

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. 13235
ORDER NO. R-6570-A

THE APPLICATION OF ENERGEN RESOURCES CORPORATION TO
AMEND DIVISION ORDER R-6570, GRANTING AN EXCEPTION TO RULE
303A., TO PERMIT DOWNHOLE COMMINGLING OF POOLS WITHIN THE
WELLBORE OF THE JICARILLA 152W WELL NO. 3, LOCATED IN RIO
ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on *for* hearing at 8:15 a.m. on March 18, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 31st day of May, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its **subject** matter.

(2) Upon application of El Paso Exploration Company in Case No. 7118, the Division issued Order No. R-6570 dated February 10, 1981, permitting the applicant to **downhole** commingle production from the South Blanco-Tocito Pool (currently the Tapacito-Gallup Associated Pool) and the Basin-Dakota Prorated Gas Pool in the **Jicarilla** 152W Well No. 3 (API No. 30-039-82255), located in Unit D, Section 7, Township 26 North, Range 5 West, NMPM, Rio **Arriba** County, New Mexico.

(3) Division Order No. R-6570 further allocated production to the commingled pools as follows: (i) 21 percent of the gas and 31 percent of the oil production to the South Blanco-Tocito Pool; and (ii) 79 percent of the gas and 69 percent of the oil production to the Basin-Dakota Prorated Gas Pool.

(4) Division Order No. R-6570 further specified that the operator shall notify the Aztec district office of the Division any time the well has been shut-in for seven consecutive days and present to the Division a plan for remedial action.

(5) On February 18, 2004, Energen Resources Corporation ("Energen") applied administratively to the Division to modify the existing downhole commingling permit by adding production from the Blanco-Mesaverde Prorated Gas Pool.

(6) Since this permit to downhole commingle was previously obtained via Division hearing, this administrative application was set for hearing and styled "in the absence of objection, this case will be taken under advisement."

(7) No one appeared at this hearing to object to this application, and there were no objections filed.

(8) Notice to revenue interest owners in this well was not required and was not provided. Energen indicated in the application that revenue interests in all pools to be produced within this well are identical even though spacing and proration units for each of these pools are different. Division records show Section 7 to be entirely Indian lands.

(9) Division Rule 303A requires segregation of pools. The Division Director may grant an exception to Rule 303A based on conditions specified in Rule 303C(1). To verify that these conditions have been or will be met, Energen has submitted documentation with the application including a properly completed form C-107A, production plots, a proposed allocation method, and proposed well work.

(10) Energen's plans to obtain 60 days of stabilized production from this newly completed Mesaverde interval prior to downhole commingling with the Gallup and Dakota and will ensure a prudent effort is made to verify and prevent crossflow and loss of reserves from the Mesaverde.

(11) Within the Gallup and Dakota reservoirs, this proposed commingling will extend the producing life and recover reserves which are otherwise unrecoverable.

(12) This application will protect correlative rights and prevent waste and should be approved.

IT IS THEREFORE ORDERED THAT :

(1) The application of Energen Resources Corporation for an exception to Rule 303A of the Division Rules and Regulations to permit commingling of production from the Tapacito-Gallup Associated Pool, Basin-Dakota Prorated Gas Pool, and Blanco-Mesaverde Prorated Gas Pool within the wellbore of the Jicarilla 152W Well No. 3 (API No. 30-039-82255) located in Unit D, Section 7, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby approved.

(2) In accordance with Rule 303C(1)(f), the allocated production from any prorated pool in the commingled wellbore shall not exceed the applicable allowable.

(3) The Mesaverde interval shall be perforated, treated, and then produced until a stabilized rate is obtained prior to commingling all producing intervals within the wellbore.

(4) Within 60 days following commingling of all intervals within the well, the operator shall supply both the Division's Santa Fe and Aztec offices with a daily plot containing total well production and flowing wellhead pressures spanning before and after the date of the commingle as well as allocation percentages for assignment of allowable to the well and allocation of production from the well. Thereafter, these percentages shall be amended only with permission of the Division office in Santa Fe.

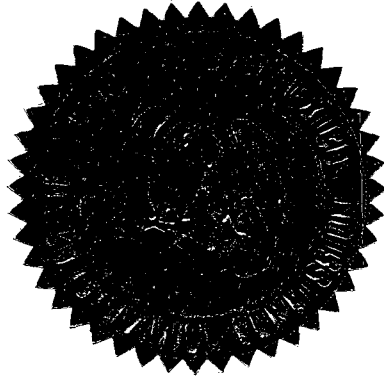
(5) The operator shall notify the Aztec District Office of the Division upon implementation of commingling operations.

(6) Pursuant to Rule 303C(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

(7) Division Order No. R-6570 issued in Case No. 7118, is hereby superceded by this order.

(8) Jurisdiction is hereby 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Joanna Prukop". The signature is fluid and cursive, with a large, stylized initial 'J'.

JOANNA PRUKOP
Cabinet Secretary/Acting Director