

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

COMMINGLING ORDER PC-757

Meridian Oil, Inc.
21 Desta Drive
Midland, TX 79705

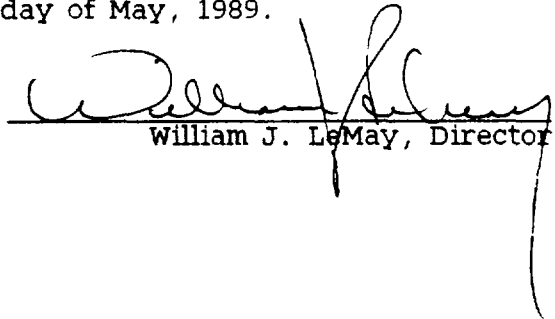
Attention: Dave E. Myers

LEASE NAME: State "16" Lease (LG-4087)
DESCRIPTION: S/2 Section 16, Township 18 South, Range 33 East, NMPM, Lea
County, New Mexico.

The above-named company is hereby authorized to commingle West Corbin Delaware and South Corbin Wolfcamp Pool production in a common tank battery and to determine the production from each pool by well tests. (All commingled production must be of marginal nature; further the operator shall notify the Santa Fe Office of the Division in the event any well in the commingled battery becomes capable of top allowable production, at which time the Division will amend this order or take such other action as may be appropriate.)

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." If is the responsibility of the producer to notify the transporter of this commingling authority.

DONE at Santa Fe, New Mexico, on this 16th day of May, 1989.


William J. LeMay, Director

MERIDIAN OIL

May 5, 1989

New Mexico Oil & Gas Conservation Commission
Mr. David Catanach
310 Old Santa Fe Trail
State Land Office Bldg., Room 206
Santa Fe, New Mexico 87504

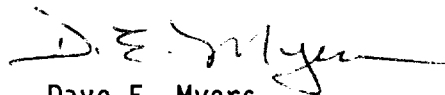
RE: APRIL 10, 1989 REQUEST TO COMMINGLE STATE 16 LEASE PRODUCTION LG4087

Dear Mr. Catanach:

In the referenced request, Meridian asked for permission to commingle our State 16-#3 bone springs and 16-#2 wolfcamp production. The state 16-#3 production has turned sour since then, and we no longer wish to commingle it with sweet production. To maximize the use of our existing State 16 facilities we are requesting permission to commingle the State 16-#1 and 16-#2 wolfcamp production with the State 16-#5 Delaware production.

The package of information submitted the Commissioner of Public Lands is attached. It should provide all the information needed to process the request, however, if you have question, please contact David Cook at (915) 686-5663.

Sincerely,



Dave E. Myers
Production Superintendent

*Rec'd
5-1*

xc: Mr. Jerry Sexton
Hobbs District Office

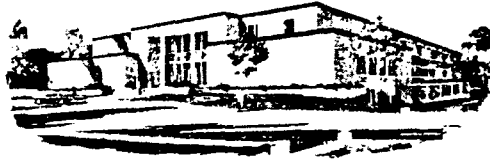
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692.1

Attachment 1

State Land Office Rule 1.055 Requirements

- A. This package of information is Meridian's formal application. Currently we have two tank batteries constructed at the 16-#1 location. One battery handles production from the 16-#1 and 16-#2 wells; the other battery handles production from our 16-#5 well. We have recently completed the 16-#3 well which produces sour fluid and is currently shut in. In order to avoid the cost of build a new tank battery to handle the 16-#3 production, we propose to maximize the use of our existing facilities by commingling the 16-#5 production in the 16-#1 and 16-#2 battery. We will then use the old 16-#5 battery to handle the production from the 16-#3 well. A check for the \$30.00 application fee is enclosed.
- B. A plot showing the location of the lease, wells, and flow lines is attached and titled Attachment 2 - Requirement B. All production equipment is located at the 16-#1 location and all piping is above ground unless otherwise noted.
- C. The lease involved is lease LG4087, located in the South 1/2 of Section 16, T18S, R33E. The State beneficiary is Common Schools (C.S.).
- D. The wells produce from the following pools:
- | | |
|-------|---------------------|
| 16-#1 | Wolfcamp — <i>✓</i> |
| 16-#2 | Wolfcamp — <i>✓</i> |
| 16-#3 | Bone Springs |
| 16-#5 | Delaware — |
- E. Commingling the streams as describe will have no impact on the revenue to the State of New Mexico. The end result will be that the State realizes more revenue from the production of the State 16-#3 well.
- F. A schematic diagram of entire system from the wells to the sales connection is attached as Attachment 3 - Requirement F. The diagram shows the layout and position of the equipment components. This includes pipe, valves, tanks, treaters, and flow lines.
- G. There are no specially fabricated equipment items employed. All items are commercially available.
- H. Lease operation will be as follows. A two phase separator and treater will be installed to handle the production from the 16-#1, 16-#2 and 16-#5 wells. The separator and treater that handles the current 16-#1 and 16-#2 production will be converted to test equipment to test the 16-#1, 16-#2 and 16-#5 wells on a monthly basis. The State 16-#3 production will be handled in its own separate battery that is currently handling the 16-#5 production.
- I. The above discussion should contain all pertinent data concerning the commingling application.

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER

Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

May 11, 1989

Meridian Oil Inc.
21 Desta Drive
Midland, Texas 79705

ATTN: Dave E. Myers or David D. Cook

RE: Approval for Surface Commingle of Oil Production
State Lease LG-4087
Wells 16-1, 16-2, and 16-5
Section 16, T-18-S, R-33-E
Lea County, New Mexico

Gentlemen:

Reference is made to your letters of May 5, 1989 and May 11, 1989 wherein you requested approval for commingling oil production from your State Lease LG-4087 wells 16-1, 16-2, and 16-3 in Lea County, New Mexico.

Approval is hereby granted to commingle the oil produced from the three wells as described above. Please be advised that any deviation from your proposed request will be grounds to rescind our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your filing fee in the amount of thirty dollars (\$30.00) has been received. If we can be of further help, please do not hesitate to contact us.

Very truly yours,

W.R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

[Signature]
BY: FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

cc: OCC - Santa Fe, New Mexico
Oil and Gas Accounting Commission
State Lease No. LG-4087

enclosure
WRH/FOP/SMH

MERIDIAN OIL

RECEIVED

MAY 18 1989

OIL CONSERVATION DIV.
SANTA FE

May 15, 1989

PC 512 757

New Mexico Oil & Gas Conservation Commission
Mr. David Catanach
310 Old Santa Fe Trail
State Land Office Bldg., Room 206
Santa Fe, NM 87504

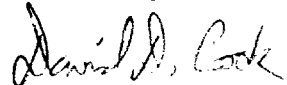
RE: STATE 16 LEASE COMMINGLING REQUEST

Production records for April show the following volumes:

	<u>STATE 16-#1 & #2</u>	<u>STATE 16-#5</u>
Month, bbl oil	6,815	1,538
Daily, bbl oil	227	51

These volumes represent the maximum the wells will produce. They are not capable of meeting or exceeding their respective allowable volumes.

Sincerely,



David D. Cook
Senior Facilities Engineer, PE

DDC-89-03

DDC/eja

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE