

CASE 7207: MOBIL PRODUCING INC. FOR
LEASE COMINGLING, LEA COUNTY, NEW
MEXICO

CASE NO.

7207

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 March 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Mobil Producing, Inc.,
for lease commingling, Lea County,
New Mexico.

CASE
7207

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James E. Sperling, Esq.
MODRALL, SPERLING, ROEHL,
HARRIS & SISK
P. O. Box 2618
Albuquerque, New Mexico 87203

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I N D E X

TOMMY BURNETT

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MR. NUTTER: We'll call next Case Number
7207.

MR. PADILLA: Application of Mobil
Producing, Inc., for lease commingling, Lea County, New Mexico

MR. SPERLING: James E. Sperling, Modrall,
Sperling, Roehl, Harris & Sisk, Albuquerque, appearing for
the applicant, and we have one witness.

(Witness sworn.)

TOMMY BURNETT

being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. SPERLING:

Q Would you please state your full name,
your place of residence, the name of your employer, and the
capacity in which you're employed?

A My name is Tommy Burnett. I'm employed
by Mobil Producing Texas and New Mexico, in Hobbs, New Mexico,
and have been for the last seven months as an operations
engineer.

Q Have you on any previous occasion

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testified before the Division so that your qualifications are
a matter of record?

A. No, sir.

Q Would you please for the record state
your background experience, workwise as well as formal educa-
tion?

A. Prior to graduation from the University
of Tulsa I worked three months as an assistant engineer for
Natural Gas Pipeline Company.

And since graduating with a BS degree
in petroleum engineering from the University of Tulsa in 1980
I've been employed by Mobil Producing Texas and New Mexico
in Hobbs, concerned primarily with -- with oil production in
New Mexico.

Q Are you familiar with the application
which has been filed on Mobil's behalf in this matter?

A. Yes.

Q And the area which is the subject of
the application?

A. Yes.

MR. SPERLING: Mr. Examiner, are the
witness' qualifications acceptable?

MR. NUTTER: Mr. Burnett is qualified.

MR. SPERLING: Thank you.

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Q You've stated that you're familiar with Mobil's application. What is -- what does Mobil seek by the application?

A Mobil seeks to commingle the production from the State J and State II leases in the Vacuum Grayburg San Andres Pool to eliminate some of the -- the required renovation or replacement of surface facilities.

Q Would you please refer to what's been marked as Exhibit One in this matter and describe the purpose of that exhibit and what it portrays?

A This exhibit shows the leases in question and the wells on each lease.

Q Are all of the wells on these two leases that you've identified, that is the "J" and the "II", State leases producing from a common reservoir?

A Yes, sir.

Q Now you mentioned that the surface facilities might need replacement if this application were not granted. Do I take it from that that the principal motivation with respect to the application is economics?

A Yes, sir.

Q Can you tell us what the present current daily production is from the two leases, respectively?

A From the State J lease there are four

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2 producers and they produce approximately 52 barrels of oil
3 per day.

4 Q In combination?

5 A In combination.

6 And from the State II lease there's one
7 well and it produces approximately 9 barrels of oil per day.

8 And the surface equipment that -- that
9 needs to be replaced serves the State II lease.

10 Q In that connection would you please refer
11 to what's been marked as Exhibit Two and explain what that
12 shows?

13 A The Exhibit Two is a plat of the
14 existing State J and State II tank battery and surface faci-
15 lity.

16 Q And what about Exhibit Three?

17 A Exhibit Three is -- is a plat of the
18 proposed State J and II battery.

19 Q Can you explain in what respects they --
20 the current battery installation and the proposed battery
21 installation vary or differ?

22 A Currently the -- we have two heater-
23 treaters servicing each of the two leases. The proposed
24 battery would transform the State II treater into a test
25 treater, and then would eliminate the small test treater that

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is shown on the existing plat.

Q Would you now refer to what's been marked as Exhibit Four and explain what that is and what its purpose is?

A Exhibit Four is a letter to Shell Oil Company, who owns 1/8th overriding royalty interest on the State II lease, requesting that -- that Mobil Producing Texas and New Mexico be allowed to commingle the leases and account for production on a quarterly well test basis, and as can be seen, it indicates in the end that Shell Oil Corporation agrees with this.

Q Is there common royalty and working interest ownership under the two leases except for the override that you've testified about?

A Yes, the State has the royalty interest.

Q And Mobil has the working interest in total?

A Yes, sir.

Q Okay. Would you now refer to Exhibit Five and identify that exhibit and explain its purpose?

A This is a letter concerning the application for exception to NMOC Rule 309A to permit commingling.

It is approval for our request from the Commissioner of Public Lands of the State of New Mexico.

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2 Q And it indicates approval is given,
3 subject to approval from the Oil Conservation Division, is
4 that right?

5 A Yes, sir.

6 Q All right. Would you identify Exhibit
7 Six?

8 A Exhibit Six is a letter from the crude
9 oil purchaser, Mobil Oil Corporation, giving their approval
10 with the proposed commingling and stating that the commercial
11 value of the oil will not appreciably change.

12 Q Were Exhibits One through Three prepared
13 by you or under your supervision?

14 A Yes, sir.

15 Q In your opinion, Mr. Burnett, would
16 the granting of the application be in the best interest of
17 conservation, protect correlative rights, and prevent waste?

18 A Yes.

19 MR. SPERLING: I'll offer Exhibits One
20 through Six at this time.

21 MR. NUTTER: Mobil Exhibits One through
22 Six will be admitted in evidence.

23 MR. SPERLING: That's all I have on
24 direct.
25

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Burnett, in looking at your Exhibits Two and Three, now up here in the upper lefthand corner on Exhibit Two, this gismo is labeled as the State J treater. It's not labeled on Exhibit Three, but that would be the same treater, then?

A. Yes, sir, it would.

Q And then the -- what is presently the State II treater would become your test treater.

A. Correct.

Q And you would eliminate the test separator that's in the lower lefthand part of the installation on Exhibit Two.

A. Yes, sir.

Q And so when you wanted to test the wells on the State J lease, you're going to have to shut in the State II, aren't you?

A. No, sir. The State II flow line will be connected to the current State J header and each well can be tested separately from the other.

Q So you'd be able to continue to produce four wells at any given time and test one.

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A. Correct.

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Q. And all five would be on production.

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A. Yes, sir.

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Q. Okay.

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MR. NUTTER: Are there any other questions
of the witness? He may be excused.

8

Do you have anything further, Mr.

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Sperling?

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MR. SPERLING: No, sir. Thank you.

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MR. NUTTER: Does anyone have anything
they wish to offer in Case Number 7207?

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We'll take the case under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone: (505) 455-7409

I do hereby certify that the foregoing is
a complete and correct transcript of the hearing held by me on
the 3/25/81. In
witness whereof, I have hereunto set my hand and the seal of the Oil Conservation Division
3/25/81
no 7
81
Examiner

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
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10 (Witness sworn.)

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12 TOMMY BURNETT
13 being called as a witness and being duly sworn upon his oath,
14 testified as follows, to-wit:

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24 engineer.

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19 Q. And the area which is the subject of
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25 MR. SPERLING: Thank you.

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oil purchaser, Mobil Oil Corporation, giving their approval
with the proposed commingling and stating that the commercial
value of the oil will not appreciably change.

Q Were Exhibits One through Three prepared
by you or under your supervision?

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Q In your opinion, Mr. Burnett, would
the granting of the application be in the best interest of
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A Yes.

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CROSS EXAMINATION

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A No, sir. The State II flow line will be connected to the current State J header and each well can be tested separately from the other

Q So you'd be able to continue to produce four wells at any given time and test one.

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2 A. Correct.

3 Q. And all five would be on production.

4 A. Yes, sir.

5 Q. Okay.

6 MR. NUTTER: Are there any other questions
7 of the witness? He may be excused.

8 Do you have anything further, Mr.
9 Sperling?

10 MR. SPERLING: No, sir. Thank you.

11 MR. NUTTER: Does anyone have anything
12 they wish to offer in Case Number 7207?

13 We'll take the case under advisement.

14
15 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR.

I do hereby certify that the foregoing is a complete and correct transcript of the hearing held on 3/25/72 at 7287.

Okun Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Saniti Fe, New Mexico 87501
Phone (505) 455-7409



POST OFFICE BOX 208A
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87301
(505) 827-2434

April 14, 1981

Mr. James Sperling
Modrall, Sperling, Roehl,
Harris & Sisk
Attorneys at Law
Post Office Box 2168
Albuquerque, New Mexico 87103

Re: CASE NO. 7207
ORDER NO. R-6648

Applicant:

Mobil Producing Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7207
Order No. R-6648

APPLICATION OF MOBIL PRODUCING INC.
FOR LEASE COMINGLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 25, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 13th day of April, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Mobil Producing Inc., is the owner and operator of the State J and State II Leases in Section 22, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle Vacuum Grayburg-San Andres production from said leases in a common tank battery located on the State J Lease, allocating the production to each well and to each lease on the basis of quarterly well tests.

(4) That the ownership of the two leases is common throughout except that Shell Oil Company holds a one-eighth overriding royalty interest under the State II Lease.

(5) That the Division's "Manual for the Installation and Operation of Comingling Facilities" requires the separate

-2-
Case No. 7207
Order No. R-6648

metering of production from each lease when leases of varying ownership are commingled.

(6) That Shell Oil Company waived said requirement for separate metering.

