

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. 12254
ORDER NO. R-11288

APPLICATION OF MARALO, L.L.C. FOR AN EXCEPTION TO DIVISION RULES 305
AND 309 TO PERMIT LEASE COMMINGLING AND APPROVAL OF A CENTRAL
DELIVERY POINT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 7, 1999 at Santa Fe, New Mexico.
before Examiner Michael E. Stogner.

NOW, on this 6th day of December, 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, Maralo, L.L.C., seeks an exception to Division Rules No. 305 and 309
to permit lease commingling of gas production from the West Corbin-Delaware Pool from the following
five (5) wells located on federal leases in Section 13, Township 18 South, Range 32 East, NMPM, Lea
County, New Mexico:

Well Name and Number	API No.	Footage Location	Unit
Corbin "13-A" Federal Well No. 1	30-025-31698	1830' FSL & 660' FEL	I
Corbin "13-A" Federal Well No. 2	30-025-32238	1650' FS & EL	J
Corbin "13-A" Federal Well No. 3	30-025-33474	660' FSL & 1980' FEL	O
Uncle Sam "13" Federal Well No. 1	30-025-32055	1650' FNL & 990' FEL	H
West Corbin "13" Federal Well No. 1	30-025-31635	660' FS & EL	P

(3) The applicant further seeks authority to commingle 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) The applicant's evidence indicates the proposed commingled wells are marginal producers within the West Corbin-Delaware Pool. Total combined gas production from the proposed commingled wells is approximately 50 MCFGPD.

(6) The applicant testified that it is uneconomic to maintain separate gas metering facilities for each well.

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

- (a) oil and gas production is to be separated at each well;
- (b) oil production is to be stored and sold at each well site;
- (c) gas production from the five wells is to be commingled and delivered to a central delivery and metering point located in the SE/4 SE/4 (Unit P) of Section 13, Township 18 South, Range 29 East, NMPM; and
- (d) gas production from each well is to be determined by an annual gas/oil ratio ("GOR") test.

(8) The applicant testified that working interest and overriding royalty interest ownership is not common among the wells.

(9) The applicant notified all interest owners in the wells of its proposed commingling, including the United States Bureau of Land Management. By letter dated

October 6, 1999, the Bureau of Land Management 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 gas transporter of the commingling authority granted by this order.

(13) By Division Administrative Order CTB-480, dated December 7, 1998, Maralo, L.L.C. was authorized to commingle West Corbin-Delaware Pool production from its: (i) Uncle Sam "13" Federal lease comprising the SE/4 NE/4 of Section 13; (ii) Corbin "13" Federal lease comprising the NE/4 SE/4 of Section 13; and (iii) West Corbin "13" Federal lease comprising the S/2 SE/4 of Section 13. This order required production from each lease to be metered separately.

(14) The order issued in this case should supersede Division Administrative Order CTB-480.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Maralo, L.L.C., is hereby granted an exception to Division Rules No. 305 and 309 to permit lease commingling of gas production from the West Corbin-Delaware Pool from the following five (5) wells located on federal leases in Section 13, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico:

Well Name and Number	API No.	Footage Location	Unit
Corbin "13-A" Federal Well No. 1	30-025-31698	1830' FSL & 660' FEL	I
Corbin "13-A" Federal Well No. 2	30-025-32238	1650' FS & EL	J
Corbin "13-A" Federal Well No. 3	30-025-33474	660' FSL & 1980' FEL	O
Uncle Sam "13" Federal Well No. 1	30-025-32055	1650' FNL & 990' FEL	H
West Corbin "13" Federal Well No. 1	30-025-31635	660' FS & EL	P

(2) Production from these five wells shall be commingled, allocated, and delivered to a central delivery and metering point in the following manner:

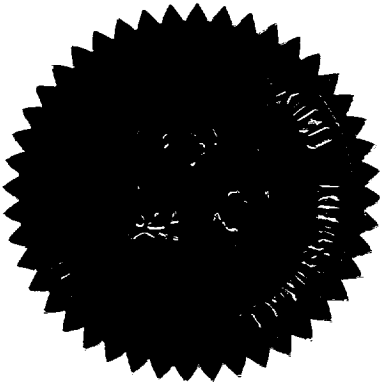
- (a) oil and gas production will be separated at each well;
- (b) oil production will be stored and sold at each well site;
- (c) gas production from the five wells will be commingled and delivered to a central delivery and metering point located in the SE/4 SE/4 (Unit P) of Section 13, Township 18 South, Range 29 East, NMPM; and
- (d) gas production from each well will be determined by an annual GOR test.

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

(4) The order issued in this case shall supersede Division Administrative Order CTB-480.

(5) 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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director