
CASE NO.

6402

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty Company
for downhole comingling, Rio Arriba County,
New Mexico.

CASE
6402

BEFORE: Daniel S. Nutter

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:

William F. Carr, Esq.
CAMPBELL & BLACK
Jefferson Plaza
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CLERK OF DISTRICT COURT
SANTA FE, NEW MEXICO
SANTA FE, NEW MEXICO 87501

I N D E X

CURT PARSONS

Direct Examination by Mr. Carr

E X H I B I T S

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SALLY WAUGH-BOND
COURT REPORTER
1015 W. 12th St.
Bismarck, N.D. 58102

1 MR. NUTTER: Call Case No. 6402.

2 MS. TESCHENDORF: Case 6402: Application of
3 Southland Royalty Company for downhole commingling, Rio
4 Arriba County, New Mexico.

5 MR. CARR: May it please the Examiner, I am
6 William F. Carr, Campbell and Black, Santa Fe, appearing on
7 behalf of the Applicant. I have one witness and request that
8 the record show that he was previously sworn and is under
9 oath.

10 MR. NUTTER: Mr. Curt Parsons is still under
11 oath.

12 DIRECT EXAMINATION

13 BY MR. CARR:

14 Q Will you state your name and place of residence?

15 A Mr. Curt Parsons, Farmington, New Mexico.

16 Q Mr. Parsons, by whom are you employed?

17 A Southland Royalty Company.

18 Q In what capacity?

19 A District Engineer.

20 Q You have previously testified before this Com-
21 mission and had your credentials accepted and made a matter
22 of record?

23 A Yes, I have.

24 Q Are you familiar with the Application in this
25 case?

A Yes, I am.

MR. CARR: Are the witness' credentials accept-
able?

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2000 Plaza Blanca, Suite 100, Santa Fe, New Mexico 87501

1 MR. NUTTER: Yes, they are.

2 BY MR. CARR:

3 Q Mr. Parsons, will you briefly state what South-
4 land is seeking with its application in this case?

5 A Request permission to commingle production from
6 the Gallup and Dakota zones and the Ticarilla J01 No. 2.

7 Q Where is this well located?

8 A This well is located -- just a second. Unit M,
9 Section 12, Township 26 North, Range 4 West, Rio
Arriba County.

10 Q Mr. Parsons, would you briefly describe for the
11 Examiner the manner in which this well is completed?

12 A Okay, here again I don't have a schematic to
13 show, but we have 10 - 3/4 surface pipe at 310 feet. We
14 have 7 - 5/8th's intermediate pipe, set at 3,873. Four-and-
a-half liner from 3,760 to 8,058.

15 Q Where is the well perforated?

16 A The Dakota is completed from 7,876 to 7,940.
17 The Gallup from 6,680 to 6,772.

18 Q Mr. Parsons, how are these zones treated when
19 the well was completed?

20 A Both sand-water frac.

21 Q Would you briefly summarize how you propose to
22 complete the well?

23 A Well, there is a packer which was put in origin-
24 ally, the Model-D again, at 7,730. Inch-and-a-half up-set
25 tubing at 7,730. The Dakota produces up this string of
tubing. Gallup produces up the annulus area and this would

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1 not be changed.

2 Q Does the well at this time produce liquids?

3 A Yes, it does.

4 Q I would ask you at this time to refer to what
5 has been marked for identification as Exhibit One and Two
6 and explain to the Examiner what these are and what they
7 show?

8 A These are production histories for both the
9 Gallup and the Dakota zone; the Gallup showing a small amount
10 of liquid production, oil at about 60 barrels per year, and
11 also a small volume of gas; the Dakota showing in the neigh-
12 borhood 500 barrels of oil per year currently and a substan-
13 tial amount of gas.

14 Q These Exhibits show the pressures that are en-
15 countered in the two zones?

16 A Yes, they do. They show test data since 1970,
17 shut-in pressures so forth.

18 Q Are these zones flowing or being artificially
19 lifted?

20 A They're both flowing.

21 Q Mr. Parsons, will the pressure differentials
22 result in migration of gas between zones in your opinion?

23 A This would be highly unlikely. I make reference
24 to the tests conducted in 1977. Both zones were tested. The
25 shut-in pressure for the Dakota was 1,072. Shut-in pressure
for the Gallup was 1,062. So it's essentially identical
pressures.

