

CASE NO.

6326

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
13 September 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Energy Resources Group,
Inc., for downhole commingling, Rio
Arriba County, New Mexico.

CASE
6326

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

NICK CAVALERI

Direct Examination by Mr. Kellahin 3

Cross Examination by Mr. Stamets 8

E X H I B I T S

Applicant Exhibit One, Plat 8

Applicant Exhibit Two, Application (Withdrawn)

Applicant Exhibit Three, Schematic 8

Applicant Exhibit Four, Application 8

Applicant Exhibit Five, C-116 8

Applicant Exhibit Six, C-116 8

Applicant Exhibit Seven, Curve 8

Applicant Exhibit Eight, Decline curve 8

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1 MR. STAMETS: We'll call next case 6326.

2 MS. TESCHENDORF: Case 6326. Application of
3 Energy Reserves Group, Inc., for downhole commingling, Rio
4 Arriba County, New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,
6 appearing on behalf of the Applicant, and I have one witness.

7 (Witness sworn.)

8
9 NICK CAVALERI

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

12
13 DIRECT EXAMINATION

14 BY MR. KELLAHIN:

15 Q Would you please state your name, by whom you're
16 employed, and in what capacity?

17 A My name is Nick Cavaleri. I'm employed with
18 Energy Reserves Group in Casper, Wyoming, and I'm the Dis-
19 trict Reservoir Engineer for the Rocky Mountain District.

20 Q Mr. Cavaleri, have you previously testified
21 before the Division and had your qualifications as an expert
22 engineer accepted and made a matter of record?

23 A Yes, they have been.

24 MR. KELLAHIN: We tender Mr. Cavaleri as an
25 expert.

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1 MR. STAMETS: The witness is considered quali-
2 fied.

3 Q (Mr. Kellahin continuing.) Would you refer to
4 what we've marked as Exhibit Number One, identify it, and
5 explain what you're seeking to accomplish?

6 A This is a plat of our Jicarilla 35 lease showing
7 the wells which we have drilled on the lease, encircled --
8 you'll find it a little bit hard to read, but the well loca-
9 tion No. 33.

10 Q That is the well for which you're seeking down-
11 hole commingling?

12 A Correct. We've gotten -- we've previously gotten
13 approval to commingle the other wells on the lease.

14 Q Would you refer to Exhibit Number Two and identify
15 it?

16 A Exhibit Number Two is an application for a dual
17 completion, which we filed for Well No. 3 back in February
18 of '77, and it shows the offset producers which all have
19 been notified of our intent to commingle.

20 Q All right.

21 MR. STAMETS: I'm not sure that I've got the
22 right form here, 107, Amerada Hess J Apache A Well No. 8
23 in Unit letter N?

24 A No.

25 MR. STAMETS: In Section 26, 25, 5.

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1 MR. KELLAHIN: We've pulled out the wrong one,
 2 Mr. Examiner. May we withdraw Exhibit Number Two and supply
 3 you by mail with a plat showing the offsetting operators?

4 MR. STAMETS: Yes, all right, that would be fine.

5 MR. KELLAHIN: Okay.

6 Q (Mr. Kellahin continuing.) Let me refer you to
 7 Exhibit Number Three and have you identify that.

8 A Okay. This is a well schematic showing the
 9 wellbore mechanical configuration for Well No. 3.

10 Q Okay, what are the perforations for the Pictured
 11 Cliffs?

12 A The Pictured Cliffs perfs are 2766 to 76.

13 Q And for the Chacra?

14 A And 3622 to 3737.

15 Q How do you intend to recomplete the well for
 16 commingling purposes?

17 A We intend to pull up out of the packer and com-
 18 mingle both zones.

19 Q Will you refer to what we've marked Exhibit Num-
 20 ber Four and will you identify that?

21 A Okay, this is a copy of our original application
 22 for commingling of the Well No. 3.

23 Q Okay. What are the bottom hole pressures on the
 24 Pictured Cliffs and the Chacra zones?

25 A As stated in item number four, the Pictured Cliffs

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1 bottom hole pressure is 198 PSIG and the Chacra bottom hole
 2 pressure is 304 PSIG. These, as it notes there, were extra-
 3 polated from surface measurements.

4 Q In your opinion, Mr. Cavaleri, will the pressure
 5 differential between the two zones be great enough to cause
 6 migration of gas from either zone?

7 A No, I don't believe this will be a problem.

8 Q Your entry number five on the exhibit indicates
 9 that there are traces of water produced with the gas. Are
 10 those traces of water measureable?

11 A No, they are not.

12 Q What are the gravities of the gas involved in
 13 each zone?

14 A As stated on this point five, the Pictured Cliffs
 15 gravity is .697 and the Chacra gas gravity is .670.

16 Q In your opinion, Mr. Cavaleri, will the approval
 17 of this application allow you to produce gas that might not
 18 otherwise be produced?

19 A Yes.

20 Q Do you have a recommendation for the Examiner
 21 with regard to an allocation of production between the two
 22 zones?

23 A Yes. It's covered in item number eight on page
 24 two. We would recommend allocating the production based
 25 on the first four months production of 1978, which results

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1 in 42 percent for the Pictured Cliffs and 58 for the Otero-
 2 Chacra.

3 Q Would you turn to Exhibit Number Five and identify
 4 that?

5 A Okay. I believe that's the Form C-116 for the
 6 subject well in the Otero-Chacra zone, which is the well
 7 test information.

8 Q And Exhibit Number Six?

9 A It is a C-116 for the same well in the Pictured
 10 Cliffs zone.

11 Q Would you refer to Exhibit Number Seven and
 12 identify it?

13 A This is a decline curve for the well's Pictured
 14 Cliffs production.

15 Q And Exhibit Number Eight?

16 A It's a decline curve for the Chacra production.

17 Q I believe one of your exhibits indicates that
 18 the ownership in the two zones is in common. Is that true?

19 A Yes.

20 Q And in your opinion are both zones economically
 21 marginal at this point?

22 A Yes, they are.

23 Q Okay. In your opinion, Mr. Cavaleri, will ap-
 24 proval of this application be in the best interests of con-
 25 servation, the prevention of waste, and the protection of

1 correlative rights?

