

**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. 13467
ORDER NO. R-12355**

**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 April 7, 2005 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 24th 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) The applicant, Devon Energy Production Company, L.P. ("Devon"), seeks approval to surface commingle oil and gas production from the Northeast Red Lake-Glorieta-Yeso Pool (96836) and the Red Lake-Queen-Grayburg-San Andres (51300) Pool underlying the following acreage:

Township 17 South. Range 27 East NMPM. Eddy County, New Mexico

Federal Lease: NMNM0557370

Section 26: S/2 SW/4 (Units M and N)

Section 26: SE/4 SE/4 (Unit P)

Federal Lease: NMNM050158

Section 35: E/2 NE/4 (Units A and H)

Section 35: E/2 NW/4 (Units C and F)

Federal Lease: NMLC067849

Section 35: NW/4 NW/4 (Unit D)

Federal Lease: NMNM0557370
Section 35: SW/4 NW/4 (Unit E)

(3) Within these areas, Devon operates the following proposed or existing wells. Each of these wells produce 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> |
|--------------|--------------------------|-------------|------------|---------------|
| 30-015-34014 | EAGLE 26 M FEDERAL #001 | M | 26 | NEW |
| 30-015-34007 | EAGLE 26 N FEDERAL #002 | N | 26 | NEW |
| 30-015-34082 | EAGLE 26 P FEDERAL #003 | P | 26 | NEW |
| | | | | |
| 30-015-33427 | EAGLE 35 A FEDERAL #019 | A | 35 | ACTIVE |
| 30-015-33235 | IEAGLE 35 C FEDERAL #016 | C | 35 | ACTIVE |
| 30-015-33266 | EAGLE 35 C FEDERAL #018 | C | 35 | ACTIVE |
| 30-015-33267 | EAGLE 35 D FEDERAL #017 | D | 35 | ACTIVE |
| 30-015-33271 | EAGLE 35 D FEDERAL #006 | D | 35 | ACTIVE |
| 30-015-33035 | EAGLE 35 E FEDERAL #010 | E | 35 | ACTIVE |
| 30-015-33242 | EAGLE 35 E FEDERAL #011 | E | 35 | ACTIVE |
| 30-015-32837 | EAGLE 35 F FEDERAL #012 | F | 35 | ACTIVE |
| 30-015-32838 | IEAGLE 35 F FEDERAL #013 | F | 35 | ACTIVE |
| 30-015-32978 | IEAGLE 35 H FEDERAL #015 | H | 35 | ACTIVE |
| 30-015-33010 | IEAGLE 35 H FEDERAL #014 | H | 35 | ACTIVE |

(4) 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.

(5) In addition, Devon seeks approval for off-lease storage and measurement. The tank battery is to be located in the SE/4 NW/4 of Section 35, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

(6) The case was presented by affidavit by legal counsel for Devon. No other parties entered an appearance in this case or otherwise opposed this application.

(7) A landman from Devon testified by affidavit that notice of the administrative application was provided to all leasehold interest owners. In addition, notice of this Division case was provided.

(8) Devon provided documents stating that:

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

(b) 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 allowable or is expected to produce at top 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) surface commingling of these pools and leases will not result in reduced royalty or improper measurement of production.

(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 ORDERED 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 Northeast Red Lake-Glorieta-Yeso Pool (96836) and the Red Lake-Queen-Grayburg-San Andres (51300) Pool underlying the following acreage:

Township 17 South. Range 27 East. NMPM. Eddy County, New Mexico

Federal Lease: NMNM0557370

Section 26: S/2 SW/4 (Units M and N)

Section 26: SE/4 SE/4 (Unit P)

Federal Lease: NMNM050158
Section 35: E/2 NE/4 (Units A and H)
Section 35: E/2 NW/4 (Units C and F)
Federal Lease: NMLC067849
Section 35: NW/4 NW/4 (Unit D)
Federal Lease: NMNM0557370
Section 35: SW/4 NW/4 (Unit E)

(2) The following wells shall be included in this commingle permit.

| <u>API</u> | <u>WELL NAME</u> | <u>Unit</u> | <u>Sec</u> | <u>STATUS</u> |
|--------------|---------------------------|-------------|------------|---------------|
| 30-015-34014 | EAGLE 26 M FEDERAL #001 | M | 26 | NEW |
| 30-015-34007 | EAGLE 26 N FEDERAL #002 | N | 26 | NEW |
| 30-015-34082 | IEAGLE 26 P FEDERAL #003 | P | 26 | NEW |
| | | | | |
| 30-015-33427 | EAGLE 35 A FEDERAL #019 | A | 35 | ACTIVE |
| 30-015-33235 | IEAGLE 35 c FEDERAL #01 6 | C | 35 | ACTIVE |
| 30-015-33266 | EAGLE 35 C FEDERAL #018 | C | 35 | ACTIVE |
| 30-015-33267 | IEAGLE 35 D FEDERAL #017 | D | 35 | ACTIVE |
| 30-015-33271 | EAGLE 35 D FEDERAL #006 | D | 35 | ACTIVE |
| 30-015-33035 | IEAGLE 35 E FEDERAL #010 | E | 35 | ACTIVE |
| 30-015-33242 | IEAGLE 35 E FEDERAL #01 1 | E | 35 | ACTIVE |
| 30-015-32837 | IEAGLE 35 F FEDERAL #012 | P | 35 | ACTIVE |
| 30-015-32838 | IEAGLE 35 F FEDERAL #013 | F | 35 | ACTIVE |
| 30-015-32978 | EAGLE 35 H FEDERAL #015 | H | 35 | ACTIVE |
| 30-015-33010 | EAGLE 35 H FEDERAL #014 | H | 35 | ACTIVE |

(3) Each well shall be tested periodically 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 for the following tank battery location: SE/4 NW/4 of Section 35, Township 17 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 is hereby retained for the entry of such further orders as the Division may deem necessary.



SEAL

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director