MR. NUTTER: Both of those in '77?

1 THE WITNESS: Yes, sir.

2 BY MR. CARR:

3 Q I would now direct your attention to what has
4 been marked for identification as Exhibit No. Three and ask
5 you to explain to the Examiner what this is and what it
6 shows.

7 A Exhibit No. Three is a graph of both gas and
8 oil production from both zones with the black curve or gray
9 curve showing the Dakota production. As can be seen there,
10 the Dakota production has been not unusual at all with a very
11 normal decline in both gas and oil. The Gallup production
12 has been somewhat erratic, probably due to the fact that it
13 is being produced up the annulus. It's very difficult to
14 keep the liquids unloaded.

15 Q I would like to direct your attention to Exhibit
16 No. Four and ask you to summarize what it shows for the Ex-
17 aminer.

18 A Exhibit No. Four was prepared in an effort to
19 make a recommendation for allocation of production in the
20 event that commingling is granted. I have four things to
21 consider as a basis for this recommendation.

22 First, cumulative production of the well through
23 1977. This shows that the Dakota has produced 73.3 percent
24 of the gas; 97.6 percent of the oil over the life of the well.

25 The 1976 test, which is sometimes used in this
same way, showed the Dakota making 74.2 percent of the total
gas with no record of the oil production during the test.

1975 through June of '78, average annual production -- this

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1 is included because it is representative of current pro-
2 duction rates or recent production rates -- this would show
3 the Dakota contributing 64 percent of the gas production and
4 89.9 percent of the oil.

5 Current production rates have the Dakota pro-
6 ducing 67.8 percent of the information, my recommendation
7 for a split, would be 70 percent of the gas to the Dakota
8 with the remaining 30 percent to the Gallup and 90 percent
9 of the oil to the Dakota with the remaining 10 percent to
the Gallup.

10 Q Is the ownership common in these zones?

11 A Yes, the ownership is common both as to royalty
12 and as to working interest.

13 Q Mr. Parsons, are the reservoir characteristics
14 of these pools such that underground waste would not be
caused by the proposed commingling?

15 A Yes, sir, I believe that they are.

16 Q In your opinion, will granting the application
17 result in increased recovery of hydro-carbons?

18 A Yes, I believe it would.

19 Q In your opinion, will granting the Application
20 be in the best interest of conservation, the prevention of
21 waste and the protection of correlative rights?

22 A Yes, sir.

23 MR. CARR: At this time, Mr. Examiner, I would
24 offer into evidence Exhibits One through Four.

25 MR. NUTTER: Applicant's Exhibits One through
Four will be admitted in evidence.

1 MR. CARR: I have nothing further on direct.

2
3 CROSS EXAMINATION

4 BY MR. NUTTER:

5 Q Mr. Parsons, why are you seeking the downhole
6 commingling authority for this well?

7 A The Gallup production is very marginal. It is
8 not felt that any change in mechanical conditions could im-
9 prove the Gallup production and the Gallup zone would be
10 hard pressed to bear its costs of work-over to remedy the
11 communication.

12 Q You do have communication in this well also?

13 A Yes, sir, we do have communication. It is also
14 felt that the communication will not adversely affect either
15 zone.

16 Q Now, actually what is the GOR running here on
17 the Gallup, Mr. Parsons, based on current production rates?
18 Let's calculate a GOR, please.

19 A Okay. Well, based on the first six months of
20 '78, if that's acceptable, at 45 barrels of oil, it's just
21 in rough figures, 400 Mcf per barrel of oil, and that is very
22 rough.

23 Q Isn't this column over to the left of sheet
24 number -- of Exhibit No. Two, the amount of oil that's been
25 cumulatively -- the amount of oil that was produced in '78,
this figure 45?

A Yes, sir, 45 barrels.

Q And the 6,855,000 cubic feet would give us a

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1 GOR --

2 A (Interrupting) I'm sorry. I was looking at a
3 wrong number for gas. I apologize.

4 Q I think that would give us a GOR somewhere in
5 the neighborhood of 160,000 to 1.

6 A Yes, sir, that looks right.

7 Q So normally you would expect that annular flow
8 to be all right with that kind of a ratio, but you say you
9 do have a problem with the --

10 A (Interrupting) Yes, sir, we do. I think be-
11 cause of the large annular area in the 7 - 5/8th's, our gas
12 velocity gets low enough in that interval that we have a
13 considerable fall-back of the liquids.