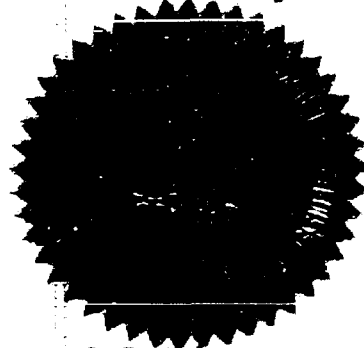
(7) That the proposed commingling should result in lower operating costs of the subject leases and should therefore result in the recovery of additional hydrocarbons from the subject leases, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That the applicant, Mobil Producing Inc., is hereby authorized to commingle Vacuum Grayburg-San Andres production from the State J and State II Leases, located in Section 22, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, in a common tank battery located on the State J Lease, allocating the production to each well and to each lease on the basis of quarterly well tests.

(2) That jurisdiction of this cause 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.

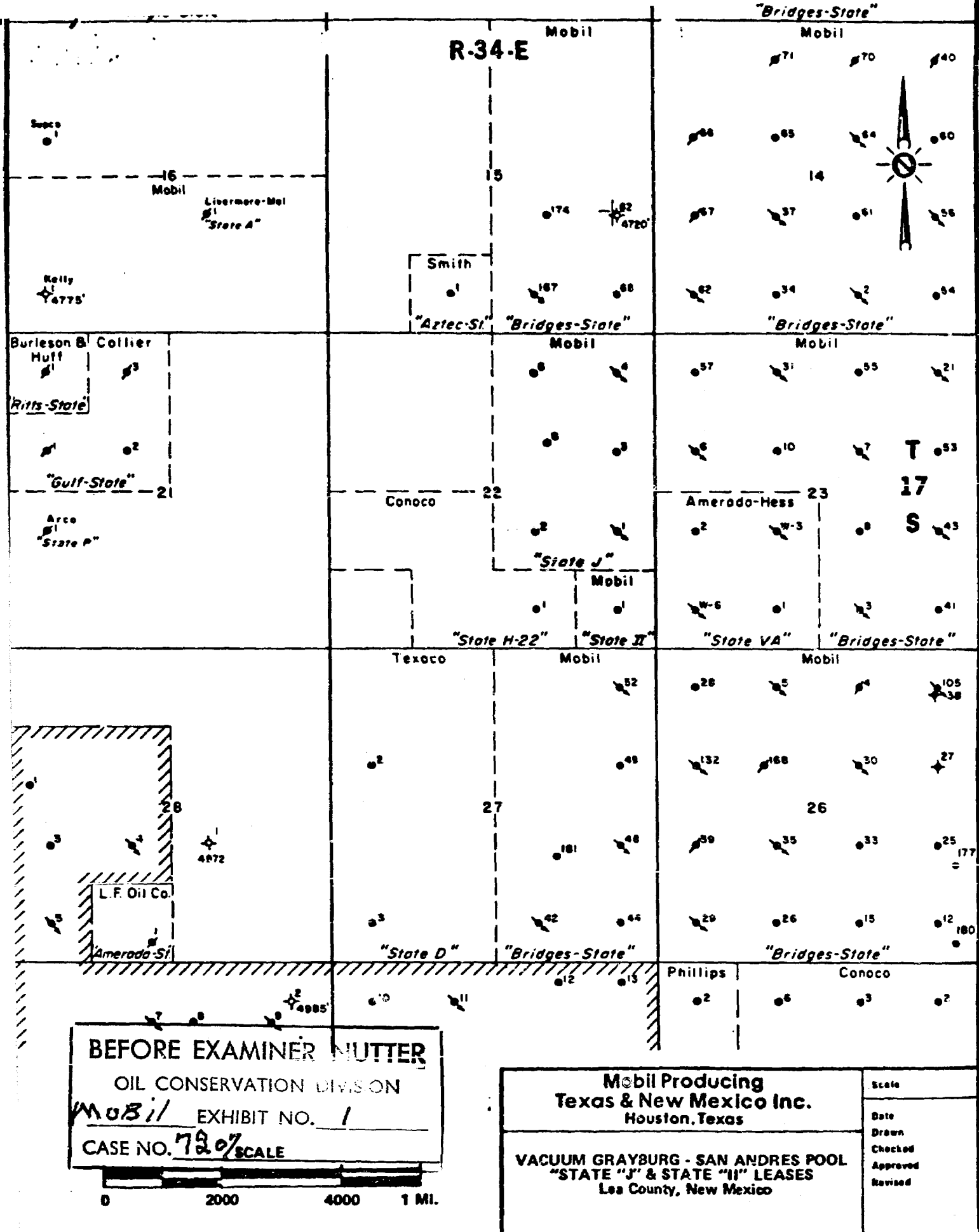


S E A L

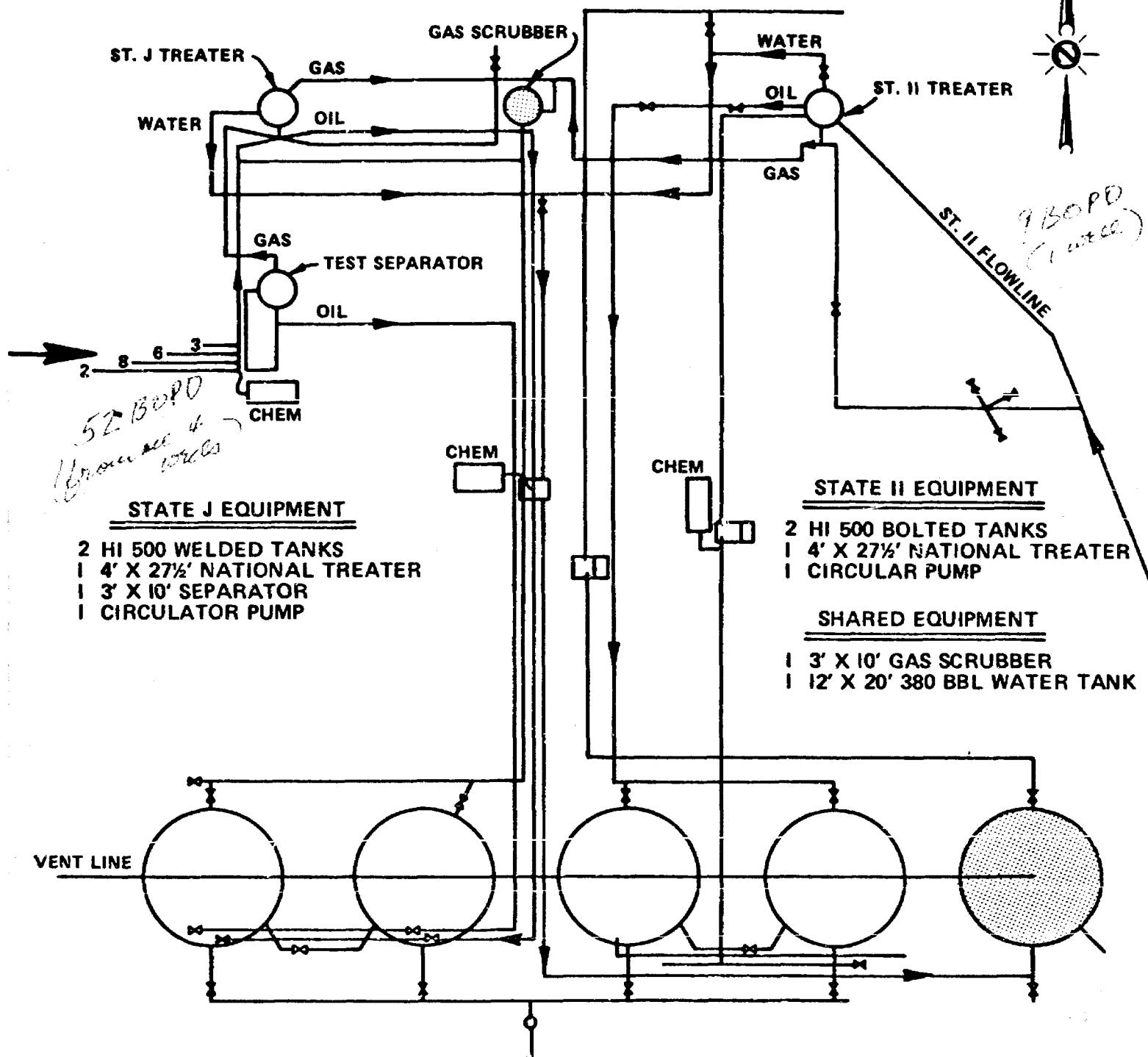
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/



MPTM EXISTING STATE J & II BATTERY



- STATE J EQUIPMENT**
- 2 HI 500 WELDED TANKS
 - 1 4' X 27½' NATIONAL TREATER
 - 1 3' X 10' SEPARATOR
 - 1 CIRCULATOR PUMP