2 A. Yes, I think they will.

3 Q. Excluding Exhibit Number Two, Mr. Examiner, we
4 move the introduction of Exhibits One through Eight.

5 MR. STAMETS: These exhibits will be admitted.

6

7 CROSS EXAMINATION

8 BY MR. STAMETS:

9 Q. Mr. Cavaleri, Exhibit Number Seven for the
10 Pictured Cliffs seems to indicate a rate of production of
11 about 3-million cubic feet a day.

12 A. No, sir, it's -- at what point in time? There
13 is about 300 down towards mid-78.

14 Q. Okay, I'm trying to get Exhibit Six and Seven
15 to go together here.

16 A. Yes, sir.

17 Q. You've got a thirty-day test. Is that the
18 total production for thirty days?

19 A. That's correct.

20 Q. 100,000?

21 A. Yes, see, you'd have to divide that by thirty
22 days to get it.

23 Q. Okay, but now Exhibit Seven shows then the
24 production to be 300,000 a day?

25 A. Okay, that's for the month of April?

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1 Q Well, no, I don't think so. Exhibit Seven is
 2 this exhibit right here.

3 A On the Chacra or the Pictured Cliffs?

4 Q Well, it says Pictured Cliffs at the top.

5 A Pictured Cliffs.

6 Q What is the last rate of production represented
 7 on that?

8 A Approximately 300 Mcf per day.

9 Q Okay.

10 A Oh, I'm sorry.

11 Q It would be slightly above 300.

12 A Excuse me, it would be 30, 30 Mcf per day.

13 Q Okay.

14 A And then we show --

15 Q Then for the Chacra it's going to be something
 16 less than 50 Mcf a day?

17 A That is correct.

18 Q If my math may be wrong, I took the two tests
 19 shown on Form C-116 and added the volume and divided it out
 20 and it looks like about 34 percent of the production during
 21 that particular period was Pictured Cliffs production. I'm
 22 wondering, perhaps, if we might not -- if we should write
 23 an order which would allow you and the District Supervisor
 24 to get together and confirm the actual division of production.

25 A Okay.

1 Q On this well.

2 MR. STAMETS: Any other questions of the witness?

3 He may be excused.

4 Anything further in this case?

5 The case will be taken under advisement.

6 (hearing concluded.)

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Phone (505) 982-9212

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.

Sally W. Boyd CSR
Sally W. Boyd, C.S.R.

sid morrison reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the Examiner hearing of Case No. 6326
heard by me on 9-13 1975.
Richard L. Starn, Examiner
Oil Conservation Division

Memo

From

A. R. KENDRICK

To Dick:

Re: Case 6326

al

Energy Reserves Group, Inc.
P.O. Box 5280
Casper, Wyoming 82601
Phone 307 265 7331



October 4, 1978

New Mexico Oil Conservation Commission
District Office
1000 Rio Brazos Road
Aztec, New Mexico 87401

Attn: Mr. A.R. Kendrick

Re: Commission Order No. R-5819 approving downhole
commingling of gas production in Jicarilla 35 #3
Unit B, Sec 2 T24N, R5W, Rio Arriba County, NM

Dear Mr. Kendrick:

This letter is to confirm our telephone conversation of this date on the above subject. In our discussion of the proper allocation of downhole commingled Pictured Cliffs and Chacra gas production, it was agreed that the allocation suggested in the application (copy attached) was proper and consistent with the determination used for the other three wells on this lease. That is, base the allocation on the average daily production for the well for the first four months of 1978. This gives the following allocation factor - Pictures Cliffs 42%, Chacra 58%.

Very truly yours,

ENERGY RESERVES GROUP, INC.

Dean B. Barnes

Dean B. Barnes
District Production Engineer
Rocky Mountain District

DBB/wrh

enc.

OCT 19 1978



APPROVED

AR Kendrick

SUPERVISOR DIST. #3



JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

September 27, 1973

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

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 6326
ORDER NO. R-5819

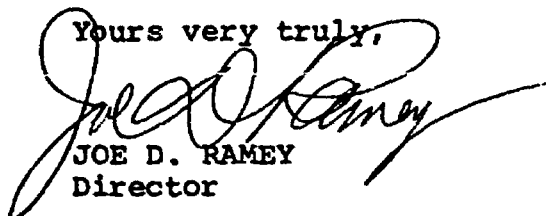
Applicant:

Energy Reserves Group, Inc.

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6326
Order No. R-5819

APPLICATION OF ENERGY RESERVES
GROUP, 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 September 13, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 25th day of September, 1978, 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, Energy Reserves Group, Inc., is the owner and operator of the Jicarilla 35 Well No. 3, located in Unit B of Section 2, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle South Blanco-Pictured Cliffs and Otero-Chacra production within the wellbore of the above-described well.

(4) That from the South Blanco-Pictured Cliffs zone, the subject well is capable of low marginal production only.

(5) That from the Otero-Chacra zone, the subject well is capable of low marginal production only.

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

-2-

Case No. 6326
Order No. R-5819

(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 well is 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 well is shut-in for 7 consecutive days.

(9) That the applicant should consult with the Supervisor of the Aztec District Office of the Division to determine a formula for the allocation of production to each zone in said well.

IT IS THEREFORE ORDERED:

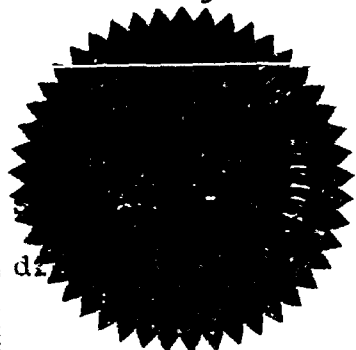
(1) That the applicant, Energy Reserves Group, Inc., is hereby authorized to commingle South Blanco-Pictured Cliffs and Otero-Chacra production within the wellbore of the Jicarilla 35 Well No. 3, located in Unit B of Section 2, Township 24 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