14 Q After the production gets up above the top of
15 that liner, you've got 1-inch tubing inside of 7 - 5/8th's
16 casing?

17 A Inch-and-a-half tubing.

18 Q Or inch-and-a-half.

19 A Yes, sir. At that point our gas velocity is
20 relatively low.

21 Q You don't have any bottom-hole pressures on
22 these zones; you just have those two comparable shut-in sur-
23 face pressures?

24 A Yes, sir, that's correct.

25 MR. NUTTER: Are there any further questions of
Mr. Parsons? He may be excused. Do you have anything fur-
ther, Mr. Carr?

MR. CARR: Nothing further, Mr. Examiner.

1 MR. NUTTER: Does anyone have anything further
2 they wish to offer in Case No. 6402? We will take the case
3 under advisement.

4 (Hearing concluded.)
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CERTIFIED SHORTHAND REPORTER
1050 Third Avenue, Room 608, New York 17, New York 10017

REPORTER'S CERTIFICATE

I, STEFANIE XANTHULL, a court reporter, DO HEREBY CERTIFY that the foregoing and attached 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, knowledge, and skill, from my notes taken at the time of the hearing.

Stefanie Xanthull
Stefanie Xanthull, C.S.R.

SALLY WALTON BOYD
COURT REPORTER
2050 Plaza, Suite 205
Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is
a true and correct transcript of the hearing in
Case No. 6402
heard by me on 12/20 1978.
[Signature] Examiner
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Southland Royalty
Company for downhole comingling,
Rio Arriba County, New Mexico.

CASE
6401

&
CASE
6402

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:

SALLY WALTON BOYD
COUNSELOR GENERAL
1010 Santa Fe Avenue, N.E.
Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 6401.

2 MS. TESCHENDORF: Case 6401. Application of
3 Southland Royalty Company for downhole commingling, Rio
4 Arriba County, New Mexico.

5 MR. CARR: Mr. Examiner, I'm William F. Carr,
6 Campbell and Black, Santa Fe, appearing on behalf of the
7 Applicant.

8 We request that this case be continued to
9 the Examiner Hearing scheduled for January 20th.

10 MR. STAMETS: The case will be so continued.

11 MR. CARR: I'm sorry, December 20.

12 MR. STAMETS: Okay. Case 6401 will be con-
13 tinued until December 20th.

14 Call next Case 6402.

15 MS. TESCHENDORF: Case 6402. Application of
16 Southland Royalty Company for downhole commingling, Rio
17 Arriba County, New Mexico.

18 MR. CARR: William F. Carr, Campbell and
19 Black, Santa Fe, appearing on behalf of the Applicant. We
20 would request that this case be continued till the next
21 regularly scheduled Examiner Hearing.

22 MR. STAMETS: The case will be so continued.

23 (Hearing concluded.)
24
25

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CARRIES ON THE BOYD
FAMILY BUSINESS
1000 Main Street, Suite 101
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY WALTON 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, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiners hearing of Case No. CHRG 6402 heard by me on 12-17 19 78,
Richard R. Stump, Examiner
Oil Conservation Division

SALLY WALTON BOYD
Court Reporter
1117 N. 1st St.
Tulsa, Okla. 74101

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. 6402
Order No. R-5901

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR DOWNHOLE COMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 20, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 16th day of January, 1979, 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, Southland Royalty Company, is the owner and operator of the Jicarilla 101 Well No. 2, located in Unit M of Section 12, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.
- (3) That the applicant seeks authority to comingle Gallup and Dakota production within the wellbore of the above-described well.
- (4) That from the Gallup zone, the subject well is capable of low marginal production only.
- (5) That from the Dakota zone, the subject well is capable of marginal production only.

-2-

Case No. 6402
Order No. R-5901

(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 Artec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 30 percent of the commingled gas production and 10 percent of the commingled oil production should be allocated to the Gallup zone, and 70 percent of the commingled gas production and 90 percent of the commingled oil production to the Dakota zone.

IT IS THEREFORE ORDERED:

(1) That the applicant, Southland Royalty Company, is hereby authorized to commingle Gallup and Dakota production within the wellbore of the Jicarilla 101 Well No. 2, located in Unit M of Section 12, Township 26 North, Range 4 West, NMPN, Rio Arriba County, New Mexico.