- STATE II EQUIPMENT**
- 2 HI 500 BOLTED TANKS
 - 1 4' X 27½' NATIONAL TREATER
 - 1 CIRCULAR PUMP

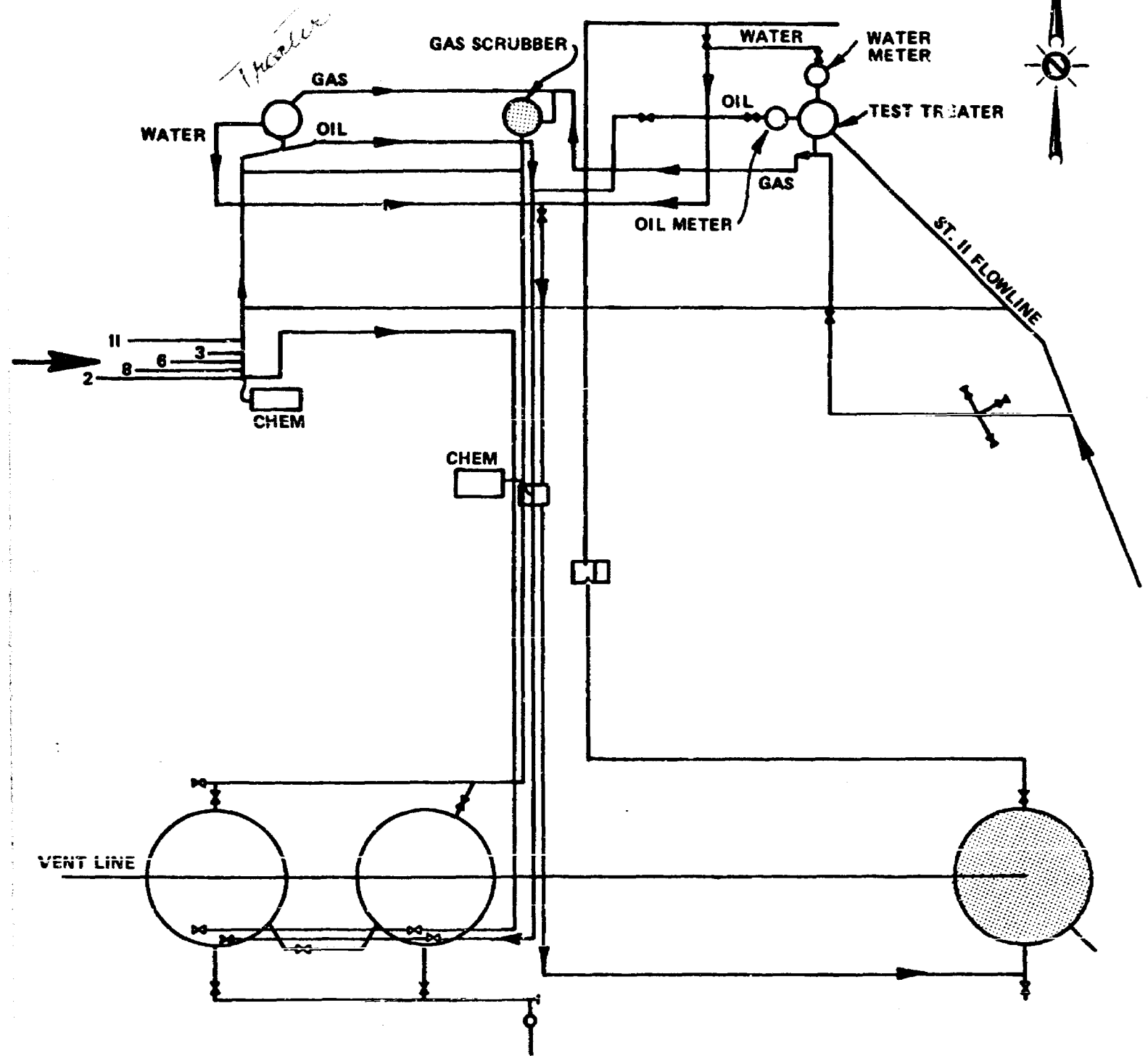
- SHARED EQUIPMENT**
- 1 3' X 10' GAS SCRUBBER
 - 1 12' X 20' 380 BBL WATER TANK

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Mobil EXHIBIT NO. 2
CASE NO. 7207

Mobil Producing
Texas & New Mexico Inc.
Houston, Texas

VACUUM GRAYBURG-SAN ANDRES POOL
STATE J & II LEASES
Lea County, New Mexico

MPTM PROPOSED STATE J & II BATTERY



BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Mobil EXHIBIT NO. 3
CASE NO. 7207

Mobil Producing
Texas & New Mexico Inc.
Houston, Texas

VACUUM GRAYBURG-SAN ANDRES POOL
STATE J & II LEASES
Lea County, New Mexico

Mobil Producing Texas & New Mexico Inc.

RECEIVED
ENVIRONMENTAL
& REGULATORY

OCT 29 '80

October 16, 1980

K/S	ADD	REC
JDC	LEN	REC
1118	EAM	ENV
	SGH	REG

Shell Oil Company
Box 991
Houston, Texas 77001

Attention: Mr. A. J. Fore

7.01 PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO J &
STATE OF NEW MEXICO II LEASE
LEA COUNTY, NEW MEXICO

Gentlemen:

Mobil Producing Texas & New Mexico, Inc. (MPTM) operates the subject producing leases in the Vacuum Grayburg San Andres Pool in Lea County, New Mexico. Shell Oil Company owns a 1/8 overriding royalty interest (ORRI) in the State II Lease.

MPTM proposes to surface commingle the production from these two leases to render unnecessary the purchase of equipment to replace tank battery facilities that have deteriorated. A plat showing the leases is attached.

The New Mexico Oil Conservation Division Director has authority to approve surface commingling under their Rule 309-B.

Rule 309-B item 5. (b) specifies certain requirements when diversity of ownership exists in the leases to be surface commingled. Item 5.(b) reads as follows: "To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current."

The Manual for the Installation and Operation of Commingled Facilities specifies that leases with diverse ownership which are commingled must meter, for production accounting purposes, production of each lease. By contrast production accounting from leases with common ownership may be allocated based on well tests.

FORE EXAMINER MUTTER

CONSERVATION DIVISION

Mobil EXHIBIT NO. 4

CASE NO. 7207

Mobil

The State II Lease has one well which produces 9 bbl/oil per day, and the State J has 4 producers and 2 water injectors. The daily production from the 4 wells on the State J Lease is approximately 52 bbls. of oil.

Ownership on these two leases are the same except for the ORRI held by Shell Oil Co., and production is from a common zone.

MPTM wishes to surface commingle the two leases and account for the production by well tests, preferably on a quarterly well test basis.

Please consider our request and if you as an ORRI owner have no objection to surface commingling the production from these two leases, and accounting for the lease production based on quarterly well test, please sign the statement below.

Yours very truly,

HFWeaver/lcc

for W.B. Summers Jr.
J. A. Morris
Regulatory Engineering Supervisor

Shell Oil Corp. has a 1/8 ORRI in the MPTM operated State of New Mexico II lease which produces from the Vacuum Grayburg San Andres Pool. We have no objection to MPTM's proposal to surface commingle the lease production with their State of New Mexico J Lease and account for each lease's separate production by the quarterly well test method.

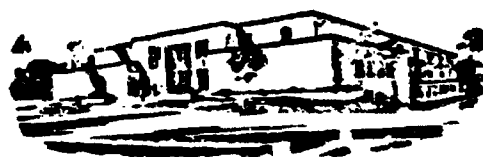
L. E. Henderson

SHELL OIL CORPORATION

RECEIVED
ENVIRONMENTAL
& REGULATORY

JAN 20 '81

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

January 14, 1981

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Mobil Producing Texas & New Mexico Inc.
Nine Greenway Plaza-Suite 2700
Houston, Texas 77046

Re: APPLICATION FOR EXCEPTION TO NMOC
RULE 309-A TO PERMIT COMMINGLING
PRODUCTION FROM THE NEW MEXICO STATE "J"
AND STATE "II" LEASES-VACUUM GRAYBURG
SAN ANDRES POOL
LEA COUNTY, NEW MEXICO

ATTENTION: Mr. J. A. Morris

Gentlemen:

We are in receipt of your letter of January 7, 1981, requesting permission to commingle Vacuum Grayburg San Andres Pool production from the New Mexico State "J" Lease (Wells 1,2,3,4,6, and 8) located in the NE/4 and N/2SE/4 of Section 22-T17S-R34E; and the State "II" Lease (Well No. 1) located in the SE/4SE/4 of said Section 22. The proposed commingling would be in the existing New Mexico State "J" tank battery located in the SW/4NE/4 of Section 22, T17S-R34E.

You are hereby given approval to the above request, this being subject to like approval by the New Mexico Oil Conservation Division. Also, any deviation from your proposed request will be reason to cancel approval.

Enclosed is one approved copy for your files.

Please remit a Ten (\$10.00) Dollar filing fee.

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
Mobil	EXHIBIT NO. 5
CASE NO.	7207

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO-Assistant Director
Oil and Gas Division
AC 505-827-2748

AJA/FOP/s
encls.

cc: Oil Conservation Division
New Mexico Oil and Gas Accounting Commission
State of New Mexico Leases B-1519-1 and B-2354-2

6
December / , 1980

Mobil Producing Texas & New Mexico, Inc.
9 Greenway Plaza
Suite 2700
Houston, Texas 77046

Attention: Mr. J. A. Morris

PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO "J" AND "II"
LEASES, VACUUM GRAYBURG
SAN ANDRES POOL, LEA COUNTY,
NEW MEXICO

Gentlemen:

Mobil Oil Corporation, Crude Oil Purchasing Department, as Purchaser, is agreeable with the proposed commingling of the production from the subject leases. There will be no change in the actual commercial value of the commingled production.