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

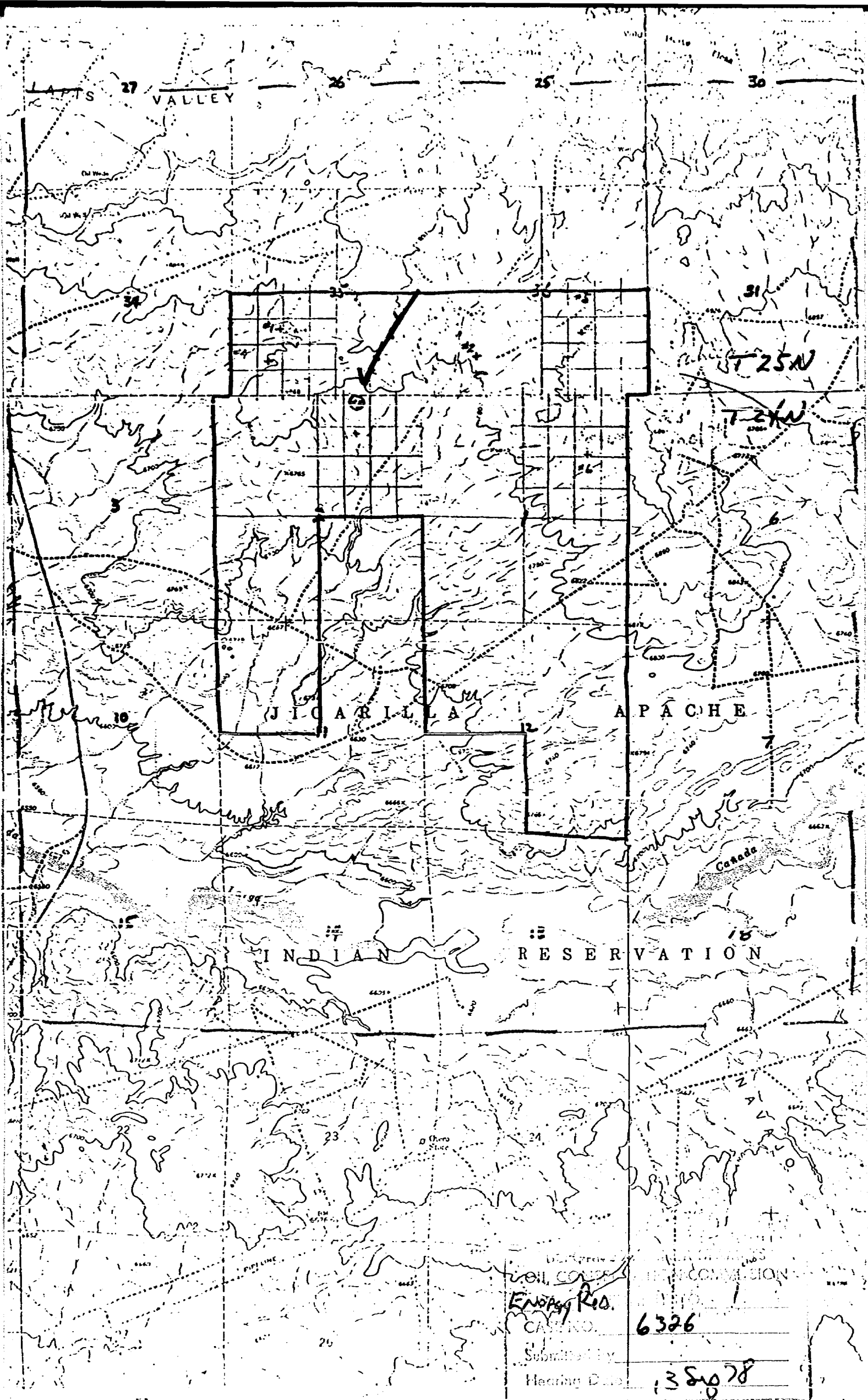
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director



Oil, Coal, and Gas
Energy Res.
CASINO
Submitted by
Hearing Date

6326
138078

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN
KAREN AUBREY

KELLAHIN and FOX
ATTORNEYS AT LAW
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501

SEP 26 1978

TELEPHONE 962-4318
AREA CODE 505

September 21, 1978

Mr. Richard H. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Energy Reserves Group
Division Case No. 6326

Dear Dick:

Please find enclosed applicant's exhibits 2 to replace the exhibits withdrawn at the hearing on September 13, 1978.

