

July 30, 1999

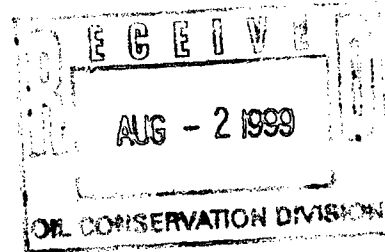
**Request for Exception to Rule 303-A
Downhole Commingling
Drinkard, Wantz-Abo and
Wantz-Granite Wash Pool
Hugh No. 10
950' FNL & 2290' FWL, Unit Letter C,
Section 14, T-22-S, R-37-E
Lea County, New Mexico**



Chevron

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

State of New Mexico
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505



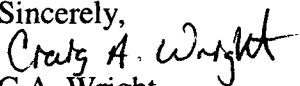
Attention: Ms. Lori Wrotenbery - Director

Dear Ms. Wrotenbery:

Chevron U.S.A. Inc. respectfully requests administrative approval for an exception to Rule 303-A to permit downhole commingling of the Drinkard, Wantz-Abo and Wantz-Granite Wash zones in the Hugh Well No. 10.

Currently the Hugh #10 is producing from the Drinkard and Wantz-Granite Wash in a downhole commingled condition. Chevron is proposing to complete the Wantz-Abo zone and commingle the Abo production with existing Drinkard & Grainite Wash production. The proposed downhole commingling will allow continued production of the Drinkard and Wantz-Granite Wash zones to a lower economic limit, thus increasing ultimate recovery.

Enclosed is the pertinent data supporting this application as outlined in Rule 303-A. A copy of this administrative application is being provided to our offset operators via Certified Mail. If you have any questions, or if you require further information, please contact Craig Wright at (915) 687-7284.

Sincerely,

C.A. Wright
Petroleum Engineer
West Basin Asset Team

Attachments

cc: NMOCD - Hobbs, NM
R. Papasan
C.A. Wright
Central Files - Lease and Well Files

REQUEST FOR EXCEPTION TO RULE 303-A

Hugh #10

Drinkard, Wantz-Abo & Wantz-Granite Wash Fields

A: Operator

Chevron USA Prod. Co.
P.O. Box 1150
Midland, TX 79702

B: Lease Name and Well Number

Hugh #10
Unit Letter C, 950' FNL & 2290' FWL
Section 14, T-22-S, R-37-E
Lea County, New Mexico
Drinkard, Wantz-Abo and Wantz-Granite Wash Pools

C: Plats and Offset Operators

Attached

D: C-116's

Current Gas-Oil Ratio Test for Drinkard & Wantz-GW zones. (Attached).

Note: Drinkard & Wantz-Granite Wash production is currently downhole commingled under Case No. 7414, Order No. R-6840 as follows:

Allocated Percentages	<u>Oil %</u>	<u>Gas %</u>
Drinkard	36	81
Wantz-GW	<u>64</u>	<u>19</u>
Total	100	100

E: Production Decline Curves

Attached

F: Estimated Bottomhole Pressure

	Current	Original
Drinkard	180 psi	238 psi (Yr. 1981)
Wantz-Abo	300 psi	2500 psi
Wantz-GW	250 psi	813 psi (Yr. 1981)

G: Production Characteristics

Chevron currently surface commingles Drinkard, Wantz-Abo & Wantz-GW production at the Hugh lease without compatibility problems. Downhole commingling these same produced fluids will not cause formation damage.

H: Value

Chevron receives the same price for product from these zones and value will not be adversely affected.

I: Production Allocation

<u>Pool</u>	<u>BOPD</u>	<u>MCFD</u>	<u>BWPD</u>	<u>Estimated Method</u>
Drinkard	1	175	1	Allocated production
Wantz-Abo	3	104	2	Offset production
Wantz-GW	<u>1</u>	<u>44</u>	<u>1</u>	Allocated production
Total	5	323	4	

Drinkard & Wantz-GW rates are averages from the last three months (Mar-May, '99) of allocated production.

Wantz-Abo rates are estimates based on offset allocated production (see attached).

<u>Allocated Percentages</u>	<u>Oil %</u>	<u>Gas %</u>	<u>Water %</u>
Drinkard	20	54	25
Wantz-Abo	60	32	50
Wantz-GW	<u>20</u>	<u>14</u>	<u>25</u>
Total	100	100	100

J: Ownership

Ownership of all zones is common and correlative rights will not be compromised.

K: Offset Operator Notification

All offset operators have been notified by copy of this letter via certified mail.

