
4-81	0	0	0	0	0
5-81	0	0	0	0	0
6-81	0	0	0	0	0
7-81	3	63	0	63	0
8-81	0	0	0	0	0
9-81	0	0	0	0	0
10-81	0	0	0	0	0
11-81	0	0	0	0	0
12-81	0	0	0	0	0
1-82	0	0	0	0	0
2-82	0	0	0	0	0
Total 50 Balc		328	0	328	0

Prepared by	
Approved by	

All distances must be from the outer boundaries of the Section.

Operator BCO Inc.		Lease Dunn		Well No. 11	
Unit Letter H	Section 3	Township 23 North	Range 7 West	County Rio Arriba	
Actual Footage Location of Well:					
1980	feet from the	North	line and	390	feet from the East line
Ground Level Elev. 6953	Producing Formation		Pool		Dedicated Acreage: Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>5</u> CASE NO. _____ Submitted by _____ Hearing Date _____		1980' 390'
Sec. 3		
<p>T.D. Computation</p> <p>Ground Level E. 6953</p> <p>+ H-B + 2</p> <p>6965</p> <p>+ TD Elevation + 475</p> <p>Approximate TD 6490</p>		

CERTIFICATION

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

Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Date \_\_\_\_\_

I hereby certify that the location shown on the attached plat is the actual location of the well and that the same is correct to the best of my knowledge and belief.

Date Surveyed

December 23, 1981

Registered Professional Engineer and/or Land Surveyor

Edgar L. Risenhoover  
Certificate No. 5979  
Edgar L. Risenhoover, L.S.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

CONSERVATION DIVISION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

Form C-102  
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

Operator BCO Inc.		Lease Dunn		Well No. 10
Unit Letter A	Section 3	Township 23 North	Range 7 West	County Rio Arriba
Actual Footage Location of Wells 600 feet from the North line and 660 feet from the East line				
Ground Level Elev. 6890	Producing Formation	Pool	Dedicated Acreage Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.

Sec. 3	
<p>T. D. Communitization</p> <p>Ground Level E. 6890</p> <p>+ KB 12</p> <p>6902</p> <p>T.D. Comm. + 475</p> <p>6427 approximated approximate</p> <p>T.D.</p>	

CERTIFICATION

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

Name

Position

Company

Date

I hereby certify that the location shown on this plat was placed in the field note of actual survey made by me or under my supervision, and that the same is true and correct to the best of my knowledge.

Date Surveyed

December 23, 1981

Registered Professional Engineer and/or Land Surveyor

Edgar L. Risenhoover

Certificate No. 5979

Edgar L. Risenhoover, L.S.