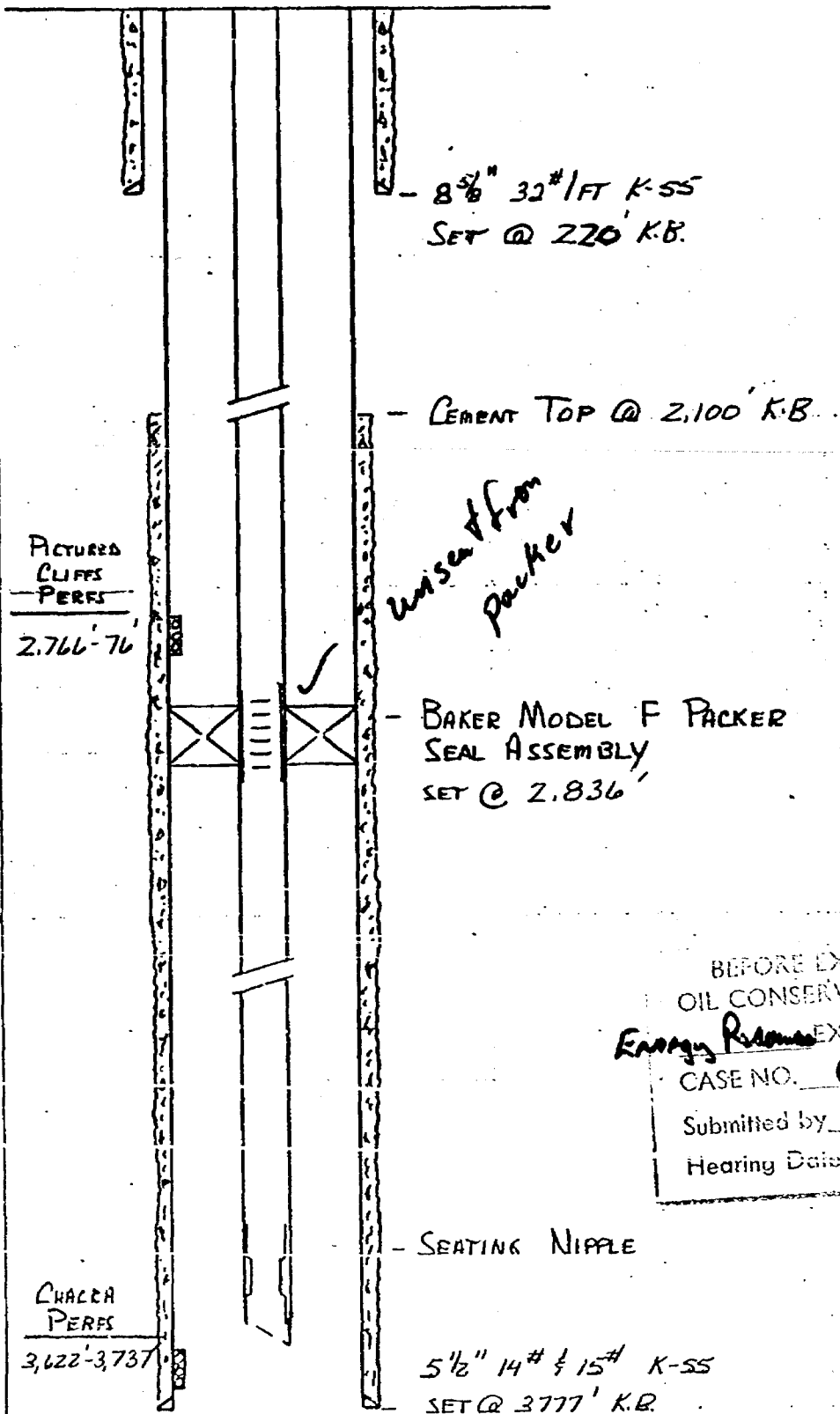
Very truly yours

lan
W. Thomas Kellahin

cc: Mr. Nick Cavaleri
Energy Reserves Group
P. O. Box 3280
Casper, Wyo 82601

ENERGY RESERVES GROUP, INC.
JICARILLA 35 No. 3
OTERO CHACRA - S. BLANCO PICTURED CLIFFS
990' FNL 1,650' FEL SEC. 2 T24N RSW
RIO ARRIBA COUNTY, NEW MEXICO

ELEV. K.B. 6,756'
ELEV. GRD. 6,743'



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Energy Reserve EXHIBIT NO. 3
CASE NO. 6326
Submitted by _____
Hearing Date _____

Energy Reserves Group, Inc.
P.O. Box 3280
Casper, Wyoming 82601
Phone 307 265 7331



Energy Reserves Group

August 15, 1978

State of New Mexico
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Energy Reserves Group, Inc. for Downhole Commingling.
Rio Arriba County, New Mexico.

Gentlemen:

Energy Reserves Group, Inc., submits this application requesting approval to commingle downhole the production from the South Blanco Pictured Cliffs and Otero Chacra in the wellbore of the Jicarilla 35 Well No. 3 which is located in Unit Letter B, Section 2, T24N-R5W. The following is supplied as supporting data:

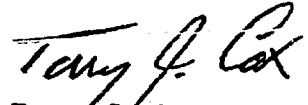
1. The well is owned and operated by Energy Reserves Group, Inc.
2. Form C-116 showing the production of the subject well from the Pictured Cliffs and Chacra for the month of April, 1978.
3. Production decline curves for both zones.
4. The estimated bottomhole pressure of the Pictured Cliffs is 198 psig and the Chacra is 304 psig. Pressures are extrapolated from surface pressures. Underground waste would not be caused by commingling provided that the well is not shut-in for extended periods.
5. Both zones produce gas with a trace of water. The Pictured Cliffs gas gravity is .697 and the Chacra gas gravity is .670. Sufficient water is produced to restrict gas production.
6. The contracted price is the same for the gas from both zones; therefore, the combined price will be the same as the individual prices.
7. All offset operators, by copy of this application, have been notified.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Energy Reserves	EXHIBIT NO. <u>4</u>
CASE NO.	<u>6326</u>
Submitted by	_____
Hearing Date	_____

8. It is requested that allocation be based on the average daily production for the first four months of 1978. The Pictured Cliffs has averaged 40.5 MCFPD and the Chacra 55.3 MCFPD; therefore, the allocation as suggested would be 42% Pictured Cliffs and 58% Chacra.

Very truly yours,

ENERGY RESERVES GROUP, INC.



Terry J. Cox
Production Engineer
Rocky Mountain District

TJC/wrh

enc.

NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

2116
Revised 1-1-77

Operator Energy Reserves Group, Inc.		Pool Otero - Chacra				County Rio Arriba										
Address P.O. Box 3280, Casper, Wyoming 82602						TYPE OF TEST - (X)		Scheduled <input type="checkbox"/>		Completion <input type="checkbox"/>		Special <input type="checkbox"/>				
LEASE NAME	WELL NO.	LOCATION				DATE OF TEST	STATUS	CHOKE SIZE	TBG. PRESS.	DAILY ALLOWABLE	LENGTH OF TEST HOURS	PROD. DURING TEST				GAS - OIL RATIO CU. FT. BBL.
		U	S	T	R							WATER BBL.S.	GRAV. OIL	OIL BBL.S.	GAS M.C.F.	
Jicarilla 35	3	B	2	24N	5W	4-1-78 to 4-30-78			220			Tr.		0	2,059	

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

Case No. 6326

Submitted by _____
Hearing Date _____

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Commission.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Commission in accordance with Rule 301 and appropriate pool rules.

