

**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. 11981
Order No. R-11054**

**APPLICATION OF DEVON ENERGY
CORPORATION (NEVADA) 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 July 9, 1998 and August 6, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day September, 1998 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 Corporation (Nevada), is the lessor of the following described Federal lands in Eddy County, New Mexico, comprising 720 acres, more or less:

Federal Lease No. LC-069274, which comprises the N/2 and the SW/4 of the NW/4, and the NW/4 SW/4 of Section 6, Township 18 South, Range 27 East, NMPM;

Federal Lease No. LC-026874-B, which comprises the W/2 NE/4 and the NW/4 SE/4 of Section 6, Township 18 South, Range 27 East, NMPM;

Federal Lease No. LC-060894, which comprises the E/2 SW/4 and the SE/4 NW/4 of Section 6, Township 18 South, Range 27 East, NMPM;

Federal Lease No. LC-0026874-F, which comprises the E/2 NE/4 of Section 6, Township 18 South, Range 27 East, NMPM and the W/2 SE/4 of Section 31, Township 17 South, Range 27 East, NMPM;

Federal Lease No. LC-049648-A, which comprises the SW/4 NW/4 and the NW/4 SW/4 of Section 5, Township 18 South, Range 27 East, NMPM; and

Federal Lease No. LC-049648-B, which comprises the NE/4 and the SW/4 of the SE/4 of Section 6, Township 18 South, Range 27 East, NMPM.

(3) The applicant seeks an exception to Division Rule No. 309-B to permit lease commingling of Red Lake Queen-Grayburg-San Andres Pool production from 32 existing or future wells located on the above-described Federal leases.

(4) The applicant proposes to install a central tank battery at a location within the SW/4 NE/4 of Section 6, Township 18 South, Range 27 East, on Federal Lease No. LC-026874-B in Eddy County, New Mexico.

(5) The applicant further seeks authority to determine the production from each of the subject wells by monthly well tests.

(6) Division Rule No. 309-B.A.(5) provides for administrative approval of lease commingling, provided however that in order to commingle the production from two or more separate leases in a common tank battery without first separately metering the production from each such lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(7) According to applicant's evidence and testimony, the working and/or overriding royalty interest ownership between the subject Federal leases is not common.

(8) There are currently sixteen producing wells on the subject Federal leases producing from the Red Lake Queen-Grayburg-San Andres Pool. Applicant proposes to drill an additional sixteen wells to develop these leases.

(9) Each working, royalty, and overriding royalty interest owner within the proposed commingled area were provided notice of this application and at the time of the hearing no interested party entered an appearance in this matter or filed an objection to the subject application.

(10) Approval of the application will result in economic savings to the operator, is in the best interest of conservation, exhibits sound engineering principles, and will serve to prevent waste and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each well on the subject leases on at least a monthly basis.

(11) The commingling facilities should be installed and operated in accordance with the applicable provisions of Division Rule No. 303 and the Division's "*Manual for the Installation and Operation of Commingling Facilities*."

(12) The operator should notify the supervisor of the Division's Artesia District Office prior to implementation of the commingling process and at such time as new wells are completed and production from those wells is commingled at the central tank battery.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Devon Energy Corporation (Nevada), is hereby authorized to commingle Red Lake Queen-Grayburg-San Andres Pool production from the following described Federal leases in Eddy County, New Mexico, comprising 720 acres, more or less, in a central tank battery to be located in the SW/4 NE/4 of Section 6, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, allocating the production to each well and to each lease on the basis of monthly well tests:

Federal Lease No. LC-069274, which comprises the N/2 and the SW/4 of the NW/4, and the NW/4 SW/4 of Section 6, Township 18 South, Range 27 East, NMPM;

Federal Lease No. LC-026874-B, which comprises the W/2 NE/4 and the NW/4 SE/4 of Section 6, Township 18 South, Range 27 East, NMPM;

Federal Lease No. LC-060894, which comprises the E/2 SW/4 and the SE/4 NW/4 of Section 6, Township 18 South, Range 27 East, NMPM;

Federal Lease No. LC-0026874-F, which comprises the E/2 NE/4 of Section 6, Township 18 South, Range 27 East, NMPM and the W/2 of the SE/4 of Section 31, Township 17 South, Range 27 East, NMPM;

Federal Lease No. LC-049648-A, which comprises the SW/4 NW/4 and the NW/4 SW/4 of Section 5, Township 18 South, Range 27 East, NMPM; and

Federal Lease No. LC-049648-B which comprises the NE/4
and the SW/4 of the SE/4 of Section 6, Township 18 South,
Range 27 East, NMPM.

PROVIDED HOWEVER THAT, the facilities for the commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on the subject leases at least once each month.

PROVIDED FURTHER THAT, the facilities shall be installed and operated in accordance with the applicable provisions of Division Rule No. 303 and the Division's "Manual for the Installation and Operation of Commingling Facilities."

PROVIDED FURTHER THAT, the applicant shall conduct monthly productivity tests on each of the wells on the leases and shall file the results of those tests with the Division's Artesia District Office on Division Form C-115 each month.

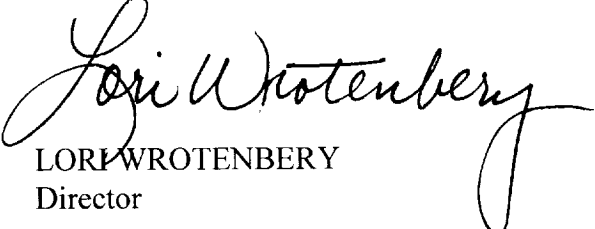
(2) The operator shall notify the supervisor of the Division's Artesia District Office prior to implementation of the commingling process and at such time as new wells are completed and production from those wells is commingled at the central tank battery.

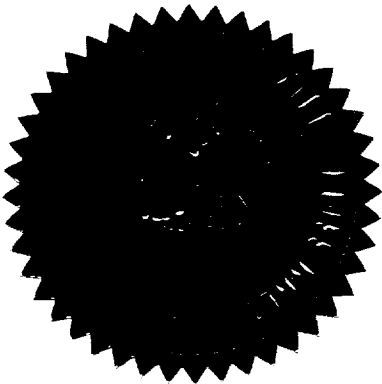
(3) It shall be the responsibility of the producer to notify the transporter of this commingling authority.

(4) 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 WROTENBERG
Director



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