

**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. 13474
Order No. R-12345**

**APPLICATION OF RB OPERATING COMPANY FOR A CENTRALIZED
FACILITY WITH A COMMON TANK BATTERY INCLUDING SURFACE
COMMINGLING AND OFF-LEASE MEASUREMENT AND STORAGE, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 21, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach,

NOW, on this 11th day of May, 2005, 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) Division Cases No. 13473, 13474 and 13475 were consolidated at the hearing for the purpose of testimony.
- (3) The applicant, RB Operating Company ("RB Operating" or "applicant"), seeks authority to surface commingle East Loving-Brushy Canyon (Oil – 40350) Pool production from the following-described eight wells located in a proposed "project area" comprising the SW/4 and S/2 SE/4 of Section 23, and the N/2 NE/4 of Section 26, both in Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico:

<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION</u>
South Culebra Bluff "23" Well No. 1	30-015-25841	Unit K, Section 23
South Culebra Bluff "23" Well No. 2	30-015-26213	Unit L, Section 23
South Culebra Bluff "23" Well No. 3	30-015-26284	Unit M, Section 23
South Culebra Bluff "23" Well No. 14	30-015-33607	Unit N, Section 23
South Culebra Bluff "23" Well No. 9	30-015-26369	Unit O, Section 23
South Culebra Bluff "23" Well No. 10	30-015-33606	Unit P, Section 23
Merland Well No. 1	30-015-33840	Unit B, Section 26
Merland Well No. 2	30-015-33838	Unit A, Section 26

(Note: The South Culebra Bluff "23" Well No.10 and the Merland Wells No. 1 and 2 are not yet drilled.)

(4) The applicant further seeks:

- (a) approval to allocate production from each of the subject wells on the basis of monthly well tests pursuant to the provisions of Division Rule No. 303.B.(4)(a);
- (b) to establish an administrative procedure whereby additional wells may be added to this commingling authority at some future time. In conjunction with this request, the applicant further seeks an exception to the requirements set forth in Division Rule No. 303.B.(4)(d)(iii). This exception would allow the applicant to add wells to this commingling authority without having to provide additional notice to all interest owners within the "project area"; and
- (c) authority to measure and store the production from the subject wells at its proposed Brantley Central Tank Battery to be located in the SE/4 SW/4 of Section 23.

(5) Division Rule No. 303.B.(4)(a) stipulates that:

"Where there is diversity of ownership between two or more leases, two or more pools, or between different pools and leases, the surface commingling of production therefrom

shall be permitted only if production from each of such pools or leases is accurately metered, or determined by other methods specifically approved by the Division, prior to such commingling."

(6) Division Rule No. 303.B.(4)(d)(iii) stipulates that where there is diversity of ownership in the production to be surface commingled, any application to surface commingle (Division Form C-107-B) must be accompanied by proof that notice of the application was provided by certified mail, return receipt requested, to all interest owners that own an interest in the production to be commingled.

(7) RB Operating presented evidence that demonstrates that:

- (a) the proposed "project area" contains all of the acreage that is currently dedicated to the subject wells and/or comprises that area that is to share in the production from the subject wells;
- (b) the interest ownership between the subject wells is generally not common;
- (c) the proposed consolidated tank battery will cost approximately \$142,000 to construct;
- (d) without commingling approval, six tank batteries will need to be constructed at a cost of approximately \$576,400; and
- (e) surface commingling will result in \$434,400 in cost savings.

(8) RB Operating proposes to allocate production to each of the subject wells in accordance with the following procedure:

- (a) one of the subject wells will be separately tested on a daily basis (24-hour test). Production from the well being tested will be run through a test separator and test heater treater. Oil production will then be placed within a test tank and gauged. Gas

production will be measured by an allocation meter prior to commingling;

- (b) daily production tests should result in each of the eight subject wells being tested 3-4 times per month; and
- (c) monthly production attributable to each well will be determined on the basis of the well tests and total sales volume for that month.