Yours very truly,



D. R. Wall, Jr.
Mobil Oil Corporation
Crude Oil Purchasing Department

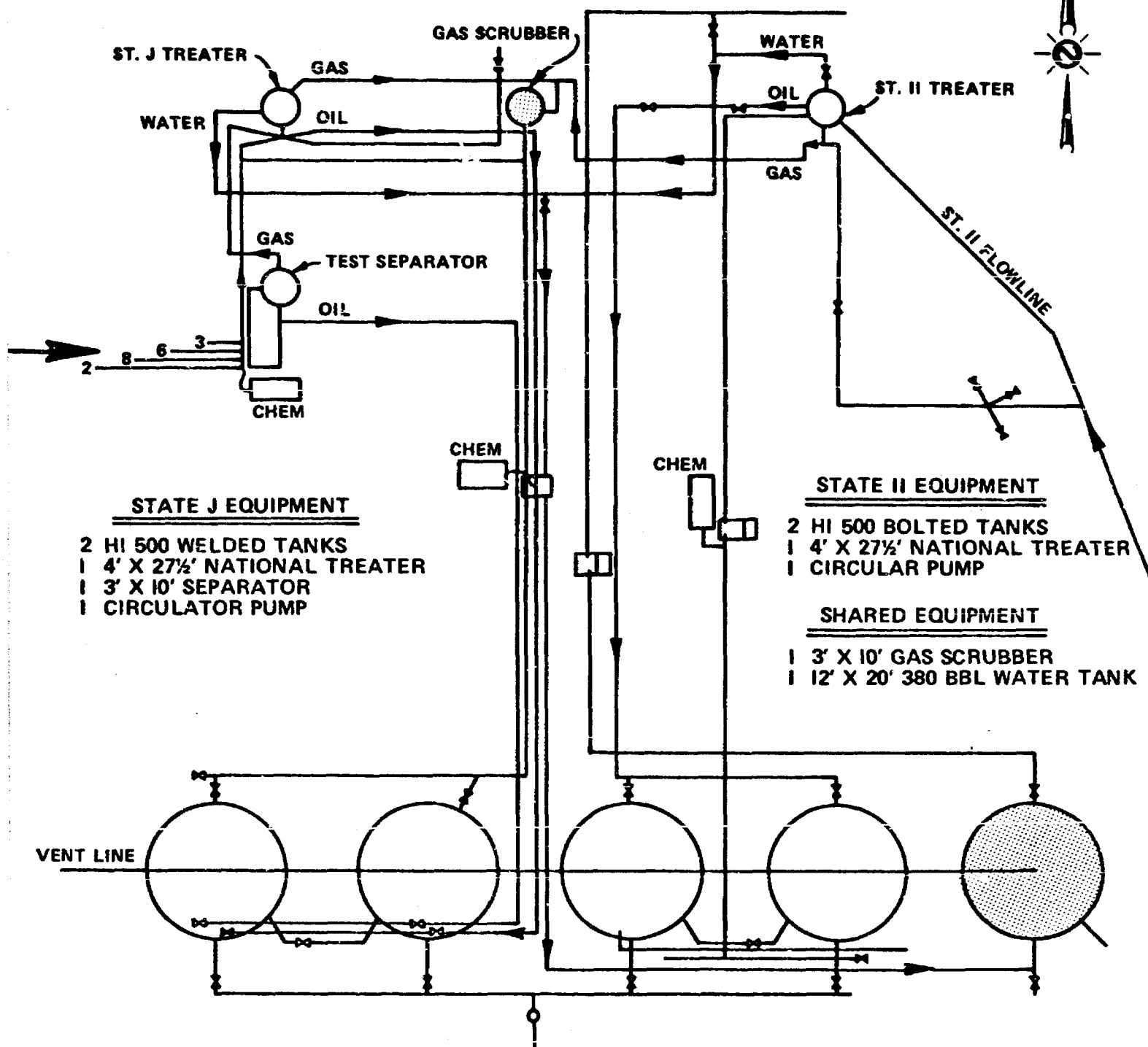
BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

Mobil EXHIBIT NO. 6

CASE NO. 7207

MPTM EXISTING STATE J & II BATTERY

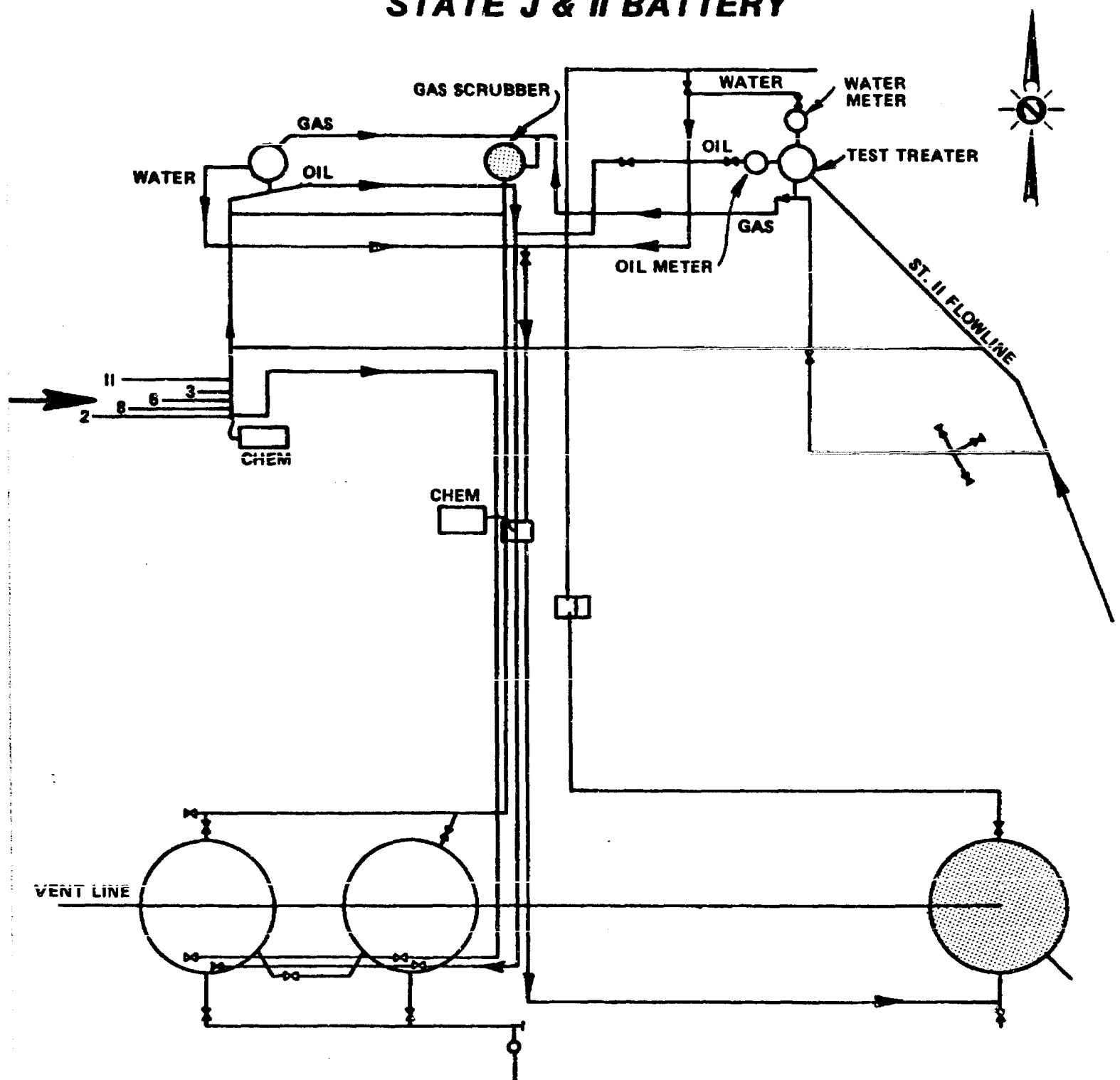


Mobil Producing
Texas & New Mexico Inc.
Houston, Texas

VACUUM GRAYBURG-SAN ANDRES POOL
STATE J & II LEASES
Lea County, New Mexico

EX. 2

MPTM PROPOSED STATE J & II BATTERY



<p>Mobil Producing Texas & New Mexico Inc. Houston, Texas</p>
<p>VACUUM GRAYBURG-SAN ANDRES POOL STATE J & II LEASES Lea County, New Mexico</p> <p><i>EX. 3</i></p>

Mobil Producing Texas & New Mexico Inc.

RECEIVED
ENVIRONMENTAL
& REGULATORY

OCT 29 '80

R/S	AGB	REG
JDC	SEN	REG
0	EAM	REG
	SGH	REG

October 16, 1980

Shell Oil Company
Box 991
Houston, Texas 77001

Attention: Mr. A. J. Fore

7.01 PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO J &
STATE OF NEW MEXICO II LEASE
LEA COUNTY, NEW MEXICO

Gentlemen:

Mobil Producing Texas & New Mexico, Inc. (MPTM) operates the subject producing leases in the Vacuum Grayburg San Andres Pool in Lea County, New Mexico. Shell Oil Company owns a 1/8 overriding royalty interest (ORRI) in the State II Lease.

MPTM proposes to surface commingle the production from these two leases to render unnecessary the purchase of equipment to replace tank battery facilities that have deteriorated. A plat showing the leases is attached.

The New Mexico Oil Conservation Division Director has authority to approve surface commingling under their Rule 309-B.

Rule 309-B item 5. (b) specifies certain requirements when diversity of ownership exists in the leases to be surface commingled. Item 5.(b) reads as follows: "To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current."

The Manual for the Installation and Operation of Commingled Facilities specifies that leases with diverse ownership which are commingled must meter, for production accounting purposes, production of each lease. By contrast production accounting from leases with common ownership may be allocated based on well tests.

Ex. 4

Mobil

The State II Lease has one well which produces 9 bbl/oil per day, and the State J has 4 producers and 2 water injectors. The daily production from the 4 wells on the State J Lease is approximately 52 bbls. of oil.