(2) That 30 percent of the commingled gas production and 10 percent of the commingled oil production shall be allocated to the Gallup zone and 70 percent of the commingled gas production and 90 percent of the commingled oil production shall be allocated to the Dakota zone.

(3) That the operator of the subject well shall immediately notify the Division's Artec 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.

-3-

Case No. 6402

Order No. R-5901

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

dr/

DATE: 09-15-78

20291 121069 3 70

WELL NAME

SCOTTLAND ROYALTY COMPANY #2 JICARILLA 101

WELL NO

12M 26N 04W

150

DATE: 09-11-78

2459

100-56
100-56

100-1000

Galaxy 617

100 3,000
2 3
3 7
4 6
5 5
6 4
7 3
8 2
9 1
Total Annual Oil Production Bbl/yr

CASE NO. 6402

SOUTHLAND ROYALTY COMPANY - Jicarilla 101 #2
Recommendation for Allocation of Production

Basis:

1. Cumulative Production thru 1977

	Gas	%	Oil	%
Dakota	422635 MMCF	73.3%	12266 Bbls.	97.6%
Gallup	154276 MMCF	26.7%	306 Bbls.	2.4%

2. 1976 Test

	Gas	%
Dakota	115 MCFD	74.2%
Gallup	40 MCFD	25.8%

3. 1975 thru June 1978 Average Annual Production

	Gas	%	Oil	%
Dakota	31375 MCF	64.0	643 Bbls.	89.9
Gallup	17675 MCF	36.0	72 Bbls.	10.1

4. Current Production Rates

	Gas	%	Oil	%
Dakota	80 MCFD	67.8	2 BOPD	88.9
Gallup	38 MCFD	32.2 32.2	1/4 BOPD	11.1

RECOMMENDATION:

	Gas	Oil
Dakota	70%	90%
Gallup	30%	10%

1034 310'

3760
 75 3873
 6p 6680 6772
 DK 7730
 7730
 8058

BEFORE EXAMINER NUTTER
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 4
 CASE NO. 6402

DK 7876-7940

Dockets Nos. 1-79 and 2-79 are tentatively set for hearing on January 3 and 17, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 20, 1978

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

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

- ALLOWABLE:** (1) Consideration of the allowable production of gas for January, 1979, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for January, 1979, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 6406:** In the matter of the hearing called by the Oil Conservation Division on its own motion at the request of Enserch Exploration, Inc., to consider the assignment of 39,040 barrels of oil discovery allowable to the Enserch Lambirth Well No. 1 located in Unit K of Section 31, Township 5 South, Range 33 East, South Peterson-Fusselman Pool, Roosevelt County, New Mexico.
- CASE 6407:** Application of T. H. McElvain Oil & Gas Properties for an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox oil well location of its Miller B Well No. 6 located 1460 feet from the North line and 2285 feet from the East line of Section 12, Township 24 North, Range 7 West, undesignated Dakota oil pool, Rio Arriba County, New Mexico.
- CASE 6408:** Application of BTA Oil Producers for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its 7811 JV-P Bojo Well No. 1, to be located 660 feet from the North and West lines of Section 27, Township 25 South, Range 33 East, Lea County, New Mexico, the W/2 of said Section 27 to be dedicated to the well.
- CASE 6409:** Application of Atlantic Richfield Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill four wells on its Empire Abo Unit Area, Empire-Abo Pool, Eddy County, New Mexico, as follows: In Township 17 South, Range 28 East: Well No. D-361, Surface location 136 feet from the South line and 800 feet from the East line of Section 27, bottom-hole location 300 feet from the North line and 500 feet from the East line of Section 34; Well No. E-392, Surface location 959 feet from the North line and 2400 feet from the East line, bottom-hole location 600 feet from the North line and 2500 feet from the East line, Section 35. In Township 18 South, Range 27 East: Well No. K-131, Surface location 1500 feet from the South line and 600 feet from the West line, bottom-hole location 1600 feet from the South line and 250 feet from the West line, Section 2; Well No. L-133, Surface location 800 feet from the South line and 950 feet from the West line, bottom-hole location 1250 feet from the South line and 700 feet from the West line, Section 2. All of the above wells would be bottomed at unorthodox locations within 150 feet of the described bottom-hole locations.
- CASE 6410:** Application of Carl A. Schellinger for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a proposed Pennsylvania test to be drilled 660 feet from the South line and 1650 feet from the West line of Section 1, Township 22 South, Range 24 East, McKittrick Hills Field, Eddy County, New Mexico, the S/2 of said Section 1 to be dedicated to the well.
- CASE 6411:** Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvania formation underlying the W/2 of Section 20, Township 23 South, Range 29 East, Eddy County, New Mexico, 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. 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 6412:** Application of Ralph Kix for compulsory pooling and an unorthodox location, or in the alternative, an amendment to pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvania formation underlying the S/2 of Section 27, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location in the SW/4 of said section. 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. Also to be considered will be the designation of Hondo Drilling Company as operator of the well and a charge for risk involved in drilling said well.
- As an alternative to the above unorthodox location, applicant seeks an order amending the Special Pool Rules for the Atoka-Pennsylvanian Gas Pool so that well location requirements therein would conform to statewide Rule 104(c).

CASE 6390: (Continued from November 21, 1978, Examiner Hearing)

Application of C & E Operators for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down thru the Pictured Cliffs formation underlying the SW/4 of Section 10, Township 30 North, Range 11 West, San Juan County, New Mexico, 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. 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 6401: (Continued from December 7, 1978, Examiner Hearing)

Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Mesaverde production within the wellbore of its Jicarilla 101 Well No. 1 located in Unit A of Section 1, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

CASE 6402: (Continued from December 7, 1978, Examiner Hearing)

Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup and Dakota production within the wellbore of its Jicarilla 101 Well No. 2 located in Unit M of Section 12, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

CASE 6403: (Continued from December 7, 1978, Examiner Hearing)

Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin Dakota and Blanco Mesaverde production within the wellbore of its O'Shea Well No. 1 located in Unit K of Section 3, Township 31 North, Range 13 West, San Juan County, New Mexico.

Bockets Nos. 40-78 and 41-78 are tentatively set for hearing on December 20, 1978 and January 3, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 7, 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:

- CASE 6392:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Corinna Grace, The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Indian Hills Com. Well No. 1 located in Unit J of Section 8, Township 21 South, Range 24 East, Eddy County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6393:** In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Rule 104 F of the Division Rules and Regulations to provide for the administrative approval of the unorthodox location of wells drilled within secondary recovery or pressure maintenance projects.
- CASE 6394:** In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the adoption of an administrative procedure and Forms C-132 and C-132-A, all for the purpose of making wellhead price ceiling category determinations under the Natural Gas Policy Act of 1978.
- CASE 6395:** Application of David Fashen for pool contraction and pool extension, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the Indian Basin-Morrow Gas Pool by the deletion therefrom of Section 9, Township 21 South, Range 24 East, Eddy County, New Mexico, and the extension of the Cemetery-Morrow Gas Pool to include the aforesaid Section 9.
- CASE 6396:** Application of Amoco Production Company for pool creation and contraction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the House Drinkard oil pool by the deletion therefrom of the NE/4 and E/2 SE/4 of Section 12 and the E/2 NE/4 of Section 13, both in Township 20 South, Range 38 East, and the W/2 of Section 7 and the NW/4 of Section 18, Township 20 South, Range 39 East, and the creation of a new gas pool for Lower Drinkard production in the NE/4 of Section 12, Township 20 South, Range 38 East, all in Lea County, New Mexico.
- CASE 6397:** Application of Western Oil Producers, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying all of Section 4, Township 24 South, Range 35 East, Cinta Roja-Morrow Gas Pool, 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. 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 6398:** 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 for the Wolfcamp and Pennsylvanian formations of its State Com Well No. 1, to be located 660 feet from the South and West lines of Section 18, Township 21 South, Range 26 East, Catclaw Draw Field, Eddy County, New Mexico, all of said Section 18 to be dedicated to the well in the Morrow formation.
- CASE 6399:** Application of Texas Oil & Gas Corporation for compulsory pooling, 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 32, Township 18 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled 710 feet from the North line and 2330 feet from the West line of said section. 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. 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 6400:** Application of Coronado Exploration Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying each of the following 40-acre tracts: SW/4 SW/4 Section 7; SW/4 SW/4 Section 8; SW/4 SE/4 Section 18; NW/4 NW/4 Section 19; and NW/4 NW/4 Section 20, all in Township 10 South, Range 28 East, Race Track-San Andres Pool, Chaves County, New Mexico. Also the NE/4 NE/4 Section 28, Township 10 South, Range 28 East, LE Ranch-San Andres Pool, Chaves County, and the SW/4 NE/4 Section 15, Township 11 South, Range 28 East, East Chisum-San Andres Pool, Chaves County. Each of the afore-said 40-acre tracts would comprise a drilling unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered, with respect to each of the above described drilling units and well, will be the cost of drilling and completing the 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 each well and a charge for risk involved in drilling each well.

