

**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. 13869
ORDER NO. R-12743**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR
LEASE COMMINGLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 1, 2007 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 9th day of April, 2007, 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) The applicant, Devon Energy Production Company, L.P. ("Devon"), seeks approval to surface commingle oil and gas production from the Ingle Wells-Delaware Pool (33745) from two separately owned leases underlying the following acreage:

Section 26, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico

Federal Oil and Gas Lease: NM0405444-A: E/2, S/2 NW/4, SW/4
Federal Oil and Gas Lease: NM0418220-A: N/2 NW/4

(3) Currently within this acreage, Devon operates the following wells, all actively producing from the Ingle Wells-Delaware Pool.

API WELL #	Well Name	Num	Unit
30-015-20599	TODD 26 B FEDERAL	004	B
30-015-27374	TODD 26 B FEDERAL	022	B
30-015-33113	TODD 26 E FEDERAL	018	E
30-015-27200	TODD 26 J FEDERAL	021	J
30-015-27103	TODD 26 A FEDERAL	011	A
30-015-27075	TODD 26 M FEDERAL	009	M
30-015-27198	TODD 26 H FEDERAL	019	H
30-015-27199	TODD 26 I FEDERAL	020	I
30-015-27101	TODD 26 G FEDERAL	008	G
30-015-27134	TODD 26 P FEDERAL	016	P
30-015-21431	TODD 26 O FEDERAL	007	O
30-015-20986	TODD 26 J FEDERAL	005	J
30-015-27105	TODD 26 O FEDERAL	015	O
30-015-27104	TODD 26 N FEDERAL	014	N
30-015-27102	TODD 26 K FEDERAL	010	K
30-015-35077	TODD 26 D FEDERAL	023	D

(4) Devon further seeks an exception to the metering requirements of 19.15.5.303B(4)(a) NMAC by authorizing the allocation of production from diversely owned wells on the basis of periodic well tests.

(5) No other parties entered an appearance in this case or otherwise opposed this application.

(6) Devon provided the following testimony at the hearing from an engineer and a landman:

(a) Devon is asking that all current and future wells operated by Devon and producing from the Ingle Wells-Delaware Pool be approved for surface commingling into the same production battery. Additional wells may be drilled in the W/2 of Section 26.

(b) Both leases are federal and are of the same royalty amount. The two leases are not identically owned because overriding royalty amounts vary between the two leases.

(c) Certified notice of this proposed action and of this hearing was provided to the various owners in these two leases. Notices were not all picked up or accepted, but were mailed to the same addresses that revenue checks are sent to. Revenue checks are all accepted at these addresses.

(d) Federal lease NM0418220-A extends from the N/2 NW/4 of Section 26 over into Section 27. The production facilities for this lease are

located across a paved road, which would be costly to cross with lines running from the new well or wells located within the N/2 NW/4 of Section 26. Devon therefore wishes to extend flowlines from any wells located in the N/2 NW/4, southeast to the production facility for federal lease NM0405444-A, which is located within Section 26.

(e) In addition to off-lease storage and measurement of production from wells in the N/2 NW/4, Devon wishes to use monthly well tests at the combined production facility to split oil and gas production and sales back to the respective leases.

(f) Devon has not experienced any significant problems in separation of gas, oil, and water from the Delaware production in this area and uses conventional separation equipment such as heated separators and oil and water tanks. The gas is metered and the oil is metered or measured.

(g) None of these wells produce at top allowable or are expected to produce at top allowable. After an initial period, production stabilizes at a predictable decline rate.

(7) The proposed method of measurement and allocation of production between the subject wells is reasonable and sufficiently reliable to protect the correlative rights of owners of separate interests in the production from the wells.

(8) The proposed commingling method with shorter flow lines may result in a longer economic life and therefore additional recovery of reserves. The measurement method should not result in loss of accuracy of production records from each lease.

(9) The proposed commingling method will reduce otherwise required surface facilities and aid in protecting the environment.

(10) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Devon Energy Production Company, L.P. ("Devon"), is hereby authorized to surface commingle all current and future oil and gas production from the Ingle Wells-Delaware Pool (33745) underlying the following acreage:

Section 26, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico

Federal Oil and Gas Lease: NM0405444-A: E/2, S/2 NW/4, SW/4
Federal Oil and Gas Lease: NM0418220-A: N/2 NW/4

(2) The following wells are currently active and producing from this pool within Section 26 and shall be immediately included in this commingle permit.

API WELL #	Well Name	Num	Unit
30-015-20599	TODD 26 B FEDERAL	004	B
30-015-27374	TODD 26 B FEDERAL	022	B
30-015-33113	TODD 26 E FEDERAL	018	E
30-015-27200	TODD 26 J FEDERAL	021	J
30-015-27103	TODD 26 A FEDERAL	011	A
30-015-27075	TODD 26 M FEDERAL	009	M
30-015-27198	TODD 26 H FEDERAL	019	H
30-015-27199	TODD 26 I FEDERAL	020	I
30-015-27101	TODD 26 G FEDERAL	008	G
30-015-27134	TODD 26 P FEDERAL	016	P
30-015-21431	TODD 26 O FEDERAL	007	O
30-015-20986	TODD 26 J FEDERAL	005	J
30-015-27105	TODD 26 O FEDERAL	015	O
30-015-27104	TODD 26 N FEDERAL	014	N
30-015-27102	TODD 26 K FEDERAL	010	K
30-015-35077	TODD 26 D FEDERAL	023	D

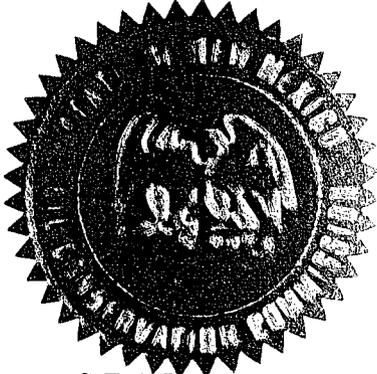
(3) Each commingled well shall be tested periodically using properly calibrated oil and gas meters or measured in tanks. These tests shall be used to allocate production and sales back to each lease and to each well covered by this order.

(4) Off-lease measurement and storage of oil and gas production is approved for all current and future wells producing from the Ingle Wells-Delaware Pool within the N/2 NW/4 of Section 26. Production of oil and gas from such wells is approved for transporting to the existing production facility located within the southern portion of Section 26 and measured at that location.

(5) Expansion of this permitted area as specified in ordering paragraph (1) or the addition of any pool other than the pools specified in ordering paragraph (1) shall entail an amended permit application. Amendments shall be permitted administratively, after proper notice, unless deemed necessary for Division hearing by the Division Director.

(6) 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


MARK E. FESMIRE, P.E.
Director