(9) The proposed method of production allocation is reasonable and sufficiently reliable to protect the correlative rights of owners of separate interests in the production from the respective wells.

(10) The proposed surface commingling will result in costs savings, both in capital costs and operating costs, thereby extending the economic life of the wells, thereby allowing the recovery of oil that may otherwise not be recovered.

(11) All parties owning an interest in the wells and in the "project area" to be commingled were provided notice of this application.

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

(13) Prior to the hearing, the Division received a letter of objection from Claiborne M. Power, Mittie Hayes and Merland, Inc., all interest owners in the proposed "project area". All three parties stated that they have no objection to the surface commingling of the eight wells that are the subject of this application; however, all three parties expressed an objection to the establishment of an administrative procedure to add additional wells to this commingling authority.

(14) None of the objecting parties explained the reason for their objection, and none of the objecting parties appeared at the hearing in opposition to the application.

(15) The correlative rights of these interest owners will not be adversely affected by approval of RB Operating's application.

(16) Approval of the application will enable RB Operating to recover additional oil and gas reserves from the wells within the commingled system that may

otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(17) The applicant's request to establish an administrative procedure to add additional future wells to this commingling authority, without additional notice to the existing interest owners, is reasonable and should therefore be approved; provided however, that any such future expansion of this commingling approval should include notice to any interest owner that acquires an interest in the "project area" subsequent to the entry of this order (new owners).

IT IS THEREFORE ORDERED THAT:

(1) The applicant, RB Operating Company, is hereby authorized to surface commingle East Loving-Brushy Canyon Pool production from the following-described eight wells located in a "project area" comprising the SW/4 and S/2 SE/4 of Section 23, and the N/2 NE/4 of Section 26, both in Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico:

<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION</u>
South Culebra Bluff "23" Well No. 1	30-015-25841	Unit K, Section 23
South Culebra Bluff "23" Well No. 2	30-015-26213	Unit L, Section 23
South Culebra Bluff "23" Well No. 3	30-015-26284	Unit M, Section 23
South Culebra Bluff "23" Well No. 14	30-015-33607	Unit N, Section 23
South Culebra Bluff "23" Well No. 9	30-015-26369	Unit O, Section 23
South Culebra Bluff "23" Well No. 10	30-015-33606	Unit P, Section 23
Merland Well No. 1	30-015-33840	Unit B, Section 26
Merland Well No. 2	30-015-33838	Unit A, Section 26

(2) Production shall be allocated to each of the subject wells in accordance with the procedure set forth in Finding No. (8) above.

(3) Production from the subject wells shall be transported and stored at the RB Operating Company Brantley Central Tank Battery to be located in the SE/4 SW/4 of Section 23.

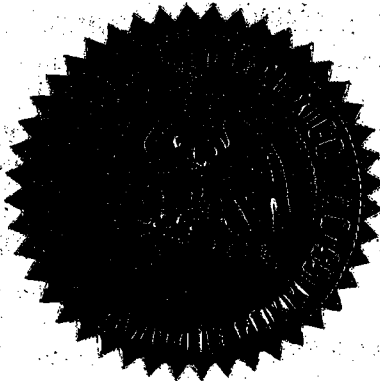
(4) Any expansion of the "project area" described in Ordering Paragraph No. (1) above, or the addition of any wells producing from a pool other than the East Loving-Brushy Canyon Pool, may be approved only after notice and hearing.

(5) Additional wells producing from the East Loving-Brushy Canyon Pool may be added to this surface commingling authority in accordance with the following administrative procedure:

- (a) only wells that are located within the "project area", set forth in Ordering Paragraph No. (1) may be added to this commingling authority;
- (b) RB Operating Company shall file a Division Form C-107-B complete with all attachments; and
- (c) RB Operating Company shall only be required to provide notice of its application to those interest owners that acquired an interest in the "project area" subsequent to the entry of this order, or to any interest owner that did not receive notice of this original application.

(6) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Director