Hugh #10
Production Data

Drinkard – Allocated Production

<u>Date</u>	<u>CDOIL</u>	<u>CDGAS</u>	<u>CDWAT</u>
Mar 99	1	168	1
Apr 99	1	177	1
May 99	1	181	1

Wantz/Granite Wash – Allocated Production

<u>Date</u>	<u>CDOIL</u>	<u>CDGAS</u>	<u>CDWAT</u>
Mar 99	1	42	1
Apr 99	1	44	1
May 99	1	45	1

Wantz/Abo – Offset Production

<u>Well</u>	<u>CDOIL</u>	<u>CDGAS</u>	<u>CDWAT</u>	<u>Status</u>
Hugh #1	0	84	0	SI (02/98)
Hugh #11	3	40	1	Producing
Hugh #12	3	43	2	Producing
Hugh #13	3	112	4	Producing
Hugh #14	10	283	6	Producing
Hugh #15	1	60	1	SI (06/98)
Estimated	3	104	2	

Note: Rates for each offset well are averages from the last three months of active production.

[illegible]

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-8719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-25003	Pool Code 19190	Pool Name DRINKARD
Property Code 2641	Property Name HUGH	Well Number #10
OGRID No. 4323	Operator Name CHEVRON USA INC.	Elevation

10 Surface Location

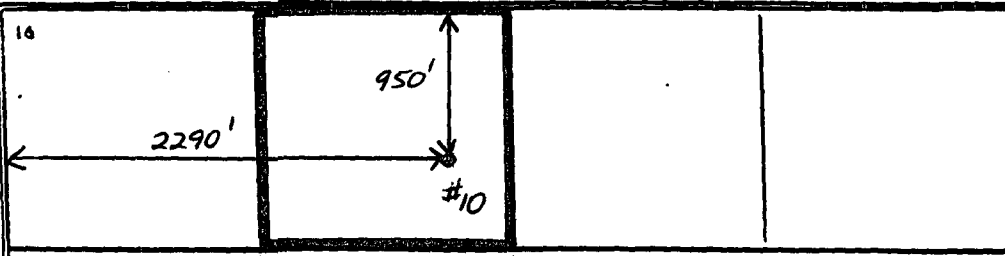
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	14	22S	37E		950	NORTH	2290	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

District	Acres	Joint or Infill	Consolidation Code	Order No.
40				

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Craig A. Wright</u> Printed Name: <u>Craig A. Wright</u> Title: <u>PE</u> Date: <u>07-29-99</u>

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-8719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-25003	Pool Code 62730	Pool Name WANTZ - GRANITE WASH
Property Code 2641	Property Name HUGH	Well Number #10
OGRID No. 4323	Operator Name CHEVRON USA INC.	Elevation

10 Surface Location

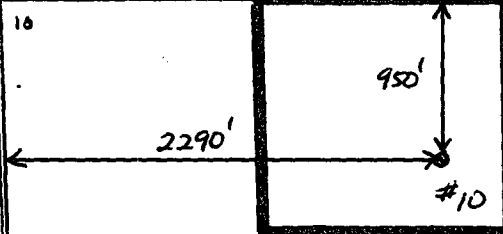
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	14	22S	37E		950	NORTH	2290	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

District	Acres	Joint or Infill	Consolidation Code	Order No.
40				

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Craig A. Wright</u> Printed Name: <u>Craig A. Wright</u> Title: <u>PE</u> Date: <u>07-29-99</u>	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: _____ Signature and Seal of Professional Surveyor: _____ Certificate Number: _____	

District I
PO Box 1908, Hobbs, NM 88241-1908

District II
PO Drawer DD, Artesia, NM 88211-8719

District III
1000 Rio Brazos Rd., Aztec, NM 87418

District IV
PO Box 20811, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* API Number 30-025-25003		* Pool Code 62700	* Pool Name WANTZ - A80
* Property Code 2641	* Property Name HUGH		* Well Number #10
* OGRID No. 4323	* Operator Name CHEVRON USA INC		* Elevation

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	14	22S	37E		950	NORTH	2290	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

* District 40	* Acres	* Joint or Infill	* Commencement Code	* Order No.
------------------	---------	-------------------	---------------------	-------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Craig A. Wright</u> Printed Name: <u>Craig A. Wright</u> Title: <u>PE</u> Date: <u>07-29-99</u>			
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: Signature and Seal of Professional Surveyor: Certificate Number:			

Offset Operators:

