

**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. 12146
Order No. R-11156**

**APPLICATION OF DEVON ENERGY CORPORATION (NEVADA) FOR SURFACE
COMMINGLING AND 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 March 18, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of March, 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) The applicant, Devon Energy Corporation (Nevada), (Devon), is the lessor and sole working interest owner of the Kaiser "B" Fee Lease, which comprises the W/2 NE/4 and SE/4 NW/4 of Section 18, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Devon seeks authority to surface commingle Red Lake Queen-Grayburg-San Andres and Red Lake Glorieta-Yeso Pool production from six existing wells located on the Kaiser "B" Fee Lease.

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

(5) Legal counsel appeared on behalf of the applicant and presented evidence for admission in this case.

(6) The applicant proposes to install a central tank battery at a location within the SE/4 NW/4 of Section 18.

(7) The applicant further seeks authority to determine the production from each of the wells on the Kaiser "B" Fee Lease by monthly well tests.

(8) According to data provided by the applicant, the royalty interest ownership within the NW/4 NE/4 is different than the royalty interest ownership within the SW/4 NE/4 and SE/4 NW/4 of Section 18.

(9) Generally, an application for surface commingling of a single lease that contains tracts of differing ownership is treated by the Division as a lease commingling.

(10) 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 lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(11) Each royalty interest owner within the Kaiser "B" Fee Lease was 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 application.

(12) 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 that the installation of facilities for commingling production will permit the individual testing of each well on the lease on at least a monthly basis.

(13) 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."*

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

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Devon Energy Corporation, is hereby authorized to surface commingle Red Lake Queen-Grayburg-San Andres and Red Lake Glorieta-Yeso Pool production on its Kaiser "B" Fee Lease which comprises the W/2 NE/4 and SE/4 NW/4 of Section 18, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

(2) Commingled production shall be stored in a central tank battery to be installed at a location within the SE/4 NW/4 of Section 18.

(3) Production from each of the wells on the Kaiser "B" Fee Lease shall be determined and allocated on the basis of well tests to be conducted on each well on at least a monthly basis.

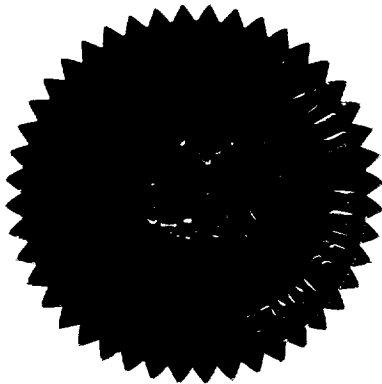
(4) The commingling facilities shall be installed and operated in accordance with the applicable provisions of Division Rule No. 303 and the Division's "*Manual for the Installation and Operation of Commingling Facilities.*"

(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 these wells is commingled at the central tank battery.

(6) It shall be the responsibility of the applicant to notify the transporter of this commingling authority.

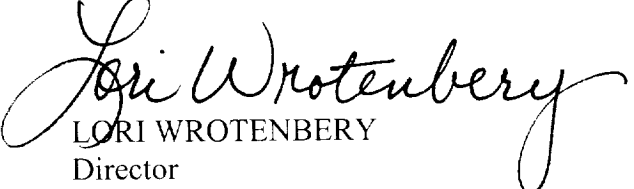
(7) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director