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

Terry J. Cox
(Signature)

Production Engineer
(Title)

August 15, 1978
(Date)

NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

C-116
Revised 1-1-65

Operator Energy Reserves Group, Inc.		Pool South Blanco - Pictured Cliffs				County Rio Arriba									
Address P.O. Box 3280, Casper, Wyoming 82602						TYPE OF TEST - (X)		Scheduled <input type="checkbox"/>		Completion <input type="checkbox"/>		Special <input type="checkbox"/>			
LEASE NAME	WELL NO.	LOCATION				DATE OF TEST	CHOKE SIZE	CSG. TBS. PRESS.	DAILY ALLOWABLE	LENGTH OF TEST HOURS	PROD. DURING TEST				GAS - OIL RATIO CU.FT. BBL.
		U	S	T	R						WATER BBLs.	GRAV. OIL	OIL BBLs.	GAS M.C.F.	
Jicarilla 35	3	B	2	24N	5W	4-1-78 to 4-30-78		110			Tr.		0	1,100	

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

Exhibit No. 6
CASE NO. 6326

Submitted by _____
Hearing Date _____

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Commission.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

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Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Commission in accordance with Rule 301 and appropriate pool rules.

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

Terry J. Cox
(Signature)

Production Engineer
(Title)

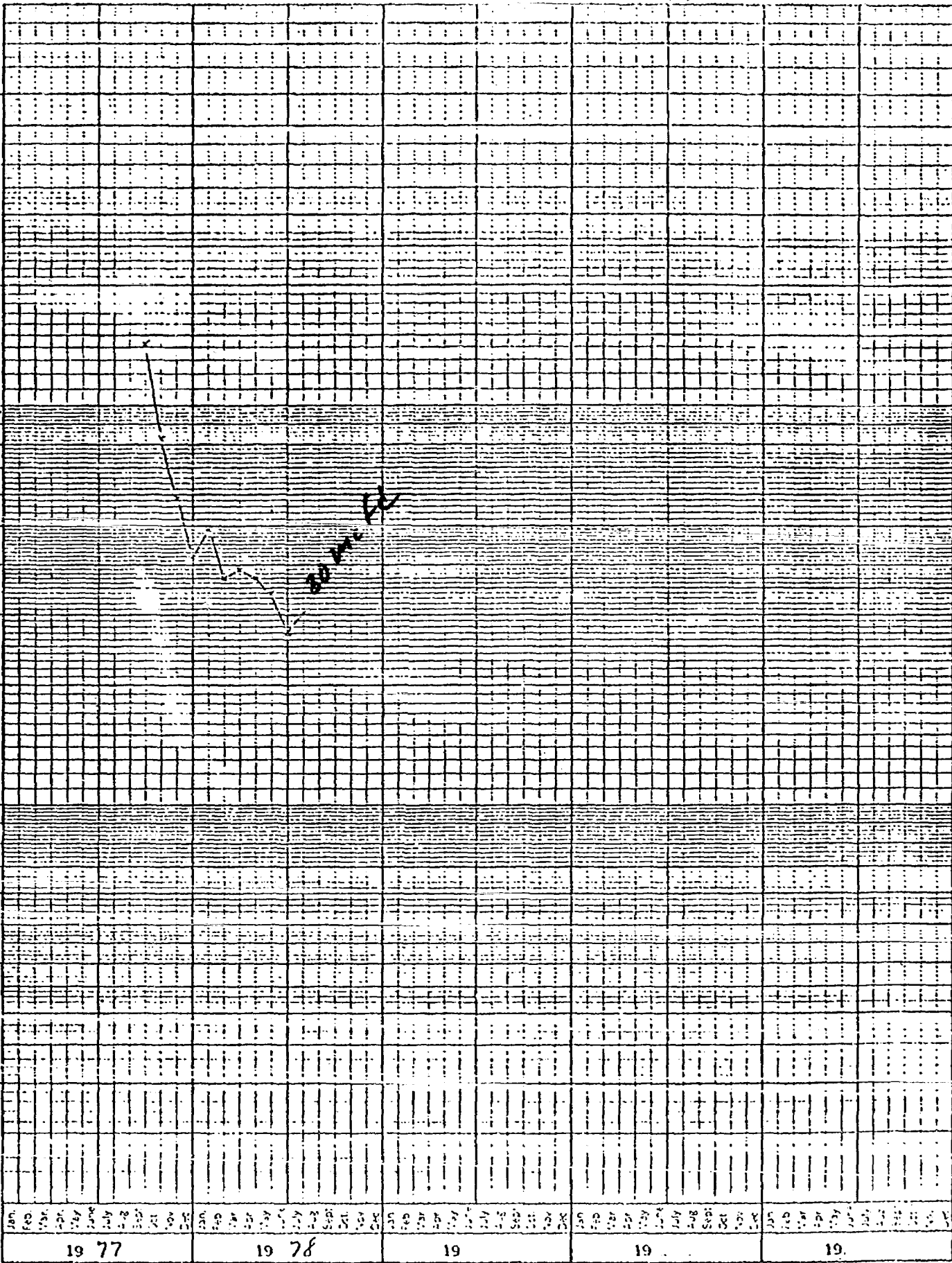
August 15, 1978
(Date)

Fig 25 #3 - P.C.

