

**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. 12419
ORDER NO. R-11112-B**

**APPLICATION OF MARATHON OIL COMPANY FOR AMENDMENT OF
DIVISION SURFACE COMMINGLING ORDER NO. R-11112-A, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 29, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of August, 2000, 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) By Order No. R-11112, issued in Case No. 12068 and dated December 15, 1998, upon the application of Marathon Oil Company ("Marathon"), the Division authorized the commingling of oil and condensate production only from the Undesignated North Illinois Camp-Morrow Gas, Undesignated Illinois Camp-Morrow Gas, North Turkey Track-Morrow Gas, Travis-Wolfcamp, Undesignated Travis-Wolfcamp, and Travis Upper Pennsylvanian Pools from the following leases in Eddy County, New Mexico, comprising 2,880 acres, more or less:

Township 18 South, Range 28 East, NMPM

David Crockett "27" State lease comprising the W/2 of Section 27
(3 wells producing from the Travis-Upper Pennsylvanian Pool);

James Buchanan "33" State lease comprising the E/2 of Section 33
(1 well producing from the Travis-Upper Pennsylvanian Pool);

Samuel Burns "34" State lease comprising the N/2 of Section 34
(1 well producing from the Undesignated Travis-Upper Pennsylvanian Pool
and 1 well producing from the Undesignated Travis-Wolfcamp Pool);

W.B. Travis "15" State lease comprising the E/2 of Section 15
(1 well producing from the Travis-Upper Pennsylvanian Pool);

James Garvin "22" State lease comprising the S/2 of Section 22
(1 well producing from the Undesignated North Turkey Track-Morrow Gas
Pool);

George Pagan "26" State lease comprising the W/2 of Section 26
(2 wells producing from the Undesignated Travis-Upper Pennsylvanian Pool);
and

J. Guerrero "34" State lease comprising the S/2 of Section 34
(1 well producing from the Undesignated Travis-Upper Pennsylvanian Pool).

Township 19 South, Range 28 East, NMPM

Henry Courtman "4" State lease comprising the N/2 of Section 4
(1 well producing from the Travis-Upper Pennsylvanian Pool); and

Edward Mitchusson "4" State lease comprising the S/2 of Section 4
(1 well producing from the Travis-Wolfcamp Pool).

(3) Order No. R-11112 further authorized this commingled oil and condensate production to be stored at the Buchanan No. 1 tank battery facility located in Unit "I" of Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(4) By Order No. R-11112-A, issued in Case No. 12162 and dated May 11, 1999, Marathon was granted authority to include its Walker "33" State lease comprising the W/2 of Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico under the provisions of Order No. R-11112.

(5) At this time Marathon seeks appropriate exceptions to the applicable portions of Division Rules 303.A, 309.A and 403.A to permit surface commingling of the gas production from the wells within the above-described Buchanan Centralized Facility.

(6) The Division rules applicable to this activity are:

- (a) Division Rule 303.A, which prohibits oil and/or gas production from separate common sources of supply, or pools, from being commingled or confused before marketing;
 - (b) Division Rule 309.A, which disallows the commingling of oil production from two or more separate leases in a common facility; and
 - (c) Division Rule 403.A, which requires all natural gas production to be metered at the wellhead unless other methods are approved by the Division.
- (7) Marathon presented evidence demonstrating that:
- (a) as of April, 2000 the Scanlon Draw "34" State Well No 1, located 660 feet from the south line and 1650 feet from the east line of Section 34, Township 18 South, Range 28 East, was a flowing gas well producing approximately 45 mcfgpd, and the Jose Guerrero "34" State Well No 1 located 990 feet from the south line and 330 feet from the west line of this section was being rod pumped and produced 9 bopd, 5 bwpd and 6 mcfgpd;
 - (b) the gas had been sold to a high-pressure gas sales line; however, due to the production decline it has become uneconomic to compress the gas into this line;
 - (c) Marathon wishes to surface commingle the gas from these wells with the gas at the Buchanan Central Facility, which currently receives surface commingled liquids from the wells previously approved by Order R-11112 and R-11112-A;
 - (d) the gas from these two wells and any existing or future wells will be metered on lease before being commingled; and
 - (e) the value of the gas will not be reduced by surface commingling.

(8) Division Order R-11112-A should be amended to permit surface commingling of North Turkey Track-Morrow Gas and Travis-Upper Pennsylvanian Gas Pool production from the Jose Guerrero "34" State Well No 1 and the Scanlon Draw "34" State Well No 1, both located in the S/2 of Section 34, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, within its Buchanan Centralized Facility and to adopt an administrative procedure, without notice and hearing, for commingling of gas production from future or existing wells within its Buchanan Centralized Facility.

(9) Approval of this application is necessary to operate the wells effectively and prevent premature abandonment of these low-volume wells due to excessive operating costs.

(10) Pursuant to Division notice rules, Marathon Oil Company has notified all interest owners and no affected party has filed an objection.

(11) The proposed surface commingling will maximize royalties paid and will protect the rights of all interest owners.

(12) The evidence and testimony presented by the applicant demonstrate that surface commingling can be continued without causing waste and therefore an exception from the limitations set forth in Division Rules 303.A, 309.A, and 403.A should be granted.

(13) The surface commingling of gas production from wells in this facility will not violate the correlative rights of any interest owner.

(14) The approval of commingling of production within this facility will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(15) Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights. This application should therefore be approved and Division Orders No. R-11112 and R-11112-A should be amended accordingly.

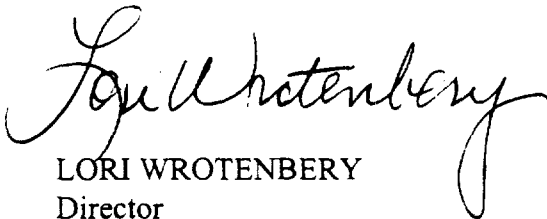
IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Marathon Oil Company ("Marathon"), Division Orders No. R-11112 and R-11112-A are hereby amended and Marathon is authorized to commingle gas production from the existing and all future wells in the pools and leases defined in these orders.

- (2) Any gas production shall be metered on lease before being commingled.
- (3) The surface commingling of gas production from future and existing wells within the Buchanan Centralized Facility shall be accomplished by notification to the supervisor of the Division's Artesia district office prior to the implementation of the commingling process.
- (4) All other provisions of Division Orders No. R-11112 and R-11112-A not in conflict with the provisions of this order shall remain in full force and affect until further notice.
- (5) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL