

**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. 14431
ORDER NO. R-12344-A**

**APPLICATION OF RANGE OPERATING OF NEW
MEXICO, INC., TO AMEND DIVISION ORDER NO.
R-12344 AND TO AUTHORIZE THE EXPANSION OF
THIS CENTRALIZED FACILITY WITH ADDITIONAL
ACREAGE AND WELLS INCLUDING COMMON
TANK BATTERIES, SURFACE COMMINGLING
[AND] OFF-LEASE MEASUREMENT AND STORAGE
FOR ITS SCB 3-B BATTERY AND SALES POINT,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 4, 2010, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 25th day of March, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) This case and Case No. 14432 were consolidated for hearing, and a joint record was made. However, separate orders will be issued in each of these cases.

(3) Order No. R-12344, issued in Case No. 13473 on May 11, 2005, established a "project area" comprising parts of Section 23, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, and authorized surface commingling of production from enumerated wells located in the project area and producing from the East Loving-Brushy Canyon Pool (40350) at the SCB 3-B Central Tank Battery. That Order also authorized addition of future wells located within the project area and producing from the East Loving-Brushy Canyon Pool by administrative order with notice

only to those interest owners who acquired an interest in the project area subsequent to the entry of that order or did not receive notice of the application in Case No. 13473.

(4) By its application in this case, Range Operating of New Mexico, Inc. (Applicant) seeks expansion of the project area defined in Order No. R-12344 and authorization for inclusion in the surface commingling at the SCB 3-B Central Tank Battery of additional wells located in parts of Sections 13, 14, 23 and 24, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(5) Applicant appeared at the hearing through counsel and presented testimony and other evidence as follows:

(a) Applicant has established a network of tank batteries ("lease batteries") to collect production from an area comprising portions of Sections 13, 14, the N/2 of Section 23 and the NW/4 of Section 24, lying south and west of the Pecos River. The lease batteries, and the wells from which production is channeled to each lease battery, are identified in Exhibit A to this Order.

(b) Oil is sold at each of the lease batteries. Gas, however, is further channeled to the SCB 3-B Central Tank Battery and Sales Point, located in the SW/4 NE/4 (Unit G) of Section 23, where the gas is delivered for transportation and sale.

(c) All of the production from the wells identified in Exhibit A to this Order is from the East Loving-Brushy Canyon Pool. Hence the system does not involve commingling production from different pools.

(d) Production commingled at each individual lease battery is from one "lease" as that term is defined in Division Rule 12.7.C. Ownership of all interests in production commingled at each lease battery is common. Commingling of production from different leases, and having diverse ownership, occurs only with respect to gas, and only after the gas leaves the lease battery.

(e) Gas production from each lease is separately measured by check meters at each of the lease batteries.

(f) Applicant has notified all owners of interests in the leases from which production is to be commingled of this application and of the hearing.

(g) All lands proposed for inclusion in the project area are fee mineral lands.

(6) No party other than Applicant appeared at the hearing, and no person communicated to the Division any opposition to the approval of this application.

The Division accordingly concludes:

(7) The application complies with the requirements for exceptions to allow lease commingling and off-lease transportation prior to sale, as provided in Division Rule 12.10.

(8) The commingling authority granted in Order No. R-12344 should be expanded, as to gas production, to include all of the wells listed on Exhibit A to this Order, and the "project area" defined in that Order should be expanded to include those portions of Sections 13, 14, N/2 of Section 23 and NW/4 of Section 24, lying south and west of the Pecos River.

(9) Granting this application will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Applicant is hereby authorized to surface commingle East Loving-Brushy Canyon Pool gas production from the wells (identified in Exhibit A to this Order) located in a "project area" comprising those portions of Sections 13, 14, N/2 of Section 23 and NW/4 of Section 24, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, lying south and west of the Pecos River, at Applicant's SCB-3-B Central Tank Battery and Sales Point located in the SW/4 NE/4 of Section 23.

(2) Oil production from the wells feeding each of the lease batteries identified in Exhibit A shall be stored and sold at the lease battery. Gas production from all of the subject wells shall be transported to and sold at Applicant's SCB-3-B Central Tank Battery and Sales Point.

