

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 9398
Order No. R-8707

APPLICATION OF EXXON CORPORATION FOR
DOWNHOLE COMMINGLING, SIMULTANEOUS
DEDICATION AND AN UNORTHODOX GAS WELL
LOCATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 8, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of August, 1988, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) Division Case Nos. 9398 and 9399 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Exxon Corporation, seeks approval to commingle production from the Drinkard, Tubb Oil and Gas, and Blinbry Oil and Gas Pools within the wellbore of its N. G. Penrose Wells Nos. 1 and 2 located, respectively, 660 feet from the North line and 1980 feet from the East line (Unit B) and 1980 feet from the North line and 660 feet from the East line (Unit H), of Section 13, Township 22 South, Range 37 East, NMPM, and to commingle production from the

Drinkard, Wantz-Granite Wash, Blinebry Oil and Gas, and Tubb Oil and Gas Pools within the wellbore of its N. G. Penrose Well No. 4 located 350 feet from the North line and 660 feet from the East line (Unit A) of said Section 13.

(4) The applicant further seeks approval of an unorthodox gas well location for its N.G. Penrose Well No. 4 (as described above) within the Tubb Oil and Gas Pool, and the simultaneous dedication of the NE/4 of said Section 13 to the N.G. Penrose Wells Nos. 1, 2, and 4 within the Tubb Oil and Gas Pool.

(5) The evidence presented in this case indicates that the N.G. Penrose Wells Nos. 1 and 2 are currently multiple completions in the Blinebry and Tubb Oil and Gas Pools, and that the N.G. Penrose Well No. 4 is currently a single completion in the Wantz-Granite Wash Pool.

(6) The latest production tests from the N.G. Penrose Well No. 1 indicate that the Blinebry zone, which has not produced since 1976, is capable of producing approximately 8 MCFGD and no fluid and that the Tubb zone is capable of producing approximately 17 MCFGD and no fluid.

(7) The latest production tests from the N.G. Penrose Well No. 2 indicate that the Blinebry zone, which was tested in September, 1976, but has never produced, is capable of producing approximately 59 MCFGD and no fluid and that the Tubb zone is capable of producing approximately 50 MCFGD and no fluid.

(8) The latest production test from the N.G. Penrose Well No. 4 indicates that the Wantz-Granite Wash zone is capable of producing approximately 15 BOPD and 82 MCFGD.

(9) The production data presented indicates that the N.G. Penrose Wells Nos. 1, 2, and 4 are capable of low marginal production only from the Blinebry and Tubb Oil and Gas Pools and the Wantz-Granite Wash Pool.

(10) The applicant proposes to perforate and complete the Drinkard zone and selectively perforate and complete additional Blinebry oil pay within the wellbores of its N.G. Penrose Wells Nos. 1 and 2 and also proposes to perforate and complete the Blinebry, Tubb, and Drinkard zones within the wellbore of its N.G. Penrose Well No. 4.

(11) The applicant further proposes to perforate and complete the zones described in Finding No. (10) above without separately testing the productive capabilities of these zones.

(12) The applicant presented evidence and testimony which indicate that a requirement by the Division to separately test each newly completed zone in the subject wells prior to commingling would result in a substantially greater expense which would consequently make the proposed downhole commingling uneconomic.

(13) As an alternate method of allocating production to each zone within the subject wellbores, the applicant proposes to utilize ratios calculated from 1986 average production data obtained from wells producing from these zones and located in the area of the N.G. Penrose Lease.

(14) The evidence presented indicates that the Tubb zone, which will be produced from the N.G. Penrose Wells Nos. 1, 2, and 4, will be classified as gas zones and therefore subject to the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Order No. R-8170, as amended.

(15) While the allocation method proposed by the applicant represents a reasonable method of allocating production to the non-prorated pools within the subject wells, a more accurate method of determining Tubb Oil and Gas Pool production is necessary in order to ensure the protection of correlative rights of the various operators in said pool.

