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. 11846
Order No. R-10875

APPLICATION OF DEVON ENERGY
CORPORATION (NEVADA) FOR LEASE
COMMINGLING, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 4, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of September, 1997 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2)   Division Case Nos. 11845, 11846 and 11847 were consolidated at the time of the hearing for the purpose of testimony.

(3)   The applicant, Devon Energy Corporation (Nevada), is the lessor of the following described Federal lands in Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico:

> Federal Lease No. NM-031186 which comprises the S/2 NW/4 of Section 9;

> Federal Lease No. NM-025604 which comprises the NE/4 and N/2 SE/4 of Section 9; and

> Federal Lease No. LC-065478-B which comprises the S/2 SE/4 of Section 9.

Comprising some 400 acres, more or less.

(4)   The applicant seeks an exception to Division General Rule No. 309-B to permit lease commingling of Red Lake Queen-Grayburg-San Andres Pool production from twenty (20) existing or future drilled wells located on the above-described Federal leases.

(5)   The applicant proposes to install a central tank battery at a location within the SE/4 NW/4 of Section 9 on Federal Lease No. NM-031186.

(6)   The applicant further seeks authority to determine the production from each of the subject wells by monthly well tests.

(7)   Division General Rule No. 309-B.A.(5) provides for administrative approval of lease commingling, provided however that in order to commingle the production from two or more separate leases in a common tank battery without first separately metering the production from each such lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(8)   According to applicant's evidence and testimony, the working and/or overriding royalty interest ownership between the subject Federal leases is not common.

(9)   There are currently eight producing wells on the subject Federal leases producing from the Red Lake Queen-Grayburg-San Andres Pool. Applicant proposes to drill an additional twelve wells to develop these leases.

(10)   Each working, royalty, and overriding royalty interest owner within the proposed commingled area were provided notice of this application and at the time of the hearing no interested party entered an appearance in this matter or filed an objection to the subject application.

(11)   Approval of the application will result in economic savings to the operator, is in the best interest of conservation, exhibits sound engineering principles, and will serve to prevent waste and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each well on the subject leases on at least a monthly basis.

(12)   The commingling facilities should be installed and operated in accordance with the applicable provisions of General Rule No. 303 of the Division Rules and Regulations and the Division's "*Manual for the Installation and Operation of Commingling Facilities*".

(13)   The operator should notify the supervisor of the Artesia District Office of the Division prior to implementation of the commingling process and at such time as wells are completed and production from said wells is commingled at the central tank battery.

IT IS THEREFORE ORDERED THAT:

(1)   The applicant, Devon Energy Corporation (Nevada), is hereby authorized to commingle Red Lake Queen-Grayburg-San Andres Pool production from the following described Federal leases in Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, in a central tank battery to be located in the SE/4 NW/4 of Section 9, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, allocating the production to each well and to each lease on the basis of monthly well tests:

> Federal Lease No. NM-031186 which comprises the S/2 NW/4 of Section 9;

> Federal Lease No. NM-025604 which comprises the NE/4 and N/2 SE/4 of Section 9; and

> Federal Lease No. LC-065478-B which comprises the S/2 SE/4 of Section 9.

> Comprising some 400 acres, more or less.

PROVIDED HOWEVER THAT, the facilities for said commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on the subject leases at least once each month.

PROVIDED FURTHER THAT, the aforementioned facilities shall be installed and operated in accordance with the applicable provisions of General Rule No. 303 of the Division Rules and Regulations and the Division's *"Manual for the Installation and Operation of Commingling Facilities"*.

PROVIDED FURTHER THAT, the applicant shall conduct monthly productivity tests on each of the wells on the subject leases and shall file the results of said tests with the Division's District Office at Artesia, New Mexico on Division Form C-115 each month.
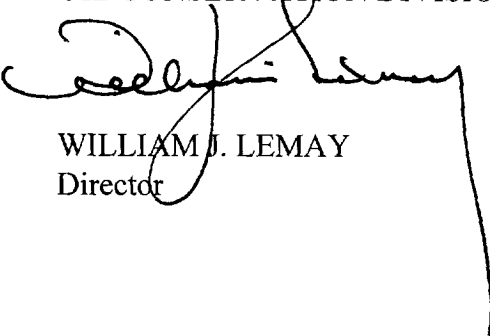
(2)   The operator shall notify the supervisor of the Artesia District Office of the Division prior to implementation of the commingling process and at such time as wells are completed and production from said wells is commingled at the central tank battery.

(3)   It shall be the responsibility of the producer to notify the transporter of this commingling authority.

(4)   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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

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