

**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. 14088
ORDER NO. R-12950**

**APPLICATION OF DEVON ENERGY PRODUCTION COMPANY, L.P. FOR
SURFACE COMMINGLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 7, 2008 at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 22nd day of May, 2008, 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 Division Case Nos. 14087 and 14088 were combined at the hearing for the purpose of testimony, however, separate orders will be issued in each case.

(3) In Case No. 14088 the applicant, Devon Energy Production Company, L.P. ("Devon" or "Applicant"), seeks approval to surface commingle oil and gas production from the Red Lake-Queen-Grayburg-San Andres Pool (51300) and the Red Lake-Glorieta-Yeso Pool (51120) underlying the following acreage:

Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico

Windfohr 4 Federal Lease: NMLC-061783-A

Section 4: SE/4

Hondo 4 Federal Lease: NM 7717

Section 4: NE/4 SW/4

(4) Within these areas, Devon operates the following proposed or existing wells. Each of these wells produces or will produce from at least one of the two subject pools:

<u>API</u>	<u>WELL NAME</u>	<u>Unit</u>	<u>Sec</u>	<u>STATUS</u>
30-015-28286	HONDO 4 FEDERAL #49	K	4	NEW
30-015-30467	WINDFOHR 4 FEDERAL # 1	I	4	ACTIVE
30-015-30411	WINDFOHR 4 FEDERAL # 2	I	4	ACTIVE
30-015-30468	WINDFOHR 4 FEDERAL # 3	J	4	ACTIVE
30-015-30474	WINDFOHR 4 FEDERAL # 4	J	4	ACTIVE
30-015-30415	WINDFOHR 4 FEDERAL # 5	O	4	ACTIVE
30-015-30419	WINDFOHR 4 FEDERAL # 6	O	4	ACTIVE
30-015-30460	WINDFOHR 4 FEDERAL # 7	P	4	ACTIVE
30-015-30420	WINDFOHR 4 FEDERAL # 8	P	4	ACTIVE

(5) Devon further seeks an exception to the metering requirements of 19.15.5.303B(4)(a) NMAC by authorizing the allocation of production from diversely owned wells on the basis of periodic well tests.

(6) In addition, Devon seeks approval for off-lease storage and measurement. All production from these wells is to be stored at the Windfohr "4" Tank battery located in the NE/4 SE/4 of Section 4, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

(7) Notice of this application was provided to all leasehold interest owners. On January 9, 2008, Ms Jane Ronca-Washburn wrote to the Division indicating that she would like to attend the hearing scheduled for 8:15 am on February 7, 2008. She however, did not show up at the hearing. No other parties appeared at the hearing or opposed the granting of this application.

(8) The Applicant's witness provided the following testimony:

(a) the casing-head gas will be measured periodically at each wellhead using a portable gas meter;

(b) the oil production from each well will be measured periodically at the main tank battery by routing production through a test treater;

(c) none of these wells is producing at top unit allowable or is expected to produce at top unit allowable;

(d) the proposed commingling of production is intended to reduce operating expenses and therefore result in an increased economic life of each well; and

(e) the surface commingling of these pools and leases will not result in reduced royalty or improper measurement of production.

The Division accordingly concludes that:

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

(10) The proposed commingling method may result in a longer economic life and therefore additional recovery of reserves. The measurement method should not result in loss of accuracy of production records from each pool or lease.

(11) The proposed commingling method will reduce otherwise required surface facilities and aid in protecting the environment.

(12) This application should be approved.

IT IS THEREFORE ORDERD THAT:

(1) The Applicant, Devon Energy Production Company, L.P. ("Devon"), is hereby authorized to surface commingle all current and future oil and gas production from the Red Lake-Queen-Grayburg-San Andres Pool (51300), and the Red Lake-Glorieta-Yeso Pool (51120) underlying the following acreage:

Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico

Windfohr 4 Federal Lease: NMLC-061783-A

Section 4: SE/4

Hondo 4 Federal Lease: NM 7717

Section 4: NE/4 SW/4

(2) The following wells shall be included in this commingling order.

<u>API</u>	<u>WELL NAME</u>	<u>Unit</u>	<u>Sec</u>	<u>STATUS</u>
30-015-28286	HONDO 4 FEDERAL #49	K	4	NEW
30-015-30467	WINDFOHR 4 FEDERAL # 1	I	4	ACTIVE
30-015-30411	WINDFOHR 4 FEDERAL # 2	I	4	ACTIVE
30-015-30468	WINDFOHR 4 FEDERAL # 3	J	4	ACTIVE

30-015-30474	WINDFOHR 4 FEDERAL # 4	J	4	ACTIVE
30-015-30415	WINDFOHR 4 FEDERAL # 5	O	4	ACTIVE
30-015-30419	WINDFOHR 4 FEDERAL # 6	O	4	ACTIVE
30-015-30460	WINDFOHR 4 FEDERAL # 7	P	4	ACTIVE
30-015-30420	WINDFOHR 4 FEDERAL # 8	P	4	ACTIVE

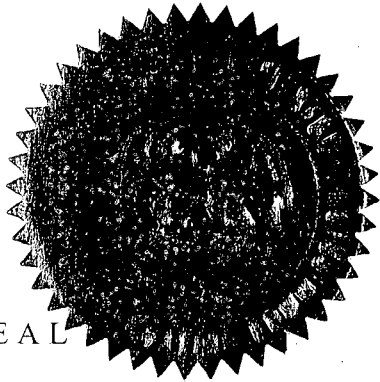
(3) Each well shall be tested monthly using properly calibrated oil and gas meters. These tests shall be used to allocate production back to each well covered by this order.

(4) Off-lease measurement and storage of oil and gas production is approved. All production from these wells shall be stored at the Windfohr "4" Tank battery located in the NE/4 SE/4 of Section 4, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

(5) Expansion of this permitted area as specified in ordering paragraph (1) or the addition of any pool other than the pools specified in ordering paragraph (1) shall entail an amended permit application. Amendments shall be permitted administratively, after proper notice, unless deemed necessary for Division hearing by the Division Director.

(6) Jurisdiction of this case 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


MARK E. FESMIRE, P.E.
Director