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**Attorney at Law**

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New Mexico Board of Legal Specialization

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March 29, 2005

**HAND DELIVERED**

Mr. Mark Fesmire, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Application of RB Operating Company  
for a centralized facility with a common  
tank battery including surface commingling  
and off lease storage and measurement  
SW/4 of Section 24 T23S, R28E,  
Eddy County, New Mexico.

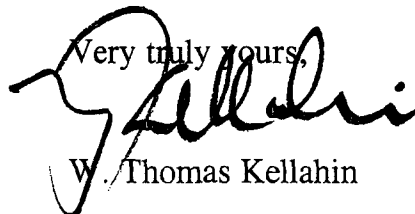
*Case 13475*

2005 MAR 29 PM 3 11

Dear Mr. Fesmire:

On behalf of RB Operating Company, please find our application in the referenced case which we request be set on the next available Division Examiner's docket on scheduled for April 21, 2005.

Also enclosed is our suggested advertisement for the Division docket.

Very truly yours,  
  
W. Thomas Kellahin

cfx: RB Operating Company  
Attn: Bill Frey

## PROPOSED ADVERTISEMENT

CASE 13475 Application of RB Operating Company for a centralized facility with a common tank battery including surface commingling, off-lease measurement and storage, Eddy County, New Mexico. Applicant, seeks an order granting an exception to Rule 303.A(2) and, in accordance with Rule 303.B (4), approving a centralized facility with a common tank battery including surface commingling and off-lease storage and measurement of oil production for its Brantley 24 Tank Battery for the following described wells/leases with diverse ownership with the SW/4 of Section 24, T23S, R28E:

Location	Well name	API Number
Section 24:		
Unit K:	South Culebra Bluff "24" Well No. 3	30-015-Pending
Unit L:	South Culebra Bluff "24" Well No. 1	30-015-Pending
Unit M:	South Culebra Bluff "24" Well No. 2	30-015-Pending
Unit N:	South Culebra Bluff "24" Well No. 4	30-015-Pending

which shall be stored and measured at its common tank battery located within Unit L of Section 24. The applicant further seeks the adoption of an administrative procedure for the expansion of this facility including the addition of other wells and production from other pools. This facility is located in the approximately 2.5 miles northeast of Loving, New Mexico.

**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:**

**APPLICATION OF RB OPERATING COMPANY  
FOR A CENTRALIZED FACILITY WITH A COMMON  
TANK BATTERY INCLUDING SURFACE COMMINGLING  
OFF-LEASE MEASUREMENT AND STORAGE  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13475

**APPLICATION**

Comes now RB Operating Company ("RB Operating") by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order granting an exception to Rule 303.A and, in accordance with Rule 303.B and approving a centralized facility with a common tank battery including surface commingling and off-lease storage and measurement of oil production for its Brantley 24 Tank Battery for the following described wells/leases with diverse ownership with the SW/4 of Section 24, T23S, R28E:

Location	Well name	API Number
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Section 24:

Unit K:	South Culebra Bluff "24" Well No. 3	30-015-pending
Unit L:	South Culebra Bluff "24" Well No. 1	30-015-pending
Unit M:	South Culebra Bluff "24" Well No. 2	30-015-pending
Unit N:	South Culebra Bluff "24" Well No. 4	30-015-pending

which shall be stored and measured at its centralized facility located in Unit L of Section 24. The applicant further seeks the adoption of an administrative procedure for the expansion of this facility including the addition of other wells and production from other pools.

In support states:

1. RB Operating is the operator of the proposed above-described wells to be drilled for production from the East Loving Brushy Canyon Pool. See Locator map attached as Exhibit "A"

2. RB Operating also will operate a centralized facility with the common tank battery located in NW/4SW/4 (Unit L) of Section 24, T23S, R28E for the gathering of oil production from all these wells.

3. Effective April 1, 2003, See Order R-11972, Division Rule 303.B (4) provided:

"Specific Requirements and Provisions for Commingling of leases, Pool or Leases and Pools with Diverse Ownership.

