

**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. 14432
ORDER NO. R-13232**

**APPLICATION OF RANGE OPERATING OF NEW
MEXICO, INC., FOR A CENTRALIZED FACILITY
WITH A COMMON TANK BATTERY INCLUDING
SURFACE COMMINGLING [AND] OFF-LEASE
MEASUREMENT AND STORAGE FOR ITS SCB 5-B
BATTERY AND SALES POINT,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 4, 2010, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 25th day of March, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) This case and Case No. 14431 were consolidated for hearing, and a joint record was made. However, separate orders will be issued in each of these cases.
- (3) By its application in this case, Range Operating of New Mexico, Inc. (Applicant) seeks authorization to surface commingle gas production from certain wells in parts of Sections 11, 12, 13 and 14, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, including authorization for pool and lease commingling, and off-lease transportation and measurement, at Applicant's SCB 5-B Central Battery and Sales Point.
- (4) Applicant appeared at the hearing through counsel and presented testimony and other evidence as follows:

(a) Applicant has established a network of tank batteries ("lease batteries") to collect production from an area comprising portions of Sections 11, 12, 13 and 14 lying north and east of the Pecos River. The lease batteries, and the wells from which production is channeled to each lease battery, are listed on Exhibit A to this Order.

(b) Oil is sold separately at each of the lease batteries. Gas, however, is further channeled to the SCB 5-B Central Tank Battery and Sales Point, located in the NW/4 SW/4 (Unit L) of Section 13, where the gas is delivered for transportation and sale.

(c) Production from the wells identified on Exhibit A to this Order and collected at the lease batteries includes production from the East Loving-Brushy Canyon Pool (40350), the East Loving-Delaware Pool (40360) and the East Herradura Bend-Delaware Pool (30655). Hence the system involves commingling production from different pools, which requires an exception to the provisions of Division Rule 12.9.A.

(d) Production commingled at each individual lease battery is from one "lease" as that term is defined in Division Rule 12.7.C. Ownership of all interests in production commingled at each lease battery is common. Commingling of production from different leases, and having diverse ownership, occurs only with respect to gas, and only after the gas leaves the lease battery.

(e) Each lease battery is equipped with a test system which allows production from one well to be channeled through the test system and measured separately from the production stream emanating from the other wells feeding that lease battery. Applicant will successively channel production from each well through the test system for periods of 24 consecutive hours at least once each month in order to establish a basis for allocating production to individual wells:

(f) Gas production from each lease is separately measured by check meters at each of the lease batteries.

(g) Applicant has notified all owners of interests in the leases from which production is to be commingled of this application and of the hearing.

(h) All wells proposed for inclusion in this commingling order produce from federal mineral lands except for the Carrasco 14 Well No. 3, which produces from fee mineral lands.

(i) Applicant wants to move the battery for the Carrasco 14 Well No. 3 due to its proximity to the Pecos River, and accordingly requested at the hearing approval for off-lease transportation and storage, so that it can measure and store production from that well at the site of its SCB-5B Central Tank Battery.

(5) No party other than Applicant appeared at the hearing, and no person communicated to the Division any opposition to the approval of this application. The United States Bureau of Land Management (BLM), however, notified the Division by email that commingling of production from federal and non-federal lands requires BLM approval

The Division accordingly concludes:

(6) The application complies with the requirements for exceptions to allow pool and lease commingling and off-lease transportation prior to sale, as provided in Division Rule 12.10.

(7) This application should be granted, authorizing surface commingling of gas production from the wells identified on Exhibit A to this Order, and establishing a "project area" comprising the W/2 of Section 12 and those portions of the W/2 of Section 13 and of Sections 11 and 14 lying north and east of the Pecos River, within which additional wells may be added to this commingling authority.

(8) The commingling authority should be made expressing subject to BLM approval.

(9) Applicant's request at the hearing for approval to re-locate the Carrasco 14-3 Battery was not included in its application or in the public notice of this case, and accordingly should be denied without prejudice to reiteration of this request in a subsequent administrative application.