# CONSERVATION DIVISIC

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

Form C-102  
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

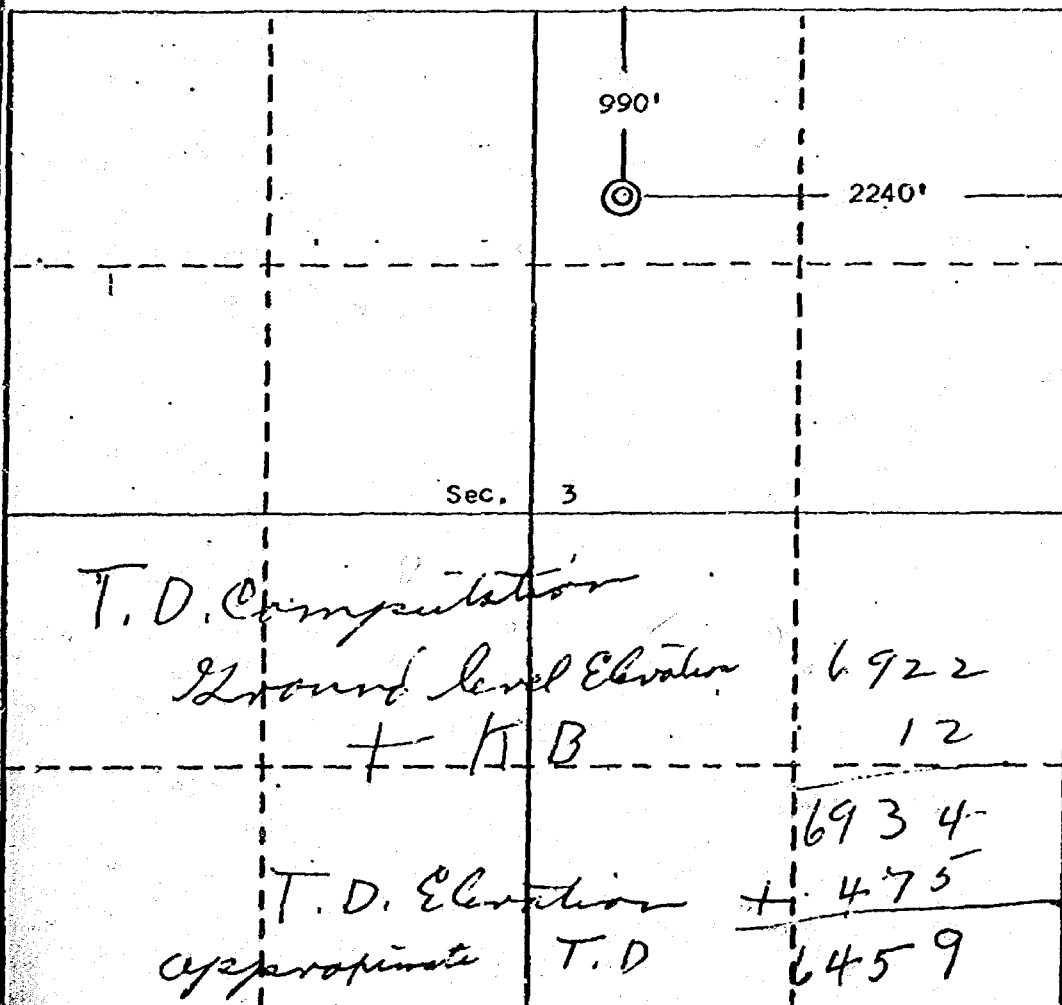
Owner BCO Inc.		Lease Dunn		Well No. 9	
Well Letter B	Section 3	Township 23 North	Range 7 West	County Rio Arriba	
Actual Footage Location of Well: 990 feet from the North line and 2240 feet from the East line					
Ground Level Elev. 6922	Producing Formation		Pool	Deeded Acreage: Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



## CERTIFICATION

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

Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Date \_\_\_\_\_



Date Surveyed

December 23, 1981

Registered Professional Engineer  
and/or Land Surveyor

Edgar L. Risenhoover  
Certificate No. 5979  
Edgar L. Risenhoover, L.S.

Dockets Nos. 9-82 and 10-82 are tentatively set for March 31, and April 14, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - MARCH 16, 1982

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

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

**ALLOWABLE:** (1) Consideration of the allowable production of gas for April, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for April, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

**CASE 7502:** Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 760 feet from the South line and 960 feet from the East line of Section 6, Township 24 South, Range 37 East, Jalmat Gas Pool, and a 160-acre non-standard proration unit comprising the SE/4 of said Section 6.

**CASE 7503:** Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the North line and 1400 feet from the East line of Section 22, Township 22 South, Range 36 East, Jalmat Gas Pool, and a 120-acre non-standard proration unit comprising the W/2 NE/4 and SE/4 NE/4 of said Section 22.

**CASE 7504:** Application of Cities Service Company for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a subsurface depth of 3416 feet underlying the NW/4 of Section 19, Township 24 South, Range 37 East.

**CASE 7505:** Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lybrook-Gallup and Basin-Dakota production in the wellbores of wells drilled and to be drilled in Section 2, 3, 4, 9 and 10, Township 23 North, Range 7 West.

**CASE 7506:** Application of Getty Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Abo formation in the perforated interval from 8900 feet to 9300 feet in its State "P" Well No. 1, located in Unit P, Section 32, Township 16 South, Range 37 East, Lovington-Abo Pool.

**CASE 7507:** Application of Sonny's Oilfield Service, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the NW/4 NE/4 of Section 29, Township 18 South, Range 38 East.

**CASE 7508:** Application of P & O Oilfield Services, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 10, Township 25 South, Range 36 East.

**CASE 7459:** (Continued from February 17, 1982, Examiner Hearing)

Application of Red Mountain Associates for the Amendment of Order No. R-6538, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6538, which authorized applicant to conduct waterflood operations in the Chaco Wash-Mesa Verde Oil Pool. Applicant seeks approval for the injection of water through various other wells than those originally approved, seeks deletion of the requirement for packers in injection wells, and seeks an increase in the previously authorized 68-pound limitation on injection pressure.

