

**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. 12721
ORDER NO. R-11186-A**

**APPLICATION OF MARATHON OIL COMPANY FOR AMENDMENT OF
DIVISION SURFACE COMMINGLING ORDER NO. R-11186, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of October, 2001, 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-11186, issued in Case No. 12135 and dated May 25, 1999, upon the application of Marathon Oil Company ("Marathon"), the Division authorized the commingling of gas and oil production from existing and future drilled wells completed in the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool from the following described State and Federal leases in Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico:

**Indian Basin "32" State Lease
Lease Nos. V-992-3, V-993-3
Section 32: All**

**Indian Hills Unit
Lease Nos. NM-0330449, LC-064391-B, NM-07260, NM-07260-F,
NM-030482, NM-06293, NM-06293-A and LC-067649-A
Sections 20 and 21: All**

Sections 28 and 29: All
Section 33: All

(3) Order No. R-11186 further provided that production is to be allocated as follows:

- (a) oil, gas and water production shall be separated and metered at each of five satellite facilities located in Sections 20, 28, 29, 32 and 33, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico;
- (b) gas shall be transported separately to the central storage facility in the SE/4 SE/4 of Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico;
- (c) oil and water is to be recombined after measurement at the satellite facilities and transported to the central facility in Section 19 for further processing and measurement; and
- (d) oil and gas production will be allocated to each well on the basis of well tests to be conducted at least monthly.

(4) Marathon now seeks to add its Indian Hills Unit Well No. 32 (**API No. 30-015-31591**), located 1293 feet from the South line and 660 feet from the West line (Unit M) of Section 16, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and any other well drilled by Marathon in Sections 16, 17 and 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, that produces from the Indian Basin-Upper Pennsylvanian Gas Pool and/or the Indian Basin-Upper Pennsylvanian Associated Pool. The following State and Federal leases are contained within this three-section area:

Section 16: State Leases No. E-7437, OG-6063 and E-10169
Section 17: State Leases No. E-7437 and OG-6063
Federal Leases No. NMLC-064243-A and NM-64243-D
Section 19: Federal Leases No. NMLC-063246-C, NMLC-063246-D,
E-10169-1, NMLC-063246-B, NMLC-063245-A, NMLC-
063245-B, NM-238436, and NM-025235.

(5) Marathon presented evidence demonstrating that:

- (a) the gas and oil from this well and any existing or future

wells will be metered on lease before being commingled; and

(b) the value of the gas and oil will not be reduced by surface commingling.

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

(7) 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.

(8) The surface commingling of production from additional wells in Section 16, 17 or 19, will not violate the correlative rights of any interest owner.

(9) Commingling of production will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(10) This application should therefore be approved and Division Order No. R-11186 should be amended accordingly.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Marathon, Division Order No. R-11186 is hereby amended and Marathon is authorized to commingle gas and oil production from its existing Indian Hills Unit Well No. 32 (**API No. 30-015-31591**), located 1293 feet from the South line and 660 feet from the West line (Unit M) of Section 16, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and all other wells drilled by Marathon in Sections 16, 17 and 19, Township 21 South Range 24 East, NMPM, Eddy County, New Mexico, that produce from the Indian Basin-Upper Pennsylvanian Gas Pool and/or the Indian Basin-Upper Pennsylvanian Associated Pool. The following State and Federal leases are contained within this three-section area:

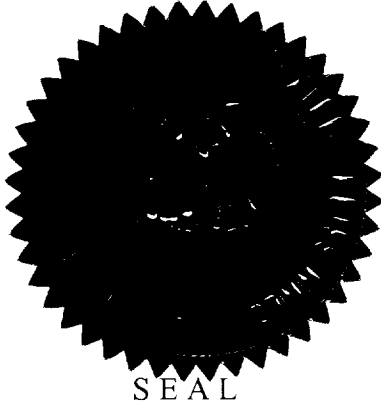
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	E-10169-1, NMLC-063246-B, NMLC-063245-A, NMLC-
	063245-B, NM-238436, and NM-025235.

(2) All other provisions of Division Orders No. R-11186 not in conflict with the

provisions of this order shall remain in full force and effect until further notice.

(3) 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

LORI WROTENBERY
Director