

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. 11693
ORDER NO. R-10759

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 January 9, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of February, 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) The applicant in this matter, Devon Energy Corporation (Nevada), is the lessor of the following described Federal lands in Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico:

(a) the Eagle "33" Federal Lease in Section 33:

1. (Federal lease No. NM-025528) comprising the N/2 NE/4, SW/4 NE/4, and S/2 SE/4 (200 acres);
2. (Federal lease No. NM-056122) comprising the SE/4 NE/4 (40 acres);

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3. (Federal lease No. LC-026874-B) comprising the SE/4 SW/4 (40 acres);

(b) the Eagle "34" Federal Lease in Section 34:

1. (Federal lease No. NM-0557370) comprising the NE/4 and NW/4 SE/4 (200 acres);
2. (Federal lease No. LC-067849) comprising the W/2 W/2 and E/2 SW/4 (240 acres);
3. (Federal lease No. LC-064050-A) comprising the E/2 NW/4 and NE/4 SE/4 (120 acres); and,

(c) the Eagle "35" Federal Lease in Section 35:

1. (Federal lease No. LC-064050-A) comprising the NW/4 SW/4 (40 acres).

(3) Royalty interest on all these leases comprises one-eighth and belongs to the United States of America. Working interests in all but one of the leases are split 50/50 between Amoco Production Company and Devon Energy Corporation (Nevada), with the exception of the Eagle "33" Federal Lease No. LC-026874-B in which Devon owns 100 percent of the working interest. The Eagle "34" Federal Lease No. NM-0557370, the Eagle "34" Federal Lease No. LC-067849, and the Eagle "34" and "35" Federal Leases (No. LC-064050-A) all have overriding royalty interest that vary between leases.

(4) The applicant's current plans for this 880-acre area covering the above-described federal leases are to drill and develop the designated and Undesignated Red Lake-Queen-Grayburg-San Andres Pool with 22 producing wells (one well per available 40-acre oil spacing and proration unit).

(5) The applicant at this time seeks to commingle production attributed to the Red Lake-Queen-Grayburg-San Andres Pool from said leases in a common tank battery to be located in the NE/4 SW/4 (Unit K) of said Section 34, allocating the production to each well and to each lease on the basis of monthly well tests.

(6) The Division's rules of oil and gas operations contain provisions (Rules 309.A and 309.B) that requires the separate metering of production from each lease when leases of varying ownership are to be commingled.

(7) Each mineral interest owner (working, royalty, and overriding royalty) within this 880-acre area were provided notice of this application and at the time of the hearing no interested party entered an appearance in this matter nor filed an objection to the subject application.

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

(9) The commingling facilities should be installed and operated in accordance with the applicable provisions of General Rule 303 of the Division and the Division's *"Manual for the Installation and Operation of Commingling Facilities"*;

(10) 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 are included to the facility.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Devon Energy Corporation (Nevada), is hereby authorized to commingle designated and Undesignated Red Lake-Queen-Grayburg-San Andres Pool production from the following leases in Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico, in a common tank battery to be located in the NE/4 SW/4 (Unit K) of Section 34, Township 17 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:

(a) its Eagle "33" Federal Lease in Section 33:

1. (Federal lease No. NM-025528) comprising the N/2 NE/4, SW/4 NE/4, and S/2 SE/4 (200 acres);
2. (Federal lease No. NM-056122) comprising the SE/4 NE/4 (40 acres);
3. (Federal lease No. LC-026874-B) comprising the SE/4 SW/4 (40 acres);

(b) its Eagle "34" Federal Lease in Section 34:

1. (Federal lease No. NM-0557370) comprising the NE/4 and NW/4 SE/4 (200 acres);
 2. (Federal lease No. LC-067849) comprising the W/2 W/2 and E/2 SW/4 (240 acres);
 3. (Federal lease No. LC-064050-A) comprising the E/2 NW/4 and NE/4 SE/4 (120 acres); and,
- (c) its Eagle "35" Federal Lease in Section 35:
1. (Federal lease No. LC-064050-A) comprising the NW/4 SW/4 (40 acres).

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 production 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 303 of the Division 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 the Division's 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 are included to the facility.

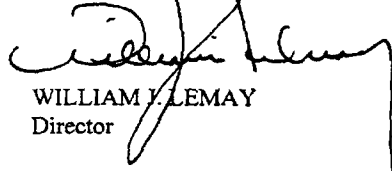
(3) It will be the responsibility of the producer to notify the transporter of this commingling authority.

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

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

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WILLIAM J. LEMAY
Director

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