J.H. Hendrix Corp.
P.O. Box 3040
Midland, TX 79702-3040

Mobil Producing Texas & New Mexico
P.O. Box 633
Midland, TX 79702

Titan Resources, Inc.
500 W. Texas, Suite 500
Midland, TX 79701

SUBMIT 2 COPIES TO
APPROPRIATE DISTRICT OFFICE
DISTRICT I -
P.O. BOX 1980, HOBBS, NM 88240
DISTRICT II -
P.O. DRAWER DD, ARTESIA, NM 88210
DISTRICT III -
2000 RIO BRAZOS RD., AZTEC, NM 87410

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO 87504-2088

FORM C-116
REVISED 1/1/89

OPERATOR: CHEVRON U.S.A. INC.
ADDRESS: P.O. BOX 1949 EUNICE, NEW MEXICO 88231

POOL: **DRINKARD GAS AND WANTZ** COUNTY: LEA
TYPE(X) **SCHEDULE** X

LEASE NAME	WELL NO	U	S	T	R	DATE OF TEST	CHOKE SIZE	TBG PRESS.	LENGTH OF TEST HOURS	WATER BBLs	GRAV OIL	OIL BBLs	GAS MCF	GAS-OIL RATIO CU.FT/BBL	CHVRN USE ONLY
HUGH	10	C	14	22	37	07/27/99	P 2WO	35	24	2	34.2	2	235.0	1,175,000	

DRINKARD OIL 36%
WANTZ GRANITE WASH 64%
1 BOPD
1 BOPD

DRINKARD GAS 81%
WANTZ GRANITE WASH 19%
45MCF
190 MCF

INSTRUCTIONS:
DURING GAS-OIL RATIO TEST, EACH WELL SHALL BE PRODUCED AT A RATE NOT EXCEEDING THE TOP UNIT ALLOWABLE FOR THE POOL IN WHICH THE WELL IS LOCATED BY MORE THAN 25 PERCENT. OPERATOR IS ENCOURAGED TO TAKE ADVANTAGE OF THIS 25 PERCENT TOLERANCE IN ORDER THAT THE WELL CAN BE ASSIGNED INCREASED ALLOWABLES WHEN AUTHORIZED BY THE DIVISION. GAS VOLUMES MUST BE REPORTED IN MCF AT 15.025 PSIA AND A TEMPERATURE OF 60 DEGREES F. SPECIFIC GRAVITY BASE WILL BE 0.60. REPORT CASING PRESSURE IN LIEU OF TUBING PRESSURE FOR ANY WELL PRODUCING THROUGH CASING. (SEE RULE 301, RULE 1116, AND APPROPRIATE POOL RULES.)

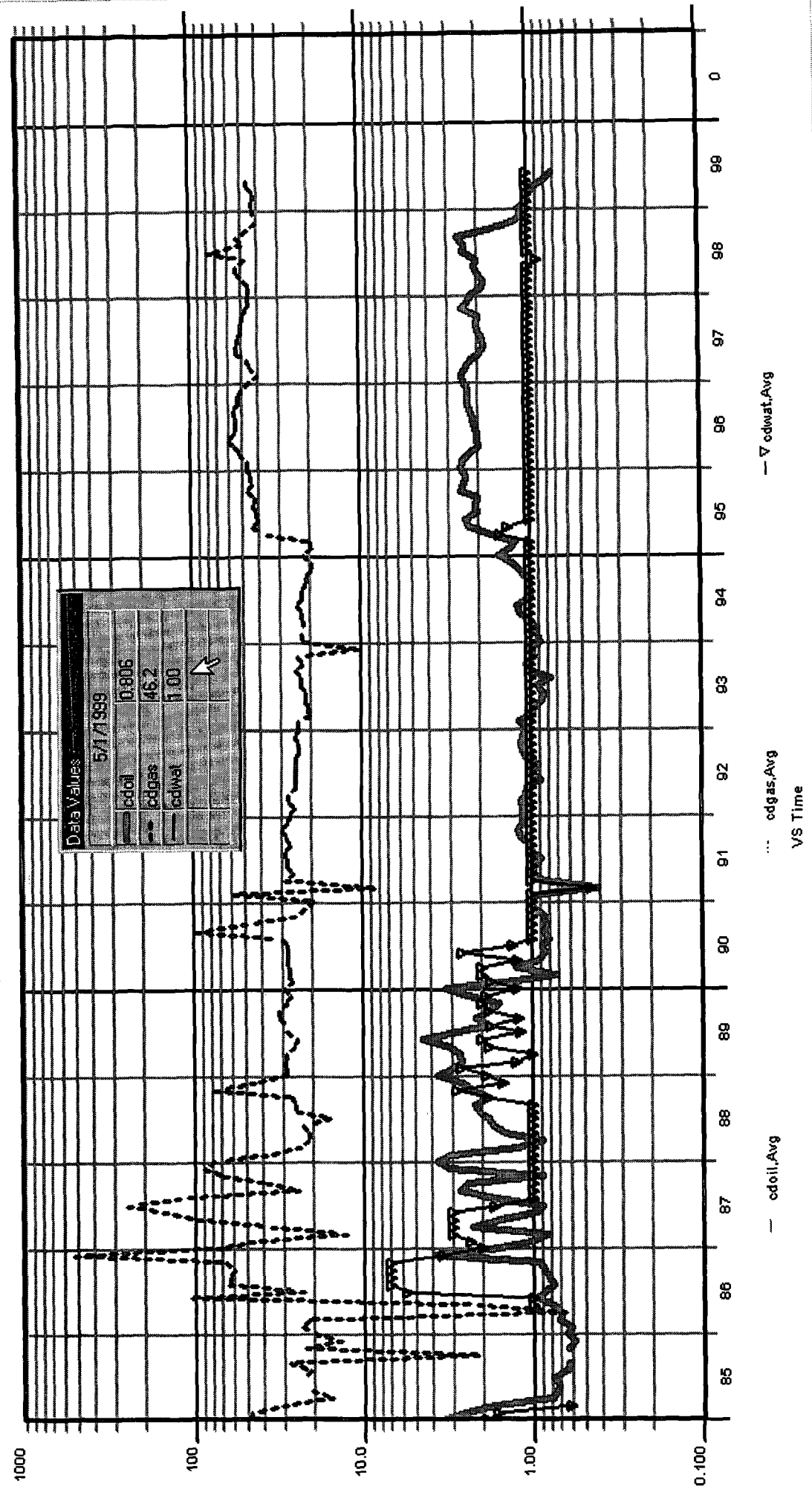
I HEREBY CERTIFY THAT THE ABOVE INFORMATION IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