(10) Granting this application, to the extent indicated in Finding Paragraphs (7) through (9) above, will prevent waste and will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Applicant is hereby authorized to surface commingle gas production from the East Loving-Brushy Canyon Pool, East Loving-Delaware Pool and East Herradura Bend-Delaware Pool from the wells (identified in Exhibit A to this Order) located in a "project area" comprising the W/2 of Section 12 and those portions of the W/2 of Section 13 and of Sections 11 and 14, Township 23 South, Range 28 East, NMPM, in Eddy County, New Mexico, lying north and east of the Pecos River, at Applicant's SCB-5-B Central Tank Battery and Sales Point located in the NW/4 SW/4 of Section 13.

(2) Oil production from the wells feeding each of the lease batteries identified in Exhibit A shall be stored and sold at each lease battery. Gas production from all of the subject wells shall be transported to and sold at Applicant's SCB-5-B Central Tank Battery and Sales Point.

(3) Production shall be allocated to each of the subject wells feeding a particular lease battery based on periodic well tests in accordance with the procedure set

forth in Finding Paragraph (4)(e) above. Gas production shall be allocated between lease batteries based on continuous measurement by the check meters at each lease battery.

(4) The commingling authority hereby granted, and any subsequent extension thereof, is subject to approval of the United States Bureau of Land Management (BLM), and commingling may not be commenced until such approval is obtained.

(5) Any expansion of the project area described in Ordering Paragraph No. (1) above, or the addition of any production from a pool other than the East Loving-Brushy Canyon Pool, the East Loving-Delaware or East Herradura Bend-Delaware Pool, may be approved only by subsequent hearing order, or by administrative order pursuant to Division Rule 12.10, after notice to all owners of interests in production from any part of the project area and to the BLM.

(6) Additional wells producing only from the East Loving-Brushy Canyon Pool, the East Loving-Delaware Pool or the East Herradura Bend-Delaware Pool may be added to this surface commingling authority in accordance with the following administrative procedure:

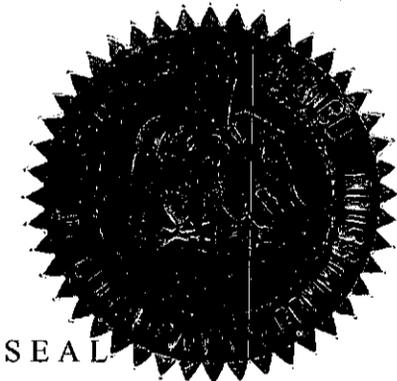
(a) only wells that are located within the project area described in Ordering Paragraph (1) may be added pursuant to this Ordering Paragraph (6);

(b) Applicant shall file a Division Form C-107-B complete with attachments; and

(c) Applicant shall only be required to provide notice to those interest owners owning interests in the production of the well proposed to be added to the commingling authority and to the BLM.

(7) 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

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Acting Director

EXHIBIT A
to Order No. R-13232

Amoco 11 Federal 8 Battery

/Amoco 11 Federal #8T 30-015-33056 A-11-23S-28E

Amoco Federal 1B Battery

/Amoco 11 Federal #6 30-015-26496 B-11-23S-28E
/Amoco 11 Federal #9 30-015-33916 B-11-23S-28E
/Amoco 11 Federal #5 30-015-26527 G-11-23S-28E
/Amoco 11 Federal #3 30-015-23084 H-11-23S-28E
/Amoco 11 Federal #1 30-015-22975 I-11-23S-28E
/Amoco 11 Federal #4 30-015-26495 J-11-23S-28E
/Amoco 11 Federal #2 30-015-26540 O-11-23S-28E
/Amoco 11 Federal #7 30-015-26512 P-11-23S-28E

Teledyne Battery

/Teledyne 12 Federal #3 30-015-33927 E-12-23S-28E
/Teledyne 12 Federal #2 30-015-33928 L-12-23S-28E
/Teledyne 12 Federal #1 30-015-33930 M-12-23S-28E

SCB 5-B Battery

/SCB 13 Federal #8 30-015-23824 C-13-23S-28E
/South Culebra Bluff 13 #4 30-015-26534 D-13-23S-28E
/SCB 13 Federal #6 30-015-33777 E-13-23S-28E
/South Culebra Bluff Unit #5 30-015-22922 L-13-23S-28E
/SCB 13 Federal #8 30-015-33645 L-13-23S-28E
/South Culebra Bluff 14 #1 30-015-26347 A-14-23S-28E
/South Culebra Bluff Unit #7B 30-015-23811 B-14-23S-28E

Carrasco 14 #3 Battery

/Carrasco 14 #3 30-015-26350 H-14-23S-28E