

**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. 12239
Order No. R-11250***

**APPLICATION OF MARKS AND GARNER PRODUCTION LTD. CO. FOR AN
EXCEPTION TO DIVISION RULES 305 AND 309 TO PERMIT LEASE
COMMINGLING AND APPROVAL OF A CENTRAL DELIVERY POINT,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 16, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 29th day of September, 1999, 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) The applicant, Marks and Garner Production Ltd. Co., seeks an exception to Division Rules No. 305 and 309 to permit lease commingling of gas production from the Grayburg Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool from the following described seventeen (17) wells located on various state or federal leases in Eddy County, New Mexico:

<u>Well Name & Number</u>	<u>Well Location</u>
Red Twelve Federal No. 1	Unit O, Section 33, T-16 South, R-29 East
Red Twelve Federal No. 2	Unit P, Section 33, T-16 South, R-29 East
Cave State No. 1	Lot 4, Section 4, T-17 South, R-29 East
Cave State No. 5	Lot 3, Section 4, T-17 South, R-29 East
Diamond State No. 1	Unit O, Section 4, T-17 South, R-29 East
Diamond State No. 2	Unit M, Section 4, T-17 South, R-29 East
Red State No. 1	Lot 2, Section 4, T-17 South, R-29 East
Red State No. 2	Unit G, Section 4, T-17 South, R-29 East
State No. 1	Unit D, Section 4, T-17 South, R-29 East
State No. 2	Lot 3, Section 4, T-17 South, R-29 East
Levers Federal No. 7	Unit J, Section 33, T-16 South, R-29 East
Levers Federal No. 5	Unit M, Section 33, T-16 South, R-29 East

Levers Federal No. 6	Unit L, Section 33, T-16 South, R-29 East
Red Twelve State No. 1	Unit N, Section 4, T-17 South, R-29 East
Red Twelve State No. 2	Unit H, Section 4, T-17 South, R-29 East
Red Twelve State No. 3	Unit I, Section 5, T-17 South, R-29 East
Cave State No. 2	Unit H, Section 5, T-17 South, R-29 East

(3) The applicant further seeks authority to commingle the gas production from the above-described wells without first separately metering the production from each well.

(4) Division Rule No. 309-B.A.(5)(a) provides that:

“to commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership and overriding royalty ownership.”

(5) According to applicant’s evidence, the proposed commingled wells are marginal producers within the Grayburg Jackson Pool. Total combined gas production from the proposed commingled wells is approximately 100 MCF gas per day.

(6) Applicant further testified that it is uneconomic to maintain separate metering facilities for each well due to their marginal nature.

(7) The applicant proposes to commingle and allocate the production to each well in the following manner:

- a) Oil and gas production will be separated at each well utilizing a two-phase separator. Oil production will be stored and sold at each wellsite. Gas production from the seventeen wells will be commingled and delivered to a central delivery and metering point located in Unit O of Section 8, Township 17 South, Range 29 East.
- b) Gas production from each well shall be determined by monthly well test.

(8) The applicant testified that the working interest ownership among the subject wells is common; however, there is diversity of royalty and overriding royalty interest among the wells.

(9) The applicant notified all interest owners in the wells of its proposed commingling, including the Bureau of Land Management and the Commissioner of Public Lands for the State of New Mexico. By letter dated August 9, 1999, the Commissioner of Public Lands for the State of New Mexico approved the applicant's proposed commingling.

(10) No other interest owner appeared at the hearing in opposition to the application.

(11) Approval of the application will allow the applicant to economically produce the oil and gas reserves from the subject wells, thereby preventing waste, and will not violate correlative rights.

(12) The applicant should notify the transporter of the commingling authority granted by this order.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Marks and Garner Production Ltd. Co., is hereby granted an exception to Division Rules No. 305 and 309 to permit lease commingling of gas production from the Grayburg Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool from the following described seventeen (17) wells located on various state or federal leases in Eddy County, New Mexico:

Well Name & Number

Well Location

Red Twelve Federal No. 1	Unit O, Section 33, T-16 South, R-29 East
Red Twelve Federal No. 2	Unit P, Section 33, T-16 South, R-29 East
Cave State No. 1	Lot 4, Section 4, T-17 South, R-29 East
Cave State No. 5	Lot 3, Section 4, T-17 South, R-29 East
Diamond State No. 1	Unit O, Section 4, T-17 South, R-29 East
Diamond State No. 2	Unit M, Section 4, T-17 South, R-29 East
Red State No. 1	Lot 2, Section 4, T-17 South, R-29 East
Red State No. 2	Unit G, Section 4, T-17 South, R-29 East
State No. 1	Unit D, Section 4, T-17 South, R-29 East
State No. 2	Lot 3, Section 4, T-17 South, R-29 East
Levers Federal No. 7	Unit J, Section 33, T-16 South, R-29 East
Levers Federal No. 5	Unit M, Section 33, T-16 South, R-29 East
Levers Federal No. 6	Unit L, Section 33, T-16 South, R-29 East
Red Twelve State No. 1	Unit N, Section 4, T-17 South, R-29 East
Red Twelve State No. 2	Unit H, Section 4, T-17 South, R-29 East
Red Twelve State No. 3	Unit I, Section 5, T-17 South, R-29 East
Cave State No. 2	Unit H, Section 5, T-17 South, R-29 East

(2) Gas production from the seventeen wells shall be commingled and delivered to a central delivery and metering point located in Unit O of Section 8, Township 17 South, Range 29 East. Gas production from each of the wells shall be determined by means of a monthly well test.

(3) The applicant shall notify the transporter of the commingling authority granted by this order.

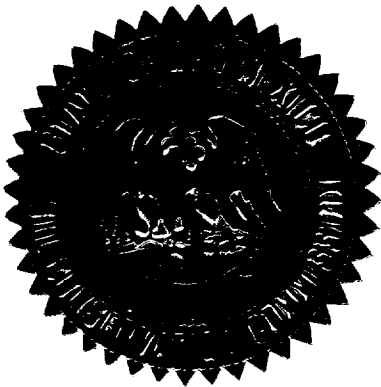
(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director



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