- CASE 6401: Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Mesaverde production within the wellbore of its Jicarilla 101 Well No. 1 located in Unit A of Section 1, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6402: Application of Southland Royalty Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallup and Dakota production within the wellbore of its Jicarilla 101 Well No. 2 located in Unit H of Section 12, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.
- CASE 6403: Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin Dakota and Blanco Mesaverde production within the wellbore of its O'Shea Well No. 1 located in Unit K of Section 3, Township 31 North, Range 13 West, San Juan County, New Mexico.
- CASE 6404: Application of Sun Production Company for compulsory pooling, non-standard gas proration unit, and an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Emory Gas Pool underlying the SE/4 of Section 35, Township 19 South, Range 36 East, Lea County, New Mexico, to form a non-standard 160-acre proration unit to be dedicated to a well to be drilled at an unorthodox location 810 feet from the South line and 2030 feet from the East line of said section. 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. 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 6405: Application of LaRue and Muncy for exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing/cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A to permit its Federal FR Well No. 1 located in Unit I of Section 15, Township 18 South, Range 30 East, Eddy County, New Mexico, to be completed in the following manner: set surface casing and circulate cement; eliminate salt protection string; and do not circulate cement on production casing.

NOV 15 1978


Southland Royalty Company

November 14, 1978

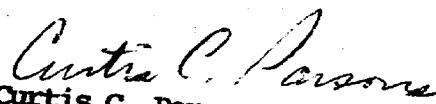
Case 6402

Mr. Joe Ramey
New Mexico Department of Energy and Minerals
Oil and Gas Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Sir:

Southland Royalty Company hereby requests a hearing in order to
consider commingling Gallup and Dakota production in the Jicarilla
101 #2 well located in Section 12, T26N, R4W, Rio Arriba County,
New Mexico.

Yours truly,


Curtis C. Parsons
District Engineer


CCP/kde

CC: Al Kendrick
NWOC

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. 6402

Order No. R-5901

APPLICATION OF SOUTHLAND ROYALTY COMPANY
FOR DOWNHOLE COMMINGLING, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 20
19 78, at Santa Fe, New Mexico, before Examiner Richard L.
Stamets DSN.

NOW, on this _____ day of December, 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, Southland Royalty Company, is
the owner and operator of the Jicarilla 101 Well No. 2,
located in Unit M of Section 12, Township 26 North,
Range 4 West, NMPM, Rio Arriba County, New Mexico.
- (3) That the applicant seeks authority to commingle
Gallup and Dakota production
within the wellbore of the above-described well.

(4) That from the Gallup zone, the subject well is capable of low marginal production only.

(5) That from the Dakota 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 in order to allocate the commingled production to each of the commingled zones in the subject well, 30 percent of the commingled gas production should be allocated to the Gallup zone, and 70 percent of the commingled gas production to the Dakota zone. *and 10 percent of the commingled oil production* *and 90 percent of the commingled oil production*

~~(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 for each of the commingled zones.~~

IT IS THEREFORE ORDERED:

(1) That the applicant, Southland Royalty Company, is hereby authorized to commingle Gallup and Dakota production within the wellbore of the Jicarilla 101 Well No. 2, located in Unit M of Section 12, Township 26 North, Range 4 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 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.~~

(2) That 30 percent of the commingled gas and 10 percent of the commingled oil production production shall be allocated to the Gallup zone and 70 percent of the commingled gas and 90 percent of the commingled oil production production shall be allocated to the Dakota zone.

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

(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.

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Amberg

*Continued to
December 20*

AMERICAN CONSOLIDATED OIL & GAS, INC.,
NEW YORK, NEW YORK
NEW YORK, NEW YORK