46 669U

CFAD

4-2 5 YEARS BY MONTHS TO CYCLES
KEUFFEL & ESSER CO. NEW YORK

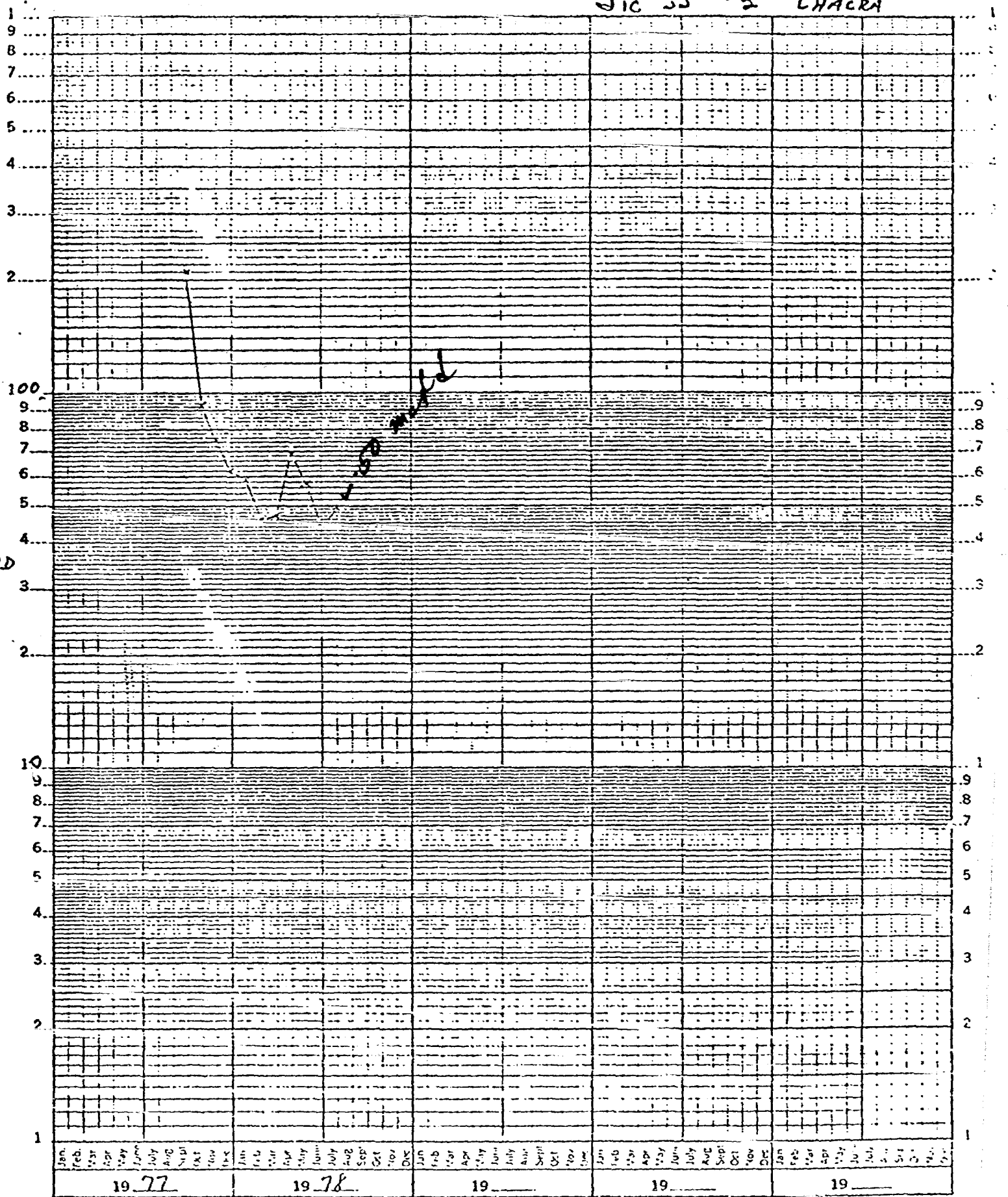


JIC 35 #2 CHACRA

45 5590

FPD

KE 5 YEARS BY MONTHS #3 LOG CYCLES
KEUFFE & ESSER CO. MADE IN U.S.A.



Dockets Nos. 31-78 and 32-78 are tentatively set for hearing on September 27 and October 11, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - SEPTEMBER 11, 1978

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

CASE 6289: (Continued from August 23, 1978, Commission Hearing)

Application of Bill Taylor for enforcement and amendment of Order No. R-5332, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination of well costs, an accounting of expenditures and costs withheld from production, and the amendment of Order No. R-5332 to remove the present operator of the pooled proration unit comprising the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, and designate another operator for said unit.

CASE 6146: (DE NOVO)

Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Tapacito-Gallup and Basin-Dakota production within the wellbore of his Jicarilla Well No. 5 located in Unit D of Section 29, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

Upon application of Jerome P. McHugh this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 6328: Application of Maralo, Inc., for statutory unitization, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order unitizing, for the purpose of secondary recovery, all mineral interests in the Jalmat Yates Unit underlying the following described lands in Township 25 South, Range 36 East:

Section 12: SE/4
Section 13: NE/4

and the following described lands in Township 25 South, Range 37 East:

Section 18: NW/4 and N/2 SW/4

all in Lea County, New Mexico.

The unitized interval would be all formations or zones extending from the top of the Yates formation down to 100 feet below the base of the Queen formation in the Humble-Winters "A" Well No. 2 located in Unit C of Section 18, Township 25 South, Range 37 East.

Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the determination of the horizontal and vertical limits of the unit area; the determination of a fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment; and such other matters as may be necessary and appropriate for carrying on efficient unit operations, including, but not necessarily limited to, unit voting procedures, selection, removal, or substitution of unit operator, and time of commencement and termination of unit operations.

CASE 6313: Application of Maralo, Inc., for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Jalmat Yates Unit Area, Lea County, New Mexico, by the injection of water into various wells located in Township 25 South, Ranges 36 and 37 East.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 13, 1978

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 October, 1978, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for October, 1978, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6314: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Overland Drilling & Exploration, Ltd., Ohio Casualty Insurance Company, and all other interested parties to appear and show cause why the Lowe State Well No. 1 located in Unit E of Section 15, Township 19 South, Range 29 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6315: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Hugh L. Johnston, Sr., General Insurance Co. of America, and all other interested parties to appear and show cause why the Continental State Well No. 5 located in Unit C of Section 30, Township 17 South, Range 29 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6316: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Cortez Corporation, Aetna Casualty & Surety Company, and all other interested parties to appear and show cause why the Fair Well No. 1 located in Unit D of Section 24, Township 18 South, Range 26 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6290: (Continued from August 16, 1978, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit R. A. Crane, Jr., Great American Insurance Co., and all other interested parties to appear and show cause why the Donella Well No. 1 located in Unit P of Section 3, Township 29 North, Range 15 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6307: (Continued from August 30, 1978, Examiner Hearing)

Application of Exxon Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Brinkard and Wantz-Abo production in the wellbore of its F. F. Hardison B Well No. 10, located in Unit A of Section 34, Township 21 South, Range 37 East, Lea County, New Mexico. (This case will be dismissed.)

CASE 6317: Application of Harvey E. Yates Company for an unorthodox gas well location and a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 301.75-acre non-standard gas proration unit comprising the N/2 of Section 18, Township 18 South, Range 29 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 1980 feet from the North line and 660 feet from the East line of said Section 18 to test the Morrow formation.