SIGNATURE *DRP*
FELIX TREVINO
DATE JUNE 2, 1999

PRODUCTION SPECIALIST
505-394-1
TELEPHONE NUMBER

Hugh #10 – Wantz/Granite Wash

Name: HUGH10W ID: EO4405:0:01 Type: PR Format: prod



DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-A
New 3-12-96

DISTRICT II
811 South First St., Artesia, NM 88210-2835

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

APPROVAL PROCESS:

___ Administrative ___ Hearing

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

___ YES ___ NO

CHEVRON U.S.A. PRODUCTION INC

P. O. BOX 1150, MIDLAND, TEXAS 79702

Operator Address
HUGH 10 C 14 22S 37E LEA
Lease Well No. Unit Ltr. - Sec - Twp - Rge County

OGRID NO. 4323 Property Code 2641 API NO. 30-025-25003 Spacing Unit Lease Types: (check 1 or more)
Federal ___ State ___ (and/or) Fee X

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	DRINKARD 19190	WANTZ-ABO 62700	WANTZ-GW 62730
2. Top and Bottom of Pay Section (Perforations)	6242'-6427'	6600'-7000' proposed	7224'-7390'
3. Type of production (Oil or Gas)	GAS	OIL	OIL
4. Method of Production (Flowing or Artificial Lift)	ROD PUMP	ROD PUMP	ROD PUMP
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) 180 PSI b. (Original) 238 PSI (YR 1981)	a. 300 PSI b. 2500 PSI	a. 250 PSI b. 813 PSI (YR 1981)
6. Oil Gravity (°API) or Gas BTU Content	1250	34.0 @ 60°F	38.6 @ 60°F
7. Producing or Shut-In?	PRODUCING	NOT COMPLETED	PRODUCING
Production Marginal? (yes or no)	YES	YES	YES
* If Shut-In, give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: Rates:	Date: Rates:	Date: Rates:
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: 07-27-99 Rates: 1/190/1	Date: Rates:	Date: 07-27-99 Rates: 1/45/1
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 20 % Gas: 54 %	Oil: 60 % Gas: 32 %	Oil: 20 % Gas: 14 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☒ Yes ___ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ___ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ___ No

11. Will cross-flow occur? ___ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ___ Yes ___ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ___ No

13. Will the value of production be decreased by commingling? ___ Yes ☒ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ___ Yes ___ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification of all offset operators.
- * Notification of working, overriding, and royalty interests for uncommon interest cases.
- * Any other statements, data, or documents required to support commingling.

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

SIGNATURE Craig A. Wright TITLE PETROLEUM ENGR. DATE 07-29-99

TYPE OR PRINT NAME CRAIG A. WRIGHT TELEPHONE NO. (915) 687-7284