(16) In order to accurately determine the productive capability of the Tubb Oil and Gas Pool within the N.G. Penrose Well No. 4, the applicant should be required to separately test said zone until such time as the production has stabilized prior to commingling.

(17) Inherent in the approval of the subject application is the possibility of the N.G. Penrose Wells Nos. 1, 2, and 4 being shut in due to overproduction of gas from the Tubb Oil and Gas Pool.

(18) The applicant presented evidence and testimony at the hearing which indicate that should the subject wells be shut in as described above, cross flow may likely occur within the wellbores; however, the applicant further testified that the amount of reserves lost due to crossflow would be insignificant compared to the amount of additional reserves recovered under the proposed plan.

(19) Approval of the proposed commingling, unorthodox well location, and simultaneous dedication will result in the recovery of additional reserves from the Blinebry, Tubb, and Drinkard Pools, thereby preventing waste, and will protect correlative rights.

(20) Upon completion of the workover operations in the subject wells, the applicant should be required to consult with the supervisor of the Hobbs district office of the Division to make adjustments and/or corrections to the allocation percentages submitted as evidence in this case.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Exxon Corporation, is hereby authorized to commingle production from the Drinkard, Tubb Oil and Gas, and Blinebry Oil and Gas Pools within the wellbores of its N. G. Penrose Wells Nos. 1 and 2 located, respectively, 660 feet from the North line and 1980 feet from the East line (Unit B) and 1980 feet from the North line and 660 feet from the East line (Unit H), of Section 13, Township 22 South, Range 37 East, NMPM, and is further authorized to commingle production from the Drinkard, Wantz-Granite Wash, Blinebry Oil and Gas, and Tubb Oil and Gas

Pools within the wellbore of its N. G. Penrose Well No. 4 located 350 feet from the North line and 660 feet from the East line (Unit A) of said Section 13, all in Lea County, New Mexico.

PROVIDED HOWEVER THAT, prior to commingling the production within the N.G. Penrose Well No. 4, the applicant shall separately test the Tubb zone until such time as the production rate has stabilized.

PROVIDED FURTHER THAT, the Director of the Division shall require the subject wells to be shut in should the subject gas proration unit become overproduced in the Tubb Oil and Gas Pool in accordance with the terms and conditions of Rule 11 (b)(2) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Order No. R-8170, as amended.

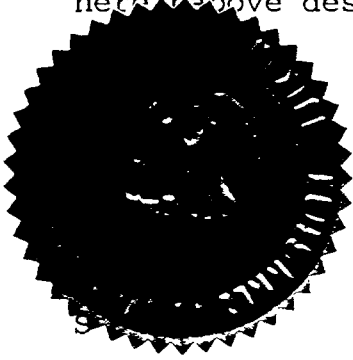
(2) An unorthodox gas well location in the Tubb Oil and Gas Pool is hereby approved for the applicant's N.G. Penrose Well No. 4 located as described above.

(3) A standard 160-acre gas spacing and proration unit consisting of the NE/4 of said Section 13 shall be simultaneously dedicated to the N.G. Penrose Wells Nos. 1, 2, and 4, as described above, within the Tubb Oil and Gas Pool.

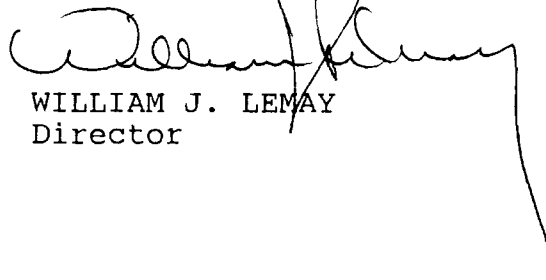
(4) Upon completion of the workover operations in the subject wells, the applicant shall consult with the supervisor of the Hobbs district office of the Division to make adjustments and/or corrections to the allocation percentages submitted as evidence in this case.

(5) 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
hereabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, which appears to read "William J. Lemay". The signature is written in dark ink and extends to the right, with a long, thin vertical line trailing off from the end.

WILLIAM J. LEMAY
Director