Ownership on these two leases are the same except for the ORRI held by Shell Oil Co., and production is from a common zone.

MPTM wishes to surface commingle the two leases and account for the production by well tests, preferably on a quarterly well test basis.

Please consider our request and if you as an ORRI owner have no objection to surface commingling the production from these two leases, and accounting for the lease production based on quarterly well test, please sign the statement below.

Yours very truly,

HFWeaver/lcc

for W.B. Summers Jr.
J. A. Morris
Regulatory Engineering Supervisor

Shell Oil Corp. has a 1/8 ORRI in the MPTM operated State of New Mexico II lease which produces from the Vacuum Grayburg San Andres Pool. We have no objection to MPTM's proposal to surface commingle the lease production with their State of New Mexico J Lease and account for each lease's separate production by the quarterly well test method.

L. E. Henderson

SHELL OIL CORPORATION

RECEIVED
ENVIRONMENTAL
& REGULATORY

JAN 20 '81

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

January 14, 1981

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Mobil Producing Texas & New Mexico Inc.
Nine Greenway Plaza-Suite 2700
Houston, Texas 77046

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ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO-Assistant Director
Oil and Gas Division
AC 505-827-2748

AJA/FOP/s
encls.

cc: Oil Conservation Division
New Mexico Oil and Gas Accounting Commission
State of New Mexico Leases B-1519-1 and B-2354-2

Ex. 5

December / , 1980

Mobil Producing Texas & New Mexico, Inc.
9 Greenway Plaza
Suite 2700
Houston, Texas 77046

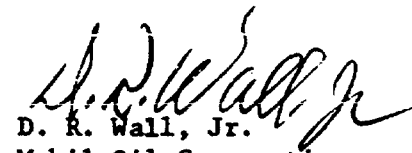
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PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO "J" AND "II"
LEASES, VACUUM GRAYBURG
SAN ANDRES POOL, LEA COUNTY,
NEW MEXICO

Gentlemen:

Mobil Oil Corporation, Crude Oil Purchasing Department, as Purchaser, is agreeable with the proposed commingling of the production from the subject leases. There will be no change in the actual commercial value of the commingled production.

Yours very truly,


D. R. Wall, Jr.
Mobil Oil Corporation
Crude Oil Purchasing Department

EX 6

- CASE 7200: Application of Estoril Producing Corporation for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Belco Fed. Well No. 1 located in Unit O of Section 15, Township 23 South, Range 34 East, to produce gas and gas liquids from the Strawn and Morrow formations, Antelope Ridge Field, thru parallel strings of tubing.
- CASE 7201: Application of Layton Enterprises, Inc. for a unit agreement, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Todd Lower San Andres Unit Area, comprising 3256 acres, more or less, of Federal and State lands in Township 7 South, Ranges 35 and 36 East.
- CASE 7202: Application of Layton Enterprises, Inc. for a waterflood project, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the San Andres formation thru 4 injection wells located in Sections 30, 31 and 32 of its Todd Lower San Andres Unit in Township 7 South, Range 36 East.
- CASE 7203: Application of Southern Union Exploration Co. of Texas for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Susco Bough "C" Unit Area, comprising 2560 acres, more or less, of State lands in Township 10 South, Range 33 East.
- CASE 7204: Application of Bass Enterprises Production Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the interval from 3820 feet to 3915 feet in its Federal Legg Well No. 1 in Unit B of Section 27, Township 22 South, Range 30 East, Quahada Ridge Field.
- CASE 7205: Application of Supron Energy Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 35, Township 31 North, Range 12 West, to be dedicated to a well to be drilled at a standard location thereon.
- CASE 7183: (Continued from March 11, 1981, Examiner Hearing)
- Application of Flag-Redfern Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Osudo St. Com Well No. 2 at an unorthodox location 990 feet from the North and East lines of Section 18, Township 20 South, Range 36 East, North Osudo-Morrow Gas Pool.
- CASE 7206: Application of Mobil Producing Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through perforations from 12,212 feet to 12,218 feet and the open hole interval from 12,240 feet to 12,555 feet in its Santa Fe Pacific Well No. 3 in Unit M of Section 26, Township 9 South, Range 36 East, Crossroads Field.
- CASE 7207: Application of Mobil Producing Inc. for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the commingling of Vacuum Grayburg-San Andres production from the State J and State II leases in Section 22, Township 17 South, Range 34 East.
- CASE 7208: Application of Gulf Oil Corporation for the amendment of pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the White City-Pennsylvanian Gas Pool Rules to provide for 320-acre spacing rather than 640 acres with well locations specified as being at least 1650 feet from the end boundary and 660 feet from the side boundary of the proration unit.
- CASE 7129: (Continued from February 25, 1981, Examiner Hearing)
- Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the N/2 of Section 28, Township 28 North, Range 8 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7169: (Continued from February 25, 1981, Examiner Hearing)
- Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 22, Township 28 North, Range 8 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Application of Mowat Producing Inc
for lease Cunningham, Lea County
New Mexico.

Applicant, in the above styled case, seeks approval
for the commencing of ^{Valley} Grayburg San Andres
production from its State I and State ~~II~~ II
leases in Section 23, Township 17 South, Range 34
East.

Mobil Producing Texas & New Mexico Inc.

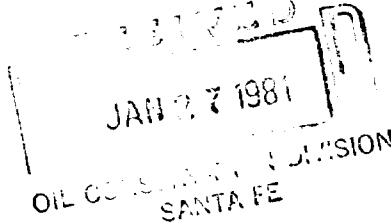
January 21, 1981

Case 7207

NINE GREENWAY PLAZA - SUITE 2700
HOUSTON, TEXAS 77046

State of New Mexico
Energy & Minerals Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey



APPLICATION FOR EXCEPTION TO NMOCD
RULE 309-A TO PERMIT COMMINGLED
PRODUCTION FROM THE NEW MEXICO
STATE "J" AND STATE "II" LEASES
VACUUM GRAYBURG SAN ANDRES POOL
LEA COUNTY, NEW MEXICO

*not eligible
for administrative
approval
without
separate
metering
notified Reg
Weaver - he
wants to
go to hearing
on Mar 25*

Gentlemen:

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The following attachments are submitted in support of this application:

- A. Exhibit #1 - Plat showing the leases and wells of this request.
- B. Exhibit #2 - Schematic of the proposed modifications at the New Mexico State "J" Lease tank battery.
- C. Exhibit #3 - Letter of Consent from the purchaser of the crude.
- D. Exhibit #4 - Commissioner of Public Lands approval letter for this application.

Yours very truly,

J. A. Morris

J. A. Morris
Regulatory Engineering Supervisor

HFWeaver/lcc

Attachments

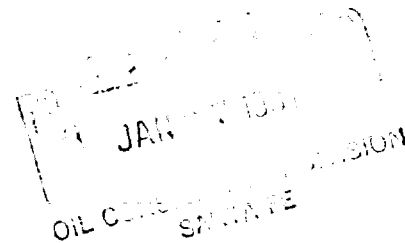
Mobil Producing Texas & New Mexico Inc.

January 21, 1981

State of New Mexico
Energy & Minerals Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

NINE GREENWAY PLAZA—SUITE 2700
HOUSTON TEXAS 77046



APPLICATION FOR EXCEPTION TO NMOCD
RULE 309-A TO PERMIT COMMINGLED
PRODUCTION FROM THE NEW MEXICO
STATE "J" AND STATE "II" LEASES
VACUUM GRAYBURG SAN ANDRES POOL
LEA COUNTY, NEW MEXICO

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J. A. Morris
Regulatory Engineering Supervisor

HFWeaver/lcc

Attachments

Mobil Producing Texas & New Mexico Inc.

October 16, 1980

RECEIVED
ENVIRONMENTAL
& REGULATORY

OCT 29 '80

RMS	ADB	REG. STENO 2
JDC	LM	ENV. FILE
	EAM	PER FILE
	SGH	

Shell Oil Company
Box 991
Houston, Texas 77001

Attention: Mr. A. J. Fore

7.01 PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO J &
STATE OF NEW MEXICO II LEASE
LEA COUNTY, NEW MEXICO

Gentlemen:

