

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY DJR OPERATING, LLC**

ORDER NO. CTB-1081

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. DJR Operating, LLC (“Applicant”) submitted a complete application to surface commingle the gas production from the pools, leases, and wells identified in Exhibit A (“Application”).
2. Applicant proposed a method to allocate the gas production to the pools, leases, and wells to be commingled.
3. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
4. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
5. Applicant in the notice for the Application stated that it sought authorization to prospectively include additional pools, leases, and wells in accordance with 19.15.12.10.C.(4)(g) NMAC.
6. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.

CONCLUSIONS OF LAW

7. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12. NMAC, and 19.15.23. NMAC.
8. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.
9. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.

10. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.C.(1) NMAC, as applicable.
11. Commingling of gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10.B.(3) NMAC and 19.15.12.10.C.(4)(h) NMAC.
12. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10.C.(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added.
13. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to store and measure gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

Applicant is authorized to surface commingle gas production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

Applicant is authorized to store and measure gas production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

2. The allocation of gas production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.
3. The gas production for each well identified in Exhibit A shall be separated and metered prior to commingling it with production from another well.
4. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9. NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8.B. NMAC for such venting

or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8.E. NMAC.

5. Applicant shall calibrate the meters used to measure or allocate gas production in accordance with 19.15.12.10.C.(2) NMAC.
6. If the commingling of gas production from any pool, lease, or well reduces the value of the commingled gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
7. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B in accordance with 19.15.12.10.C.(4)(g) NMAC, provided the pools, leases, and subsequently drilled wells are within the identified parameters included in the Application.
8. If a well is not included in Exhibit A but produces from a pool and lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well, proposed method to determine the allocation of gas production to it, and the location(s) that commingling of its production will occur.
9. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
10. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
11. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



DYLAN M. FUGE
DIRECTOR

DATE: 5/14/2023

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **CTB-1081**

Operator: **DJR Operating, LLC (371838)**

Central Tank Battery: **M26A 2306 Production Facility**

Central Tank Battery Location: **UL M, Section 26, Township 23 North, Range 6 West**

Gas Title Transfer Meter Location: **UL M, Section 26, Township 23 North, Range 6 West**

Pools

Pool Name	Pool Code
COUNSELORS GALLUP-DAKOTA	13379

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
PA Mancos NMNM 105380025 (131017A)	All	22-23N-6W
	All	23-23N-6W
	All	24-23N-6W
	All	25-23N-6W
	All	26-23N-6W
	All	34-23N-6W
	All	35-23N-6W
	All	36-23N-6W
CA Mancos NMNM 105767919	M	22-23N-6W
	M	26-23N-6W
	C D F G J I P	27-23N-6W
	L M N	22-23N-6W
CA Mancos NMNM 105767920	L	26-23N-6W
	B C D F G H I J P	27-23N-6W
	K L M N O	22-23N-6W
CA Mancos NMNM 105767870	E L	26-23N-6W
	A B C G H I	27-23N-6W
	All	27-23N-6W
NMNM 105389083 (117564)	All	27-23N-6W

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-043-21483	Gallo Canyon Unit #304H	M	26-23N-6W	13379
		C D F G I J P	35-23N-6W	
		M	36-23N-6W	
30-043-21482	Gallo Canyon Unit #309H	K L M N O	26-23N-6W	13379
		A B C G H I	35-23N-6W	
		E K L M N	36-23N-6W	
30-043-21491	Lybrook M26 2306 Com #307H	K L M N O	22-23N-6W	13379
		E L	26-23N-6W	
		A B C G H I	27-23N-6W	

30-043-21490	Lybrook M26 2306 Com #305H	L M N	22-23N-6W	13379
		L	26-23N-6W	
		B C D F G H I J P	27-23N-6W	
30-043-21489	Lybrook M26 2306 Com #303H	M	22-23N-6W	13379
		M	26-23N-6W	
		C D F G J I P	27-23N-6W	
30-043-21492	Lybrook M26A 2306 #308H	D E F I J K O P	27-23N-6W	13379

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

COMMENTS

Action 218454

COMMENTS

Operator: DJR OPERATING, LLC 1 Road 3263 Aztec, NM 87410	OGRID: 371838
	Action Number: 218454
	Action Type: [IM-SD] Admin Order Support Doc (ENG) (IM-AAO)

COMMENTS

Created By	Comment	Comment Date
dmcclure	Approved under Action ID: 179366	5/19/2023

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Action 218454

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Operator: DJR OPERATING, LLC 1 Road 3263 Aztec, NM 87410	OGRID: 371838
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CONDITIONS

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	5/19/2023