(a) Measurement and Allocation Methods. Where there is diversity of ownership between two or more leases, two or more pools, or between different pools and leases, the surface commingling of production therefrom shall be permitted only if production from each of such pools or leases is accurately metered, or determined by other methods specifically approved by the Division, prior to such commingling."

4. In addition, RB Operating seeks an administrative procedure for the expansion of this project in order to add additional wells and/or pools.

5. RB Operating seeks approval to establish a measurement and allocation method for this production as described in Exhibit "B" attached.

6. Any production for a designated gas pool will continue to be separately and continually metered in accordance with Division rules.

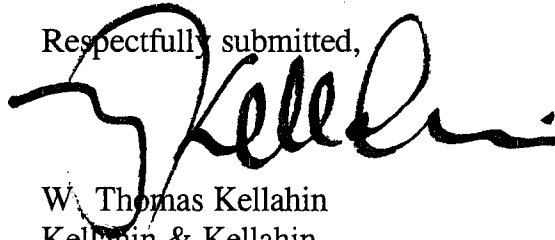
7. As a result of different ownership among the spacing units for the wells within the SW/4 of Section 24, the owners of the proposed commingled production are not identical in terms of parties or interest.

NMOCD Application  
RB Operating Company  
-Page 3-

8. In accordance with Division Rule 1207.A and Rule 303.B(d) applicant has sent a copy of this application and notice for hearing to be held on April 21, 2005 to all the proper parties entitled to said notice. **See Exhibit "C"**

Accordingly, RB Operating requests that this application be set for hearing before a Division Examiner and that after notice and hearing, the Division grant an exception to Division Rule 309-A and Rule 303-A to permit a centralized facility with a common tank battery including surface commingling, off-lease measurement and storage of storage of production from the East Loving Brushy Canyon Pool production from its wells and its lease in the SW/4 Section 24, T23S, R28E which shall be stored and measured at its common tank battery, the "Brantley 24 Tank Battery" located in Unit L of Section 24. The applicant further seeks the adoption of an administrative procedure for the expansion of this facility including the addition of other wells and production from other pools.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin  
Kellahin & Kellahin  
P. O. Box 2265  
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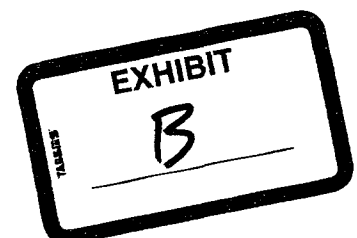
## **RB Operating Request for Surface Commingling**

### **Process Flow Through a Typical Battery**

A typical proposed battery will consist of a pool separator, a pool heater treater, a test separator, a test heater treater, two oil sales tanks, an oil test tank, a water tank, gas meters, and associated piping and valves between vessels. Oil, water, and gas production will enter into the battery through individual well flow lines. The production stream from each well will be directed either through a pool line or through a test line by virtue of a production header.

Each day, one well will be tested for a 24-hour period through the test line that measures oil, water, and gas. Oil will be metered in a test tank, while water will be metered through a turbine meter, and gas through a meter run with an orifice plate. All other wells (that are not in test on that day) will be directed through the pool line to separate oil and gas for sales, and water for disposal. Both the pool line and the test line will consist of a separator and a heater treater. The separator will process the production stream by separating the gas from the oil and water. The separated gas will be metered through a gas meter run, with the oil and water sent to the heater treater. The heater treater separates the oil from the water. The separated oil is sent to an oil tank (pool line) or the test tank (test line), while the water is sent to the water tank for disposal. Any remaining gas from the heater treater is also sent through the gas meter run to be measured.

Oil and gas production volumes will be allocated to each individual well based on the well tests that were recorded each month, in proportion to the monthly oil and gas sales that were attributed to the battery. The accuracy of this system will ensure that all interest owners will be accurately compensated for the sale of oil and gas.



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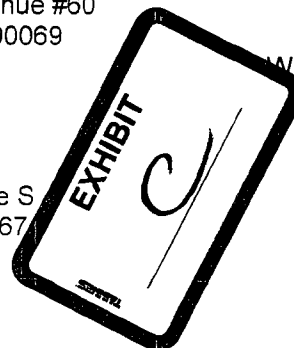
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