CASE 6318: Application of Coquina Oil Corporation for an increase in casinghead gas allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 303-C-4 to increase the casinghead gas allowable for its Vivian Well No. 1, located in Unit F of Section 30, Township 22 South, Range 38 East, Lea County, New Mexico, the Brinkard and Granite Wash zones in said well being commingled pursuant to Order No. DHC-255 and subject to the GOR limit for the Wantz-Granite Wash Pool.

CASE 6319: Application of Belco Petroleum Corporation for an unorthodox well location and compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 31, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Mollie Com Well No. 1 located at an unorthodox location 1100 feet from the North line and 1575 feet from the East line of said section. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6320: Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Cushing Federal Com. Well No. 1 to be drilled 660 feet from the North line and 1980 feet from the West line of Section 32, Township 18 South, Range 27 East, to test the Morrow formation, the W/2 of said Section 32 to be dedicated to the well.

CASE 6321: Application of Texas Oil & Gas Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Shugart State Com. Well No. 1 to be drilled 660 feet from the South line and 1980 feet from the West line of Section 16, Township 18 South, Range 31 East, Eddy County, New Mexico, to test the Wolfcamp and Pennsylvanian formations, the W/2 of said Section 16 to be dedicated to the well.

CASE 6283: (Continued from August 2, 1978, Examiner Hearing)

Application of Texas Oil & Gas Corporation for a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard gas proration unit comprising the W/2 of Section 16, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

CASE 6322: Application of Yates Petroleum Corporation for pool contraction, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-391 to contract the horizontal limits of the Empire-Pennsylvanian Gas Pool to the following:

All of Sections 28 and 29, Township 17 South, Range 28 East

In the alternative, applicant seeks to limit the special pool rules for said pool to the present horizontal limits of the pool.

CASE 6323: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 23, Township 17 South, Range 28 East, Empire-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to its Lucas Store JZ Well No. 1 located at an unorthodox location 1980 feet from the North line and 860 feet from the West line of said section. Also to be considered will be the cost of completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6324: Application of Yates Petroleum Corporation for downhole commingling or pool creation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wolfcamp and Upper Penn gas production in the wellbore of its Box Canyon GJ Fed. Well No. 1 located in Unit J of Section 13, Township 21 South, Range 21 East, Eddy County, New Mexico. In the alternative, applicant seeks the creation of a new Permo-Penn gas pool for said well.

CASE 6325: Application of Amoco Production Company for unorthodox locations and directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of the following South Hobbs Unit wells located in Township 19 South, Range 38 East, Hobbs Pool, Lea County, New Mexico:

Well No. 120 located 1272 feet from the North line and 1420 feet from the West line of Section 5;
Well No. 121 located 1450 feet from the North line and 150 feet from the West line of Section 4;
Well No. 123 located 2390 feet from the North line and 150 feet from the East line of Section 6;
Well No. 124 located 1925 feet from the South line and 2380 feet from the East line of Section 4;
Well No. 126 located 1295 feet from the South line and 1365 feet from the West line of Section 10;
Well No. 122 located 1726 feet from the North line and 167 feet from the East line of Section 4;
and Well No. 125 located 2016 feet from the North line and 763 feet from the West line of Section 3.

Applicant further seeks authority to directionally drill Wells Nos. 122 and 125 to bottomhole locations in the extreme southeast corners of Unit H of Section 4 and Unit E of Section 3, respectively.

CASE 6326: Application of Energy Reserves Group, Inc., for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle South Blanco-Pictured Cliffs and Otero-Chacra production in the wellbore of its Jicarilla 35 Well No. 3, located in Unit B of Section 2, Township 24 North, Range 5 West, Rio Arriba County, New Mexico.

CASE 6327: Application of O. H. Berry for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its J. L. Isabell Well No. 5-Y located 340 feet from the North line and 330 feet from the East line of Section 15, Township 24 South, Range 36 East, Santa Rosa formation, Lea County, New Mexico, the NE/4 of said Section 15 to be dedicated to the well.

Energy Reserves Group, Inc.
P.O. Box 3280
Casper, Wyoming 82601
Phone 307 265 7331



August 15, 1978

Case 6326

State of New Mexico
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Energy Reserves Group, Inc. for Downhole Commingling,
Jicarilla 35 No. 3, Rio Arriba County, New Mexico.

Gentlemen:

Attached for your consideration is an application to commingle the production from the South Blanco Pictured Cliffs and Otero Chacra in the wellbore of the Jicarilla 35 Well No. 3 which is located in Unit Letter B, Section 2, T24N, R5W.

Energy Reserves Group, Inc. requests that administrative approval be granted on this application. Offered in support of administrative approval is the precedent established by Order No. R-5775 permitting the commingling within the wellbore of Pictured Cliffs and Chacra produced gas in Jicarilla Well No. 6 located in Unit H of Section 1, Township 24 North, Range 5 West, and Jicarilla Wells Nos. 4 and 5 located in Unit M of Section 35 and Unit J of Section 36, respectively, both in Township 25 North, Range 5 West, Rio Arriba County, New Mexico.

In the event administrative approval can not be granted, it is requested that the application be placed on the docket of the next scheduled hearing.

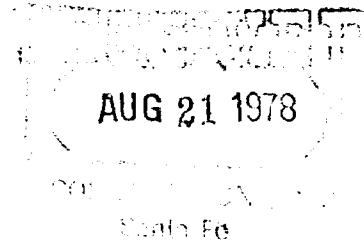
Very truly yours,

ENERGY RESERVES GROUP, INC.

Terry J. Cox
Terry Cox
Production Engineer

TC/wrh

enc.



Energy Reserves Group, Inc.
P.O. Box 3280
Casper, Wyoming 82601
Phone 307 265 7331



Case 6326

August 15, 1978

State of New Mexico
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Energy Reserves Group, Inc. for Downhole Commingling.
Rio Arriba County, New Mexico.