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Mobil

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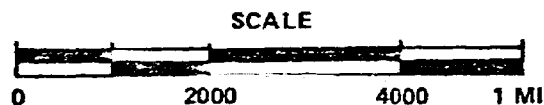
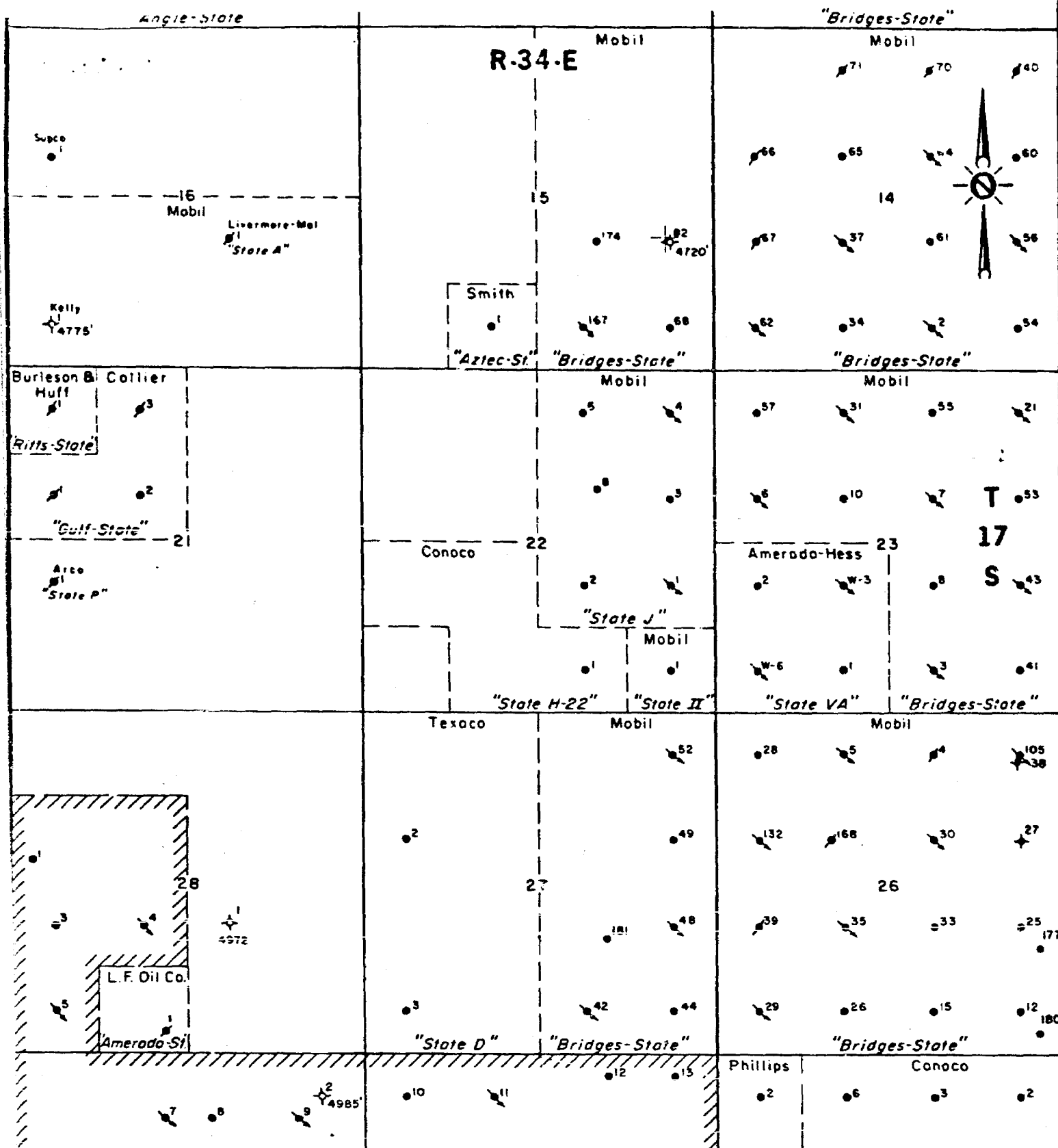
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W.B. Summings
for J. A. Morris
Regulatory Engineering Supervisor

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L. E. Henderson

SHELL OIL CORPORATION



Mobil Producing Texas & New Mexico Inc. Houston, Texas		Scale
VACUUM GRAYBURG - SAN ANDRES POOL "STATE 'J' & STATE 'II' LEASES" Lea County, New Mexico		Date Drawn Checked Approved Revised

RECEIVED
ENVIRONMENTAL
& REGULATORY

JAN 20 1981

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

January 14, 1981

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Mobil Producing Texas & New Mexico Inc.
Nine Greenway Plaza-Suite 2700
Houston, Texas 77046

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COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO-Assistant Director
Oil and Gas Division
AC 505-827-2748

AJA/FOP/s
encls.

cc: Oil Conservation Division
New Mexico Oil and Gas Accounting Commission
State of New Mexico Leases B-1519-1 and B-2354-2

December / , 1980

Mobil Producing Texas & New Mexico, Inc.
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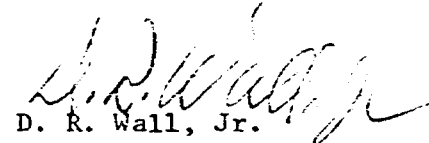
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PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO "J" AND "II"
LEASES, VACUUM GRAYBURG
SAN ANDRES POOL, LEA COUNTY,
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D. R. Wall, Jr.
Mobil Oil Corporation
Crude Oil Purchasing Department

FOR

JOB OR AUTH. NO.

LOCATION

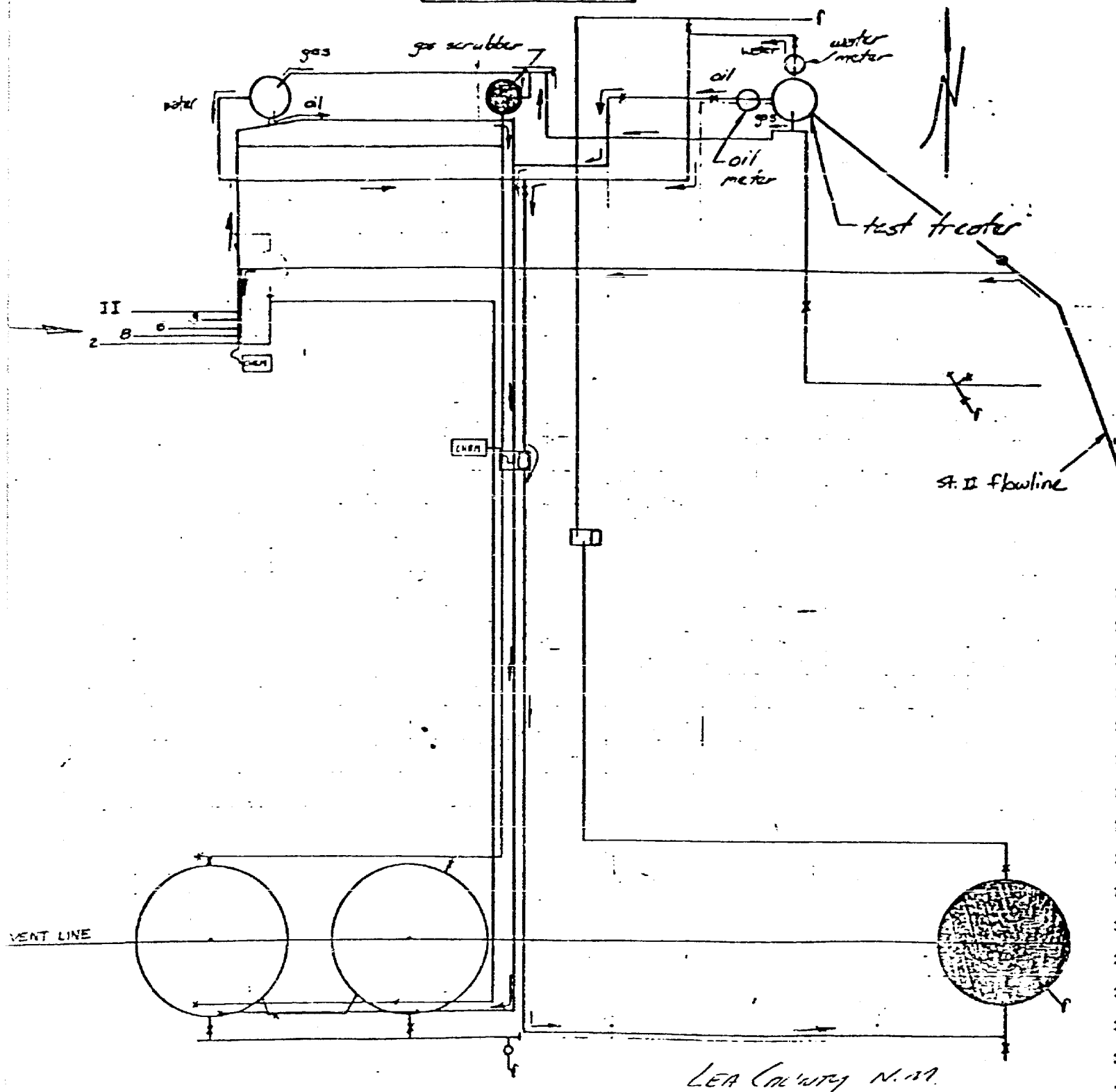
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SUBJECT

