

(9) Due to the marginal nature of both producing horizons, applicant testified that it is much more economic to downhole commingle existing and subsequently drilled wells within the subject area as opposed to dually completing these wells.

(10) In its newly drilled wells, the applicant expects to encounter producing rates of approximately 50 BOPD, however, these rates should decline sharply in a short period of time.

(11) The applicant further demonstrated through its evidence and testimony that within the wells it proposes to commingle within the subject area:

- a) there will be no crossflow between the commingled pools;
- b) none of the commingled zones exposes the others to damage by produced liquids;
- c) the fluids from each zone are compatible with the other;
- d) the bottomhole pressure of the lower pressure zones should not be less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum; and,
- e) the value of the commingled production is not less than the sum of the values of the individual production.

(12) The evidence indicates that the proposed downhole commingling is necessary in order to economically recover the remaining oil and gas reserves within the Blinbry and Tubb-Drinkard formations underlying the subject area.

(13) Approval of the subject application will allow the applicant the opportunity to recover additional oil and gas reserves from the Blinbry and Tubb-Drinkard formations which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(14) The applicant proposed that the production from a well on a given lease within the subject area be allocated on the basis of cumulative Blinbry and Tubb-Drinkard production that has occurred on such lease.

(15) A more accurate method of allocating production from the subject wells should be utilized.

(16) Production from the wells within the subject area should be allocated as follows:

- a) for existing wells where production history from both zones is available, the allocation of production should be determined by such production history;
- b) for existing wells where production history from only one zone is available, the applicant should be required to calculate remaining recoverable reserves from each zone and the allocation of production should be determined utilizing these calculations;
- c) for newly drilled wells, the applicant should be required to obtain a stabilized test rate from the Blinebry zone and a stabilized test rate from the commingled Blinebry/Tubb-Drinkard zones. The allocation of production should be determined on the basis of such flow tests.

(17) The applicant should be required to submit the data described in Finding No. (16) above to the Santa Fe office of the Division for approval of the allocation percentages determined for each well within the subject area.

(18) The applicant should notify the supervisor of the Division's Hobbs district office of the date and time of the conductance of flow tests on the newly drilled wells within the subject area in order that these tests may be witnessed.

(19) The operator should immediately notify the supervisor of the Hobbs district office of the Division any time any of the subject wells have been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Texaco Exploration and Production Inc., is hereby authorized to downhole commingle Justis-Blinebry and Justis Tubb-Drinkard Pool production within those existing and subsequently drilled wells located within the following described area in Lea County, New Mexico: