

**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. 12874
ORDER NO. R-11804**

**APPLICATION OF CONCHO OIL & GAS CORPORATION AND NEARBURG
PRODUCING COMPANY FOR APPROVAL OF SURFACE COMMINGLING
OF PRODUCTION FROM WELLS OPERATED BY TWO DIFFERENT
OPERATORS, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 13 & 27, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of July, 2002, 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) Nearburg Producing Company ("Nearburg") is the operator of the following-described well in Eddy County, New Mexico:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Crow Flats "10" Federal Com Well No. 1	30-015-30168	2310' FNL & 1310' FEL (Unit H) Section 10, T-16 South, R-28 East

(3) Concho Oil & Gas Corporation ("Concho") recently purchased Nearburg's interest in the following wells in Eddy County, New Mexico:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Crow Flats "11" Federal	30-015-30592	1980' FSL & 660' FWL (Unit L)

Com Well No. 1		Section 11, T-16 South, R-28 East
Crow Flats "3" Federal Well No. 1	30-015-30706	960' FSL & 760' FWL (Unit M) Section 3, T-16 South, R-28 East

(4) All three wells are currently completed in and producing from the Diamond Mound-Morrow Gas Pool. The E/2 of Section 10 is currently dedicated to the Crow Flats "10" Federal Com Well No. 1, the W/2 of Section 11 is currently dedicated to the Crow Flats "11" Federal Com Well No. 1, and the S/2 of Section 3 is currently dedicated to the Crow Flats "3" Federal Well No. 1.

(5) In its joint application, Concho and Nearburg seek:

- (a) authority to surface commingle production from the Crow Flats "11" Federal Com Well No. 1, the Crow Flats "3" Federal Well No. 1 and the Crow Flats "10" Federal Com Well No. 1; and
- (b) authority to allocate production from these wells utilizing the following method:
 - (i) gas production from each well will be separately metered utilizing well orifice flow meters. Integrated production data will then be obtained from these individual allocation meters on a monthly basis;
 - (ii) the total commingled production volume from the three wells will be determined by utilizing a Duke Energy Field Services, Inc. ("Duke") sales meter located in Section 4, Township 16 South, Range 28 East, NMPM; and
 - (iii) production from each well will be assigned on a pro-rata basis utilizing allocation meter and sales meter production data.

- (6) Concho and Nearburg presented evidence that demonstrates:
- (a) prior to its sale of the Crow Flats "3" Federal Well No. 1 and the Crow Flats "11" Federal Com Well No. 1 to Concho, Nearburg operated all three subject wells;
 - (b) by Order No. CTB-526 dated May 22, 2002, the Division approved an administrative application by Nearburg to surface commingle the three subject wells in the same manner proposed by Concho and Nearburg in this case;
 - (c) the dedicated spacing units for these wells are comprised of federal and state leases. There are approximately thirty-two (32) separate interest owners within these three spacing units. The applicants notified all interest owners of the application, and no interest owner appeared at the hearing in opposition to the application;
 - (d) the Concho-operated Crow Flats "3" Federal Well No. 1 and the Crow Flats "11" Federal Com Well No. 1 produce at a combined average rate of 25 MCF gas per day. The Nearburg-operated Crow Flats "10" Federal Com Well No. 1 produces at an average rate of 306 MCF gas per day;
 - (e) due to the marginal nature of the wells, it is uneconomic for Concho to construct a separate gas pipeline from the Crow Flats "3" Federal Well No. 1 and Crow Flats "11" Federal Com Well No. 1 to Duke's sales line in Section 4;
 - (f) under the proposal, adequate facilities will be provided for accurately determining production from each well at reasonable intervals;
 - (g) the applicants have obtained approval for the proposed surface commingling from the United States Bureau of Land Management and from the

Commissioner of Public Lands for the State of New Mexico; and

- (h) distribution of revenue, payment of taxes, reporting of production, etc. will be handled separately by Concho and Nearburg for their respective well(s).

(7) The evidence presented demonstrates that approval of the application will provide Concho the opportunity to economically produce its Crow Flats “3” Federal Well No. 1 and its Crow Flats “11” Federal Com Well No. 1, thereby preventing waste.

(8) The proposed method of allocating production is fair, reasonable and will protect the correlative rights of all interest owners in the subject wells.

- (9) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicants, Nearburg Producing Company and Concho Oil & Gas Corporation, are hereby authorized to surface commingle Diamond Mound-Morrow Gas Pool production from the following-described wells in Eddy County, New Mexico:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Crow Flats “10” Federal Com Well No. 1 (operated by Nearburg Producing Company)	30-015-30168	2310’ FNL & 1310’ FEL (Unit H) Section 10, T-16 South, R-28 East
Crow Flats “11” Federal Com Well No. 1 (operated by Concho Oil & Gas Corp.)	30-015-30592	1980’ FSL & 660’ FWL (Unit L) Section 11, T-16 South, R-28 East
Crow Flats “3” Federal Well No. 1 (operated by Concho Oil & Gas Corp.)	30-015-30706	960’ FSL & 760’ FWL (Unit M) Section 3, T-16 South, R-28 East

(2) Production from each well shall be allocated utilizing the following method:

- (a) gas production from each well shall be separately metered utilizing well orifice flow meters. Integrated production data shall be obtained from

these individual allocation meters on a monthly basis;

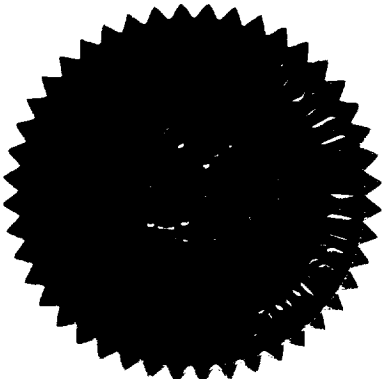
- (b) the total commingled production volume from the three wells shall be determined by utilizing a Duke Energy Field Services, Inc. sales meter located in Section 4, Township 16 South, Range 28 East, NMPM; and
- (c) production from each well shall be assigned on a pro-rata basis utilizing allocation meter and sales meter production data.

(3) Distribution of revenue, payment of taxes, reporting of production, etc. shall be handled separately by Concho Oil & Gas Corporation and Nearburg Producing Company for their respective well(s).

(4) Division Order No. CTB-526 is hereby superseded by this order.

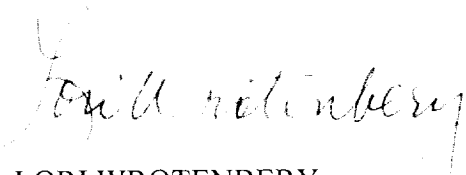
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director