(3) Production shall be allocated to each of the subject wells feeding a particular lease battery based on periodic well tests in accordance with the procedure set forth in Finding Paragraph (9) of Order No. R-12344. Gas production shall be allocated between lease batteries based on continuous measurement by the check meters at each lease battery.

(4) Any expansion of the project area described in Ordering Paragraph No. (1) above, or the addition of any production from a pool other than the East Loving-Brushy Canyon Pool, may be approved only by subsequent hearing order, or by administrative order pursuant to Division Rule 12.10, after notice to all owners of interests in production from any part of the project area.

(5) Additional wells producing only from the East Loving-Brushy Canyon Pool may be added to this surface commingling authority in accordance with the following administrative procedure:

(a) only wells that are located within the project area described in Ordering Paragraph (1) may be added pursuant to this Ordering Paragraph (5);

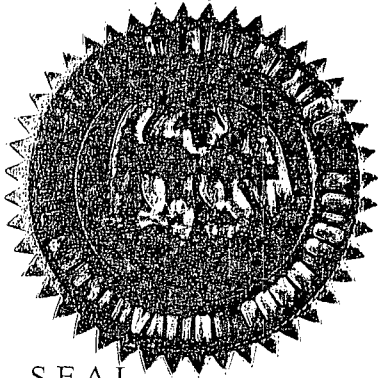
(b) Applicant shall file a Division Form C-107-B complete with attachments; and

(c) Applicant shall only be required to provide notice to those interest owners owning interests in the production of the well proposed to be added to the commingling authority.

(6) Order No. R-12344 is hereby superseded to the extent inconsistent herewith.

(7) Jurisdiction of this case is 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 "Mark E. Fesmire", written in a cursive style.

MARK E. FESMIRE, P.E.
Acting Director

EXHIBIT A
to Order No. R-12344-A

SCB 2-B Battery

| | | |
|------------------------------|--------------|--------------|
| /Carrasco Com. #1 | 30-015-22721 | F-14-23S-28E |
| /Carrasco 14 #2 | 30-015-26293 | G-14-23S-28E |
| /Carrasco 14 #5 | 30-015-26349 | I-14-23S-28E |
| /Carrasco 14 #4 | 30-015-33986 | J-14-23S-28E |
| /South Culebra Bluff Unit #2 | 30-015-22591 | J-14-23S-28E |

SCB 23-11 Battery

| | | |
|-----------------------------|--------------|--------------|
| /South Culebra Bluff 23 #11 | 30-015-26346 | B-23-23S-28E |
| /South Culebra Bluff 23 #6 | 30-015-26295 | C-23-23S-28E |

SCB 3-B Battery

| | | |
|------------------------------|--------------|--------------|
| /South Culebra Bluff 23 #5 | 30-015-26294 | D-23-23S-28E |
| /South Culebra Bluff 23 #4 | 30-015-26285 | E-23-23S-28E |
| /Donaldson Com A #1 | 30-015-22404 | F-23-23S-28E |
| /South Culebra Bluff 23 #13 | 30-015-30164 | F-23-23S-28E |
| /South Culebra Bluff Unit #1 | 30-015-22320 | G-23-23S-28E |
| /South Culebra Bluff Unit #3 | 30-015-22700 | G-23-23S-28E |
| /South Culebra Bluff 23 #12 | 30-015-26368 | H-23-23S-28E |

SCB 4-B Battery

| | | |
|------------------------------|--------------|--------------|
| /South Culebra Bluff Unit #4 | 30-015-22931 | A-23-23S-28E |
| /South Culebra Bluff 23 #12 | 30-015-26368 | H-23-23S-28E |

SCB 6-B Battery

| | | |
|------------------------------|--------------|--------------|
| /Candie #1 | 30-015-26709 | M-13-23S-28E |
| /Candelario #1 | 30-015-26536 | D-24-23S-28E |
| /Candelario 24 #2 | 30-015-33608 | D-24-23S-28E |
| /South Culebra Bluff Unit #6 | 30-015-23339 | E-24-23S-28E |