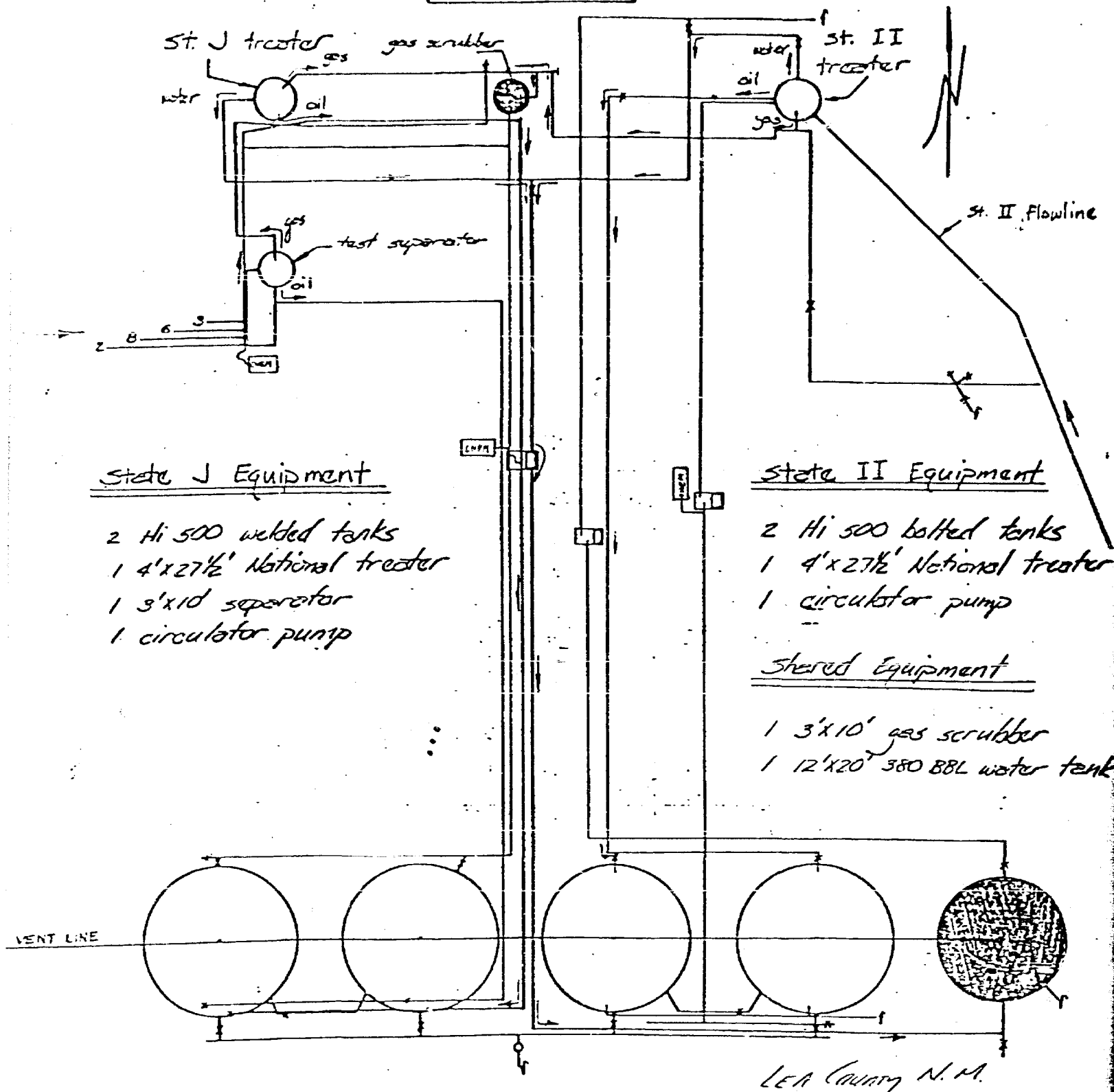
DATE

BY

WPTM
PROPOSED
STATE J & II
BATTERY



MPTM
EXISTING
STATE J & II
BATTERY



Mobil Producing Texas & New Mexico Inc.

January 21, 1981

NINE GREENWAY PLAZA - SUITE 2700
HOUSTON TEXAS 77046

State of New Mexico
Energy & Minerals Dept.
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 7207

Attention: Mr. Joe D. Ramey

APPLICATION FOR EXCEPTION TO NMOCD
RULE 309-A TO PERMIT COMMINGLED
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VACUUM GRAYBURG SAN ANDRES POOL
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- A. Exhibit #1 - Plat showing the leases and wells of this request.
- B. Exhibit #2 - Schematic of the proposed modifications at the New Mexico State "J" Lease tank battery.
- C. Exhibit #3 - Letter of Consent from the purchaser of the crude.
- D. Exhibit #4 - Commissioner of Public Lands approval letter for this application.

Yours very truly,

J. A. Morris

J. A. Morris
Regulatory Engineering Supervisor

HFWeaver/lcc

Attachments

Mobil Producing Texas & New Mexico Inc.

October 16, 1980

RECEIVED ENVIRONMENTAL & REGULATORY		
OCT 29 '80		
R/S	ADB	REGISTRATION
JCC	LMH	REG STAFF 2
10/16/80	EAM	ENV. FILE
	SGH	PER. FILE

Shell Oil Company
Box 991
Houston, Texas 77001

Attention: Mr. A. J. Fore

7.01 PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO J &
STATE OF NEW MEXICO II LEASE
LEA COUNTY, NEW MEXICO

Gentlemen:

Mobil Producing Texas & New Mexico, Inc. (MPTM) operates the subject producing leases in the Vacuum Grayburg San Andres Pool in Lea County, New Mexico. Shell Oil Company owns a 1/8 overriding royalty interest (ORRI) in the State II Lease.

MPTM proposes to surface commingle the production from these two leases to render unnecessary the purchase of equipment to replace tank battery facilities that have deteriorated. A plat showing the leases is attached.

The New Mexico Oil Conservation Division Director has authority to approve surface commingling under their Rule 309-B.

Rule 309-B item 5. (b) specifies certain requirements when diversity of ownership exists in the leases to be surface commingled. Item 5.(b) reads as follows: "To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current."

The Manual for the Installation and Operation of Commingled Facilities specifies that leases with diverse ownership which are commingled must meter, for production accounting purposes, production of each lease. By contrast production accounting from leases with common ownership may be allocated based on well tests.

Mobil

The State II Lease has one well which produces 9 bbl/oil per day, and the State J has 4 producers and 2 water injectors. The daily production from the 4 wells on the State J Lease is approximately 52 bbls. of oil.

Ownership on these two leases are the same except for the ORRI held by Shell Oil Co., and production is from a common zone.

MPTM wishes to surface commingle the two leases and account for the production by well tests, preferably on a quarterly well test basis.

Please consider our request and if you as an ORRI owner have no objection to surface commingling the production from these two leases, and accounting for the lease production based on quarterly well test, please sign the statement below.

Yours very truly,

HFWeaver/lcc

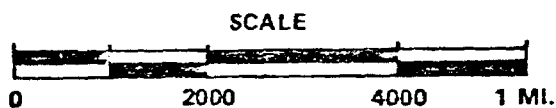
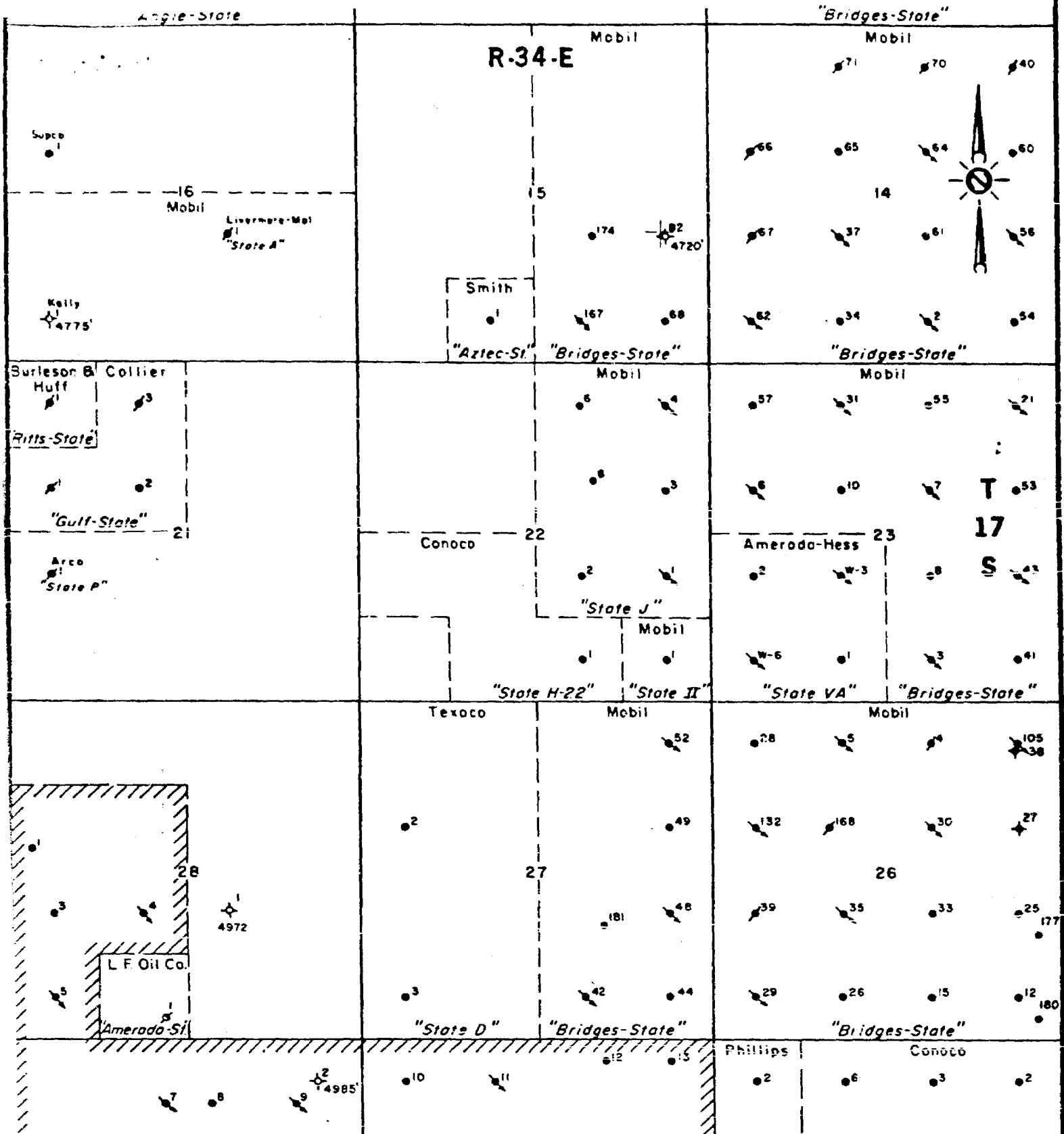
for *W.B. Summings Jr.*
J. A. Morris

Regulatory Engineering Supervisor

Shell Oil Corp. has a 1/8 ORRI in the MPTM operated State of New Mexico II lease which produces from the Vacuum Grayburg San Andres Pool. We have no objection to MPTM's proposal to surface commingle the lease production with their State of New Mexico J Lease and account for each lease's separate production by the quarterly well test method.