**CASE 7457:** (Continued from February 17, 1982, Examiner Hearing)  
(This Case will be continued to April 28, 1982)

Application of E. T. Ross for nine non-standard gas proration units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for nine 40-acre non-standard gas proration units in the Bravo Dome Carbon Dioxide Area. In Township 19 North, Range 30 East: Section 12, the NW/4 NW/4 and NE/4 NW/4; Section 14, the NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4. In Township 20 North, Range 30 East: Section 11, the NE/4 SW/4, SW/4 SE/4, SE/4 SW/4, and NW/4 SE/4.

Page 2  
Examiner Hearing  
TUESDAY - MARCH 16, 1982

- CASE 7509:** Application of Supron Energy Corporation for a non-standard proration unit or compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit for the Dakota and Mesaverde formations comprising the SW/4 of Section 2, Township 21 North, Range 8 West, or in the alternative, an order pooling all mineral interests from the surface down through the Dakota formation underlying the S/2 of said Section 2, 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.
- CASE 7510:** Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Penn formations underlying the N/2 of Section 10, Township 22 South, Range 32 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.
- CASE 7511:** (This Case will be continued to March 31, 1982)  
Application of Buffton Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the W/2 of Section 35, Township 16 South, Range 35 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.
- CASE 7496:** (Continued from March 3, 1982, Examiner Hearing)  
Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.
- CASE 7512:** Application of Viking Petroleum, Inc. for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well located in Unit H of Section 31, Township 13 South, Range 34 East, Nonombre-Penn Pool, said well being a recompleted Morrow test and located in the SE/4 of the quarter section whereas the pool rules require wells to be located in the NE/4 or SW/4 of the quarter section.
- CASE 7476:** (Continued from March 3, 1982, Examiner Hearing)  
Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each 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 wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 7513:** Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 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.
- CASE 7514:** Application of Santa Fe Exploration Co. for compulsory pooling, or in the alternative a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Permo-Penn, Strawn, Atoka and Morrow formations underlying the W/2 of Section 2, Township 20 South, Range 25 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 200 percent charge for risk involved in drilling said well. In the event said 200 percent risk factor is not approved, applicant seeks a non-standard unit excluding the lands of owners not participating in the well.

PAGE 3

EXAMINER HEARING - TUESDAY - MARCH 16, 1982

CASE 7515: Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Ranges 12, and 12 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7445: (Continued from February 17, 1982, Examiner Hearing)  
( This Case will be continued to April 28, 1982)

Application of Harvey E. Yates Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the San Andres formation for its Fulton Collifer Well No. 1 in Unit G of Section 1, Township 18 South, Range 28 East.

CASE 7492: (Continued and Readvertised)

Application of Harvey E. Yates Company for a tight formation, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka-Morrow formation underlying all or portions of Townships 7, 8, and 9 South, Ranges 28, 29, 30 and 31 East, containing 161,280 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

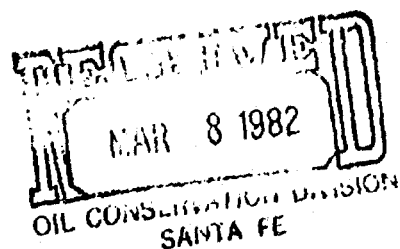
CASE 7500: (Continued from March 3, 1982, Examiner Hearing)

Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

ERNEST L. PADILLA  
ATTORNEY AND COUNSELOR AT LAW

P.O. Box 2523  
Santa Fe, New Mexico 87501  
(505) 988-7577

March 4, 1982



Mr. Joe D. Ramey  
Director  
New Mexico Oil Conservation  
Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

*Case 7505*

Dear Mr. Ramey:

Enclosed please find a revised application in triplicate for BCO, Inc. for downhole comingling in Rio Arriba County, New Mexico.

Please disregard the application which I submitted to the Division by my letter dated March 3.

Thank you.

Very truly yours,

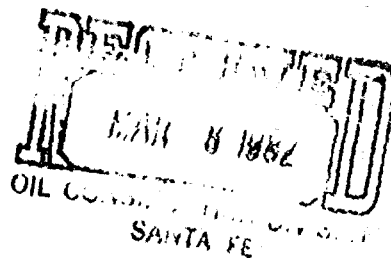
*Ernest L. Padilla*  
Ernest L. Padilla

ELP:pfm  
Enclosures

cc: BCO, Inc.

BEFORE THE OIL CONSERVATION DIVISION

In the Matter of the Application §  
of BCO, Inc. for Downhole §  
Comingling, Rio Arriba County, §  
New Mexico §



APPLICATION

Case 7505

Applicant, BCO, Inc., by and through its undersigned attorney, and in support of this application states as follows:

1. That applicant is the operator and owner of certain oil and gas interests in Sections 2, 3, 4, 9, and 10, Township 23 North, Range 7 West (said lands).

