

**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. 12162
Order No. R-11112-A**

**APPLICATION OF MARATHON OIL COMPANY FOR AMENDMENT OF
DIVISION ORDER NO. R-11112 FOR POOL AND LEASE COMMINGLING, AND
TO ADOPT AN ADMINISTRATIVE PROCEDURE FOR ADDING AND
SUBTRACTING WELLS FROM THE BUCHANAN CENTRALIZED FACILITY,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 29, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 14th day of May, 1999 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, the Division authorized the commingling of oil and condensate production 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
(3 wells producing from the Travis-Upper Pennsylvanian Pool)
W/2 of Section 27;

James Buchanan '33' State Lease

(1 well producing from the Travis-Upper Pennsylvanian Pool)
E/2 of Section 33;

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

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

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

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

J. Guerrero '34' State Lease
(1 well producing from the Undesignated Travis-Upper Pennsylvanian Pool)
S/2 of Section 34; and

Township 19 South, Range 28 East, NMPM

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

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

(3) Commingled production is stored at the Buchanan No. 1 tank battery facility located in Unit Letter I, Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(4) The Division further authorized production allocation to each well and lease on the basis of monthly well tests.

(5) Marathon seeks to amend Order No. R-11112 by adding its Walker "33" State lease comprising the W/2 of Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, for existing and future wells, to the Buchanan centralized facility.

(6) Marathon proposes to store and measure production from the above-described State lease at the Buchanan No.1 tank battery facility and allocate production on the basis of monthly well tests.

(7) Natural gas production from the above-described State lease will not be commingled prior to marketing.

(8) Marathon further seeks the adoption of an administrative procedure to add and subtract existing and future wells to the Buchanan centralized facility without the requirement of notice and hearing.

(9) This case was styled such that ***“IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT.”***

(10) Legal counsel appeared on behalf of Marathon and presented evidence for admission in this case.

(11) Each working, royalty, and overriding royalty interest owner within the proposed commingled area was provided notice of this application.

(12) No interested party entered an appearance in this case or filed an objection to the application.

(13) 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.

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

(15) Approval of the application will result in economic savings to the operator, is in the best interest of conservation, is based on 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 leases on at least a monthly basis.

(16) 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 wells are

completed and production from those wells is commingled at the central tank battery.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Marathon Oil Company ("Marathon"), Division Order No. R-11112 is hereby amended to include the Walker "33" State lease comprising the W/2 of Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico for existing and future wells.

(2) Marathon is further authorized to commingle oil and condensate production for existing and future wells from the pools and on the leases defined by Division Order No. R-11112.

(3) Commingled production shall be stored in the Buchanan No. 1 tank battery facility located in Unit I, Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(4) Production shall be allocated to each well and lease on the basis of monthly well tests.

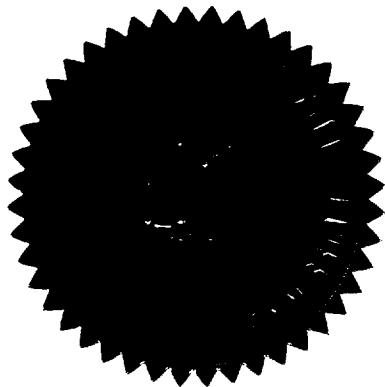
(5) The operator shall notify the supervisor of the Division's Artesia District Office prior to commingling and at such time as wells are completed and production from those wells is commingled at the central tank battery.

(6) The operator shall notify the supervisor of the Division's Artesia District Office, on Division Form C-103, when existing and future wells are added and/or subtracted.

(7) It is the responsibility of the producer to notify the transporter of this commingling authority.

(8) Jurisdiction of this cause 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director