Gentlemen:

Energy Reserves Group, Inc., submits this application requesting approval to commingle downhole the production from the South Blanco Pictured Cliffs and Otero Chacra in the wellbore of the Jicarilla 35 Well No. 3 which is located in Unit Letter B, Section 2, T24N-R5W. The following is supplied as supporting data:

1. The well is owned and operated by Energy Reserves Group, Inc.
2. Form C-116 showing the production of the subject well from the Pictured Cliffs and Chacra for the month of April, 1978.
3. Production decline curves for both zones.
4. The estimated bottomhole pressure of the Pictured Cliffs is 198 psig and the Chacra is 304psig. Pressures are extrapolated from surface pressures. Underground waste would not be caused by commingling provided that the well is not shut-in for extended periods.
5. Both zones produce gas with a trace of water. The Pictured Cliffs gas gravity is .697 and the Chacra gas gravity is .670. Sufficient water is produced to restrict gas production.
6. The contracted price is the same for the gas from both zones; therefore, the combined price will be the same as the individual prices.
7. All offset operators, by copy of this application, have been notified.

AUG 21 1978

8. It is requested that allocation be based on the average daily production for the first four months of 1978. The Pictured Cliffs has averaged 40.5 MCFPD and the Chacra 55.3 MCFPD; therefore, the allocation as suggested would be 42% Pictured Cliffs and 58% Chacra.

Very truly yours,

ENERGY RESERVES GROUP, INC.



Terry J. Cox
Production Engineer
Rocky Mountain District

TJC/wrh

enc.

Case 6326

Energy Reserves Group, Inc.
P.O. Box 3280
Casper, Wyoming 82601
Phone 307 265 7331



August 15, 1978

State of New Mexico
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Energy Reserves Group, Inc. for Downhole Commingling,
Jicarilla 35 No. 3, Rio Arriba County, New Mexico.

Gentlemen:

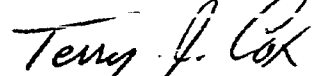
Attached for your consideration is an application to commingle the production from the South Blanco Pictured Cliffs and Otero Chacra in the wellbore of the Jicarilla 35 Well No. 3 which is located in Unit Letter B, Section 2, T24N, R5W.

Energy Reserves Group, Inc. requests that administrative approval be granted on this application. Offered in support of administrative approval is the precedent established by Order No. R-5275 permitting the commingling within the wellbore of Pictured Cliffs and Chacra produced gas in Jicarilla Well No. 6 located in Unit H of Section 1, Township 24 North, Range 5 West, and Jicarilla Wells Nos. 4 and 5 located in Unit M of Section 35 and Unit J of Section 36, respectively, both in Township 25 North, Range 5 West, Rio Arriba County, New Mexico.

In the event administrative approval can not be granted, it is requested that the application be placed on the docket of the next scheduled hearing.

Very truly yours,

ENERGY RESERVES GROUP, INC.


Terry Cox
Production Engineer

TC/wrh

enc.

AUG 21 1978

RECEIVED
SANTA FE

Energy Reserves Group, Inc.
P.O. Box 3280
Casper, Wyoming 82601
Phone 307 265 7331



Energy Reserves Group

August 15, 1978

AUG 21 1978

State of New Mexico
Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Energy Reserves Group, Inc. for Downhole Commingling.
Rio Arriba County, New Mexico.

Gentlemen:

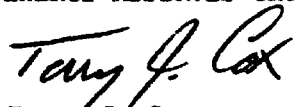
Energy Reserves Group, Inc., submits this application requesting approval to commingle downhole the production from the South Blanco Pictured Cliffs and Otero Chacra in the wellbore of the Jicarilla 35 Well No. 3 which is located in Unit Letter B, Section 2, T24N-R5W. The following is supplied as supporting data:

1. The well is owned and operated by Energy Reserves Group, Inc.
2. Form C-116 showing the production of the subject well from the Pictured Cliffs and Chacra for the month of April, 1978.
3. Production decline curves for both zones.
4. The estimated bottomhole pressure of the Pictured Cliffs is 198 psig and the Chacra is 304psig. Pressures are extrapolated from surface pressures. Underground waste would not be caused by commingling provided that the well is not shut-in for extended periods.
5. Both zones produce gas with a trace of water. The Pictured Cliffs gas gravity is .697 and the Chacra gas gravity is .670. Sufficient water is produced to restrict gas production.
6. The contracted price is the same for the gas from both zones; therefore, the combined price will be the same as the individual prices.
7. All offset operators, by copy of this application, have been notified.

8. It is requested that allocation be based on the average daily production for the first four months of 1978. The Pictured Cliffs has averaged 40.5 MCFPD and the Chacra 55.3 MCFPD; therefore, the allocation as suggested would be 42% Pictured Cliffs and 58% Chacra.

Very truly yours,

ENERGY RESERVES GROUP, INC.



Terry J. Cox
Production Engineer
Rocky Mountain District

TJC/erh

enc.

dr/

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. 6326

Order No. R-5819

APPLICATION OF ENERGY RESERVES GROUP, 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 September 13
19 78, at Santa Fe, New Mexico, before Examiner Richard L.
Stamets.

NOW, on this _____ day of September, 19 78, 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, Energy Reserves Group, Inc., is
the owner and operator of the Jicarilla 35 Well No. 3
located in Unit B of Section 2, Township 24 North
Range 5 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle
South Blanco-Pictured Cliffs and Otero-Chacra production
within the wellbore of the above-described well.

(4) That from the South Blanco-Pictured Cliffs zone, the subject well is capable of low marginal production only.

(5) That from the Otero-Chacra zone, the subject well is capable of low marginal production only.

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

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is 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 well is shut-in for 7 consecutive days.

(9) That the applicant should consult with the Supervisor of the Aztec District Office of the Division to determine ~~an allocation~~ a formula for the allocation of production to each zone in said well.

IT IS THEREFORE ORDERED:

(1) That the applicant, Energy Reserves Group, Inc., is hereby authorized to commingle South Blanco-Pictured/ ^{Cliffs} and Otero-Chacra production within the wellbore of the Jicarilla 35 Well No. 3, located in Unit B of Section 2, Township 24 North, Range 5 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.

(8) That _____ percent of the commingled
production shall be allocated to the South Blanco-Pictured Cliffs
zone and _____ percent of the commingled
production shall be allocated to the Otero-Chacra
zone.

3) That the operator of the subject well shall immediately
notify the Division's Aztec district office any time the
well has been shut-in for 7 consecutive days and shall concurrently
present, to the ^{Division} Commission, 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.