

**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. 12394
ORDER NO. R-11385**

**APPLICATION OF ARCO PERMIAN FOR AMENDMENT OF SURFACE
COMMINGLING DIVISION ORDER PLC-143, EDDY COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 4, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of May, 2000, 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) By Division Administrative Order No. PLC-143 dated May 21, 1998, the Division authorized Arco Permian to surface commingle Red Lake Queen-Grayburg-San Andres and Empire-Yeso Pool production from the following described federal leases in Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico:

| <u>Lease Name & Number</u> | <u>Lease Description</u> |
|---|---------------------------------|
| Red Lake "3" Federal Lease (Lease No. LC-028805-B) | Section 3: SW/4 NW/4 |
| Vermillion "3" Federal Lease (Lease No. LC-055465-B) | Section 3: SE/4 NW/4 |
| West Red Lake "4" Federal Lease (Lease No. LC-065478-A) | Section 4: N/2 NW/4 |
| Lago Rosa "4" Federal Lease (Lease No. NMNM-29280) | Section 4: NW/4 SW/4 |

(3) Order No. PLC-143 further required that all production be separately metered prior to commingling and that the commingled production be delivered to and stored at a central tank battery facility located in Unit E of Section 3, Township 18 South, Range 27 East.

(4) The applicant, Arco Permian, seeks to amend Order No. PLC-143 by obtaining an exception to the requirements of Division Rule 309-B.A.(5)(b) to allow the allocation of production from each of the wells on the subject federal leases by monthly well test.

(5) Division Rule 309-B.A.(5)(b) states: "To commingle production from two or more separate leases in a common tank battery where there is 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."

(6) Division records and evidence presented by the applicant demonstrate:

- (a) there are nine producing wells within the proposed commingled area, six wells are producing singly from the Red Lake Queen-Grayburg-San Andres Pool, one well is downhole commingled within the Red Lake Queen-Grayburg-San Andres and Red Lake Glorieta-Yeso Pools, and two wells are downhole commingled within the Red Lake Queen-Grayburg-San Andres and Northeast Red Lake Glorieta Yeso Pools;
- (b) the applicant does not anticipate that additional wells will be drilled within the commingled area;
- (c) the average production from the Red Lake Queen-Grayburg-San Andres Pool within the commingled area is approximately 20 BOPD and 44 MCFGPD. The average production from the Red Lake Glorieta-Yeso and Northeast Red Lake Glorieta-Yeso Pools within the commingled area is approximately 3 BOPD and 20 MCFGPD; and

- (d) the interest ownership is not common throughout the commingled area.
- (7) The applicant testified that approval of the application will result in lower operating costs, which will increase the ultimate recovery of hydrocarbons by extending the economic life of the subject wells.
- (8) Each working, royalty and overriding royalty interest owner within the commingled area was provided notice of this application.
- (9) No interest owner appeared at the hearing in opposition to the application.
- (10) The applicant further testified that it has received approval of its proposed commingling from the United States Bureau of Land Management.
- (11) Approval of the application will result in economic savings to the operator, is in the best interest of conservation, is based on sound engineering principles, and will serve to prevent waste and protect correlative rights; provided the installation of facilities for commingling production will allow for the individual testing of each well on the leases on at least a monthly basis.
- (12) The commingling facilities should be installed and operated in accordance with the applicable provisions of Division Rules No. 303 and 309, and the Division's "Manual for the Installation and Operation of Commingling Facilities."

IT IS THEREFORE ORDERED THAT:

- (1) The application of Arco Permian to amend Division Order No. PLC-143 is hereby approved.
- (2) The applicant is hereby authorized to surface commingle Red Lake Queen-Grayburg-San Andres, Red Lake Glorieta-Yeso and Northeast Red Lake Glorieta-Yeso Pool production from the following federal leases in Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, and to allocate production to each of the wells on these leases on the basis of monthly well tests:

| <u>Lease Name & Number</u> | <u>Lease Description</u> |
|--|--------------------------|
| Red Lake "3" Federal Lease (Lease No. LC-028805-B) | Section 3: SW/4 NW/4 |
| Vermillion "3" Federal Lease (Lease No. LC-055465-B) | Section 3: SE/4 NW/4 |

West Red Lake "4" Federal Lease (Lease No. LC-065478-A) Section 4: N/2 NW/4

Lago Rosa "4" Federal Lease (Lease No. NMNM-29280) Section 4: NW/4 SW/4

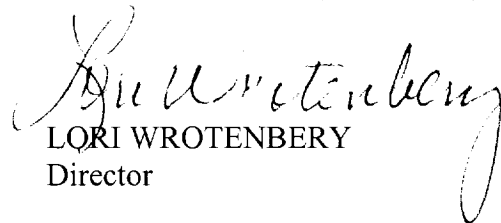
(3) The commingled production shall be delivered to and stored at a central tank battery facility located in Unit E of Section 3, Township 18 South, Range 27 East.

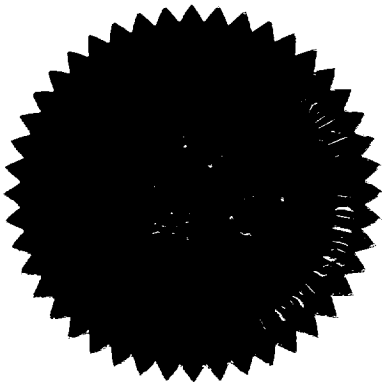
(4) The commingling facilities shall be installed and operated in accordance with the applicable provisions of Division Rules No. 303 and 309 and the Division's "Manual for the Installation and Operation of Commingling Facilities."

(5) 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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