L. E. Henderson

SHELL OIL CORPORATION

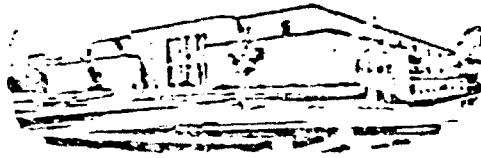


Mobil Producing Texas & New Mexico Inc. Houston, Texas	Scale
	Date
	Drawn
	Checked
	Approved
VACUUM GRAYBURG - SAN ANDRES POOL "STATE "J" & STATE "II" LEASES Lea County, New Mexico	Revised

RECEIVED
ENVIRONMENTAL
& REGULATORY

JAN 20 '81

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

January 14, 1981

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Mobil Producing Texas & New Mexico Inc.
Nine Greenway Plaza-Suite 2700
Houston, Texas 77046

Re: APPLICATION FOR EXCEPTION TO NMOC
RULE 309-A TO PERMIT COMMINGLING
PRODUCTION FROM THE NEW MEXICO STATE "J"
AND STATE "II" LEASES-VACUUM GRAYBURG
SAN ANDRES POOL
LEA COUNTY, NEW MEXICO

ATTENTION: Mr. J. A. Morris

Gentlemen:

We are in receipt of your letter of January 7, 1981, requesting permission to commingle Vacuum Grayburg San Andres Pool production from the New Mexico State "J" Lease (Wells 1,2,3,4,6, and 8) located in the NE/4 and N/2SE/4 of Section 22-T17S-R34E; and the State "II" Lease (Well No. 1) located in the SE/4SE/4 of said Section 22. The proposed commingling would be in the existing New Mexico State "J" tank battery located in the SW/4NE/4 of Section 22, T17S-R34E.

You are hereby given approval to the above request, this being subject to like approval by the New Mexico Oil Conservation Division. Also, any deviation from your proposed request will be reason to cancel approval.

Enclosed is one approved copy for your files.

Please remit a Ten (\$10.00) Dollar filing fee.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS
BY: *Floyd O. Prado*
FLOYD O. PRADO-Assistant Director
Oil and Gas Division
AC 505-827-2748

AJA/FOP/s
encls.

cc: Oil Conservation Division
New Mexico Oil and Gas Accounting Commission
State of New Mexico Leases B-1519 1 and B-2354-2

December / , 1980

Mobil Producing Texas & New Mexico, Inc.
9 Greenway Plaza
Suite 2700
Houston, Texas 77046

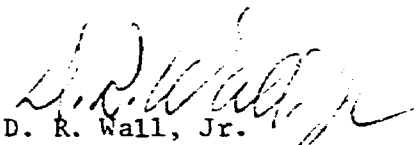
Attention: Mr. J. A. Morris

PROPOSED SURFACE COMMINGLING
STATE OF NEW MEXICO "J" AND "II"
LEASES, VACUUM GRAYBURG
SAN ANDRES POOL, LEA COUNTY,
NEW MEXICO

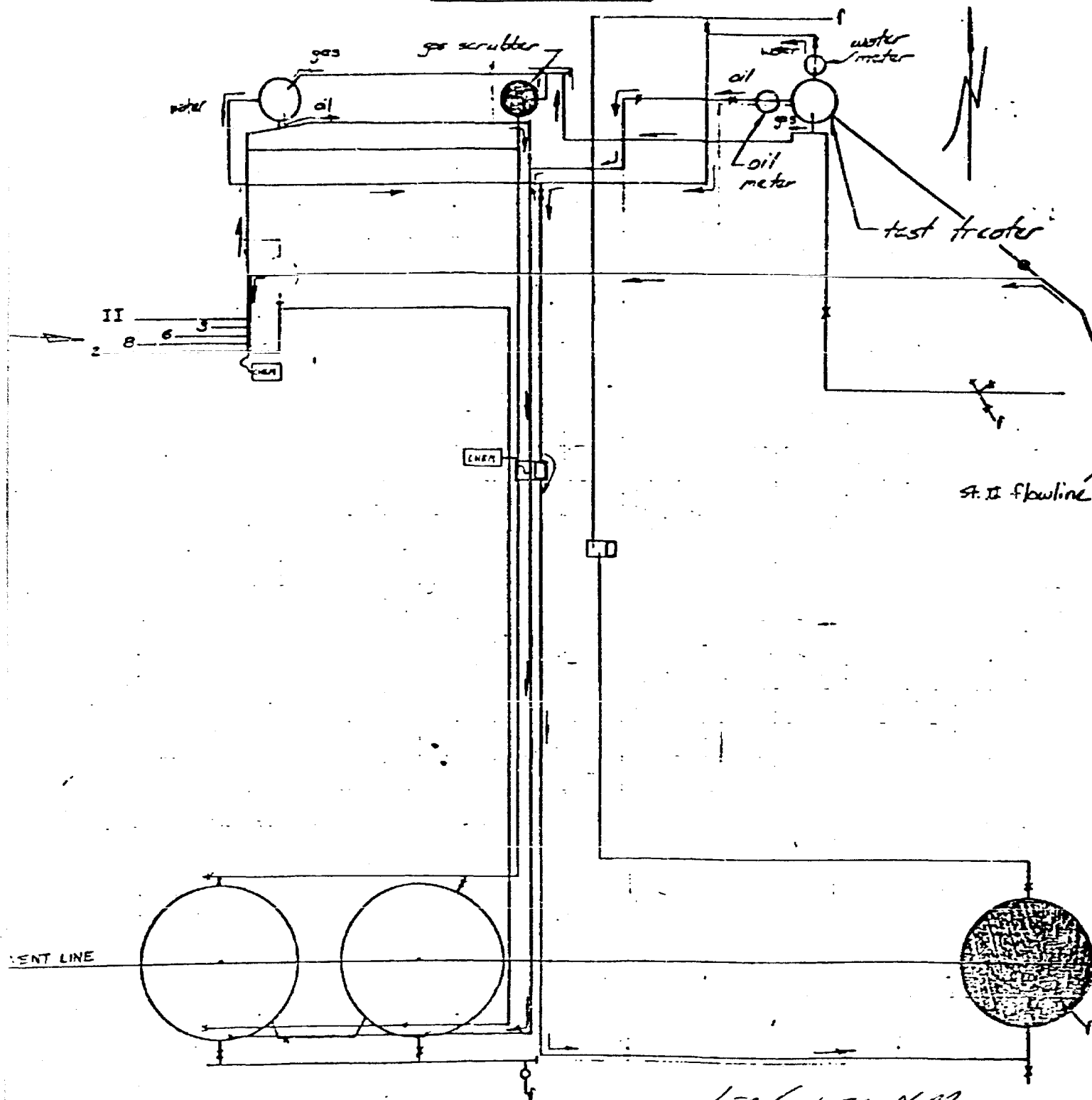
Gentlemen:

Mobil Oil Corporation, Crude Oil Purchasing Department, as Purchaser, is agreeable with the proposed commingling of the production from the subject leases. There will be no change in the actual commercial value of the commingled production.

Yours very truly,


D. R. Wall, Jr.
Mobil Oil Corporation
Crude Oil Purchasing Department

11/17/77
 REPROD
 STATE J & II
 BATTERY



LEA (CITY) N.M.

ROUGH
dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7207

Order No. R-6648

APPLICATION OF MOBIL PRODUCING INC.
FOR LEASE COMMINGLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 25
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of April, 19 81, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Mobil Producing Inc., is the owner
and operator of the State J and State II leases in Section 22,
Township 17 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle Vacuum
Grayburg-San Andres production ^{from said} on the leases in a common tank
battery located on the State J lease, allocating the
production to each well and to ~~each~~ each lease on
the basis of quarterly well tests.

(4) That the ownership of the two leases is common
throughout except that Shell Oil Company holds a
one-eighth overriding royalty interest under the
State II lease.

(5) That ~~Shell Oil Company~~ the Division's "Manual
for the Installation and Operation of Commingling
Facilities" requires the separate metering of production from
each lease when leases of varying ownership are commingled.

(4) That Shell Oil Company waived said requirement
-2- for separate metering.

should result in lower operating costs of the subject
(7) That the proposed commingling ~~may~~ result in the recovery of additional hydrocarbons from the subject leases, thereby preventing waste, and will not violate correlative rights.

~~(5) That the reservoir characteristics of the subject leases are such that underground waste would not be caused by the proposed commingling.~~

~~(6) That in order to allocate the commingled production to the commingled zone in the leases, applicant should consult with the supervisor of the Hobbs district office of the Division and determine an allocation formula.~~

IT IS THEREFORE ORDERED:

(1) That the applicant, Mobil Producing Inc., is hereby authorized to commingle Vacuum Grayburg-San Andres production ^{from} the State J and State II leases, located in Section 22, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, ^{in a common tank battery located on the State J and State II leases, allocating the production to each well and to each lease on the basis of quarterly tests}
~~(2) That the applicant shall consult with the Supervisor of the Hobbs district office of the Division and determine an allocation formula for the allocation of production to each zone.~~

~~-(3)--That the~~

(2) That jurisdiction of this cause 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.