2. That applicant has drilled wells within said lands and has intentions of drilling additional wells therein, and therefore requests authority herein for downhole comingling of production from the Lybrook Gallup and Basin Dakota pools, or zones thereof, within the wellbores of any wells which have been drilled or will be drilled in the future within said lands.

3. That applicant has drilled the following wells within said lands and has previously obtained permission, by Division Order R-6719, to comingle Basin-Dakota and Lybrook-Gallup production within the wellbores of said wells, to wit:

Township 23 North, Range 7 West

(1) Dunn Well No. 3

Unit I of Section 3

(2) State H Well No. 3

Unit M of Section 2

(3) State H Well No. 4

Unit D of Section 2

4. That applicant has drilled the following well and has previously obtained permission, by Division Order R-5310, to comingle Lybrook-Gallup, Basin-Dakota, undesignated Greehorn, and Mancos stringer within the wellbore of said well, to wit:

Township 23 North, Range 7 West

Dunn Well No. 2

Unit F of Section 10

5. That production from the Basin-Dakota and Lybrook-Gallup pools or zones thereof are capable of low production only.

6. That the proposed comingling may result in the recovery of additional hydrocarbons from each of the subject formations or zones thereof, thereby preventing waste.

7. That the reservoir characteristics of each of the subject pools and zones thereof are such that underground waste would not be caused by the proposed comingling.

8. That approval of this application will not impair correlative rights.

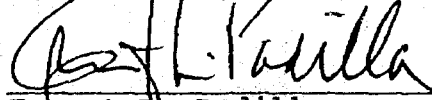
WHEREFORE, Applicant respectfully requests

1. That this application be set for hearing before an examiner of the Division and that notice of said hearing be given as required by law.

2. That upon hearing the Division enter its order approving this application.

3. And for such other relief as the Division may deem appropriate in the premises.

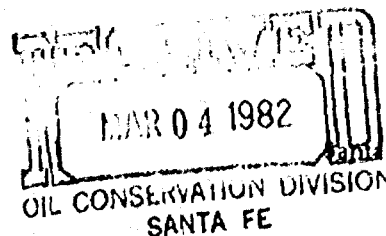
Respectfully submitted,



Ernest D. Padilla  
Post Office Box 2523  
Santa Fe, New Mexico 87501  
(505) 988-7577

Attorney for Applicant

ERNEST L. PADILLA  
ATTORNEY AND COUNSELOR AT LAW



P.O. Box 2523  
Santa Fe, New Mexico 87501  
(505) 988-7577

March 3, 1982

*Case 7505*

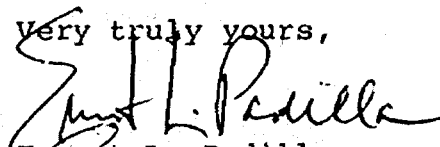
Mr. Joe D. Ramey  
Director  
New Mexico Oil Conservation  
Division  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

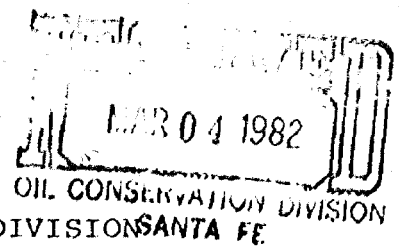
Enclosed for filing please find the application  
of BCO, Inc. for downhole comingling in Rio Arriba County.

Inasmuch as I have previously made verbal arrange-  
ments for this case to be placed on the March 16 hearing  
docket of the Division, submittal of this application, in  
triplicate, at this time fullfills the Division's require-  
ments that a written application be submitted within ten  
(10) days prior to the hearing.

Very truly yours,

  
Ernest L. Padilla

ELP:pfm  
Enclosure  
cc: BCO, Inc.



BEFORE THE OIL CONSERVATION DIVISION

In the Matter of the Application  
of BCO, Inc. for Downhole  
Comingling, Rio Arriba County,  
New Mexico

Case 7505

APPLICATION

Applicant, BCO, Inc., by and through its undersigned attorney, and in support of this application states as follows:

1. That applicant is the operator and owner of certain oil and gas interests in Sections 2, 3, 4, 9, and 10, Township 23 North, Range 7 West (said lands).
2. That applicant has drilled wells within said lands and has intentions of drilling additional wells therein.
3. That applicant has drilled the following wells within said lands and has previously obtained permission, by Division Order R-6719, to commingle Basin-Dakota and Lybrook-Gallup production within the wellbores of said wells, to wit:

Township 23 North, Range 7 West

- (1) Dunn Well No. 3  
Unit I of Section 3
- (2) State H Well No. 3  
Unit M of Section 2
- (3) State H Well No. 4  
Unit D of Section 2

4. That applicant has drilled the following well and has previously obtained permission, by Division Order R-5310, to commingle Lybrook-Gallup, Basin-Dakota, undesignated Greehorn, and Mancos Stringer within the well-bore of said well, to wit:

Township 23 North, Range 7 West

- Dunn Well No. 2  
Unit F of Section 10

5. That production from the Basin-Dakota and Lybrook-Gallup pools or zones thereof are capable of low production only.

6. That the proposed comingling may result in the recovery of additional hydrocarbons from each of the subject formations or zones thereof, thereby preventing waste.

7. That the reservoir characteristics of each of the subject pools and zones thereof are such that underground waste would not be caused by the proposed comingling.

8. That approval of this application will not impair correlative rights.


WHEREFORE, Applicant respectfully requests:

1. That this application be set for hearing before an examiner of the Division and that notice of said hearing be given as required by law.

2. That upon hearing the Division enter its order approving this application.

3. And for such other relief as the Division may deem appropriate in the premises.

Respectfully submitted,



Ernest L. Padilla  
Post Office Box 2523  
Santa Fe, New Mexico 87501  
(505) 988-7577  
Attorney for Applicant

Application of BCO, Inc., for  
Downhole Communitizing, Rio  
Arriba County, New Mexico

Applicant, in the above-styled cause, seeks  
approval for the downhole communitizing  
of Lybrook-Gallup and Basin Dakota  
production in the wellbores of wells drilled  
and to be drilled in Sections 2, 3, 4, 9 and 10,  
Township 23 North, Range 7 West.

called in by Ernie Padilla 2/26/82

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7505

Order No. R-6929

APPLICATION OF BCO, Inc.

FOR DOWNHOLE COMMINGLING, Rio Arriba  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16,  
19 82, at Santa Fe, New Mexico, before Examiner RLS

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, the  
Division Director, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully  
advised in the premises,

FINDS:

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

(2) That the applicant, BCO, Inc., is  
the owner and operator of ~~the~~ certain wells and leases  
in Sections 2, 3, 4, 9, and 10, Township 23 North, Range 7 West, Rio Arriba  
County, New Mexico.

(3) That the applicant seeks authority to commingle  
Lybrook-Gallup (including the Greenhorn formation) and Basin-Dakota production  
within the wellbore of ~~the above-described well.~~ its  
current and future wells in said five  
sections.

(4) That from the each of said zones, <sup>the wells</sup> ~~the~~ within the subject area ~~are~~ and are expected to be ~~subject well is~~ capable of low marginal production only.

~~(5) That from the \_\_\_\_\_ zone, this~~  
~~subject well is capable of low marginal production only.~~

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

(6)(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that <sup>any well therein</sup> ~~the well~~ is not shut-in for an extended period.

(7)(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time <sup>any well commingled</sup> ~~the subject well is~~ well in the subject area is shut-in for 7 consecutive days.

(8) That in order to allocate the commingled production to each of the commingled zones in the subject well, \_\_\_\_\_ percent of the commingled \_\_\_\_\_ production should be allocated to the \_\_\_\_\_ zone, and \_\_\_\_\_ percent of the commingled \_\_\_\_\_ production to the \_\_\_\_\_ zone.

(ALTERNATE)

(9) That in order to allocate the commingled production to each of the commingled zones <sup>in any well in the subject area</sup> ~~in the wells~~, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.

IT IS THEREFORE ORDERED:

(1) That the applicant, BCO, Inc., is hereby authorized to commingle Hybrook-Gullup (including the Greenhorn formation) and Basin-Dakota production within the wellbore of its current ~~or~~ future wells in Section 2, 3, 4, 9, and 10 of the \_\_\_\_\_, located in \_\_\_\_\_ of \_\_\_\_\_ Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) That the applicant shall consult with the Supervisor of the Artec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells. any well downhole commingled under terms of this order  
(ALTERNATE)

(2) That \_\_\_\_\_ percent of the commingled production shall be allocated to the \_\_\_\_\_ zone and \_\_\_\_\_ percent of the commingled production shall be allocated to the \_\_\_\_\_ zone.

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

(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.