

**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. 13630
ORDER NO. R-10759-A**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on March 2, 2006 at 8:15 a.m. at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 21st day of March, 2006, 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 of the subject matter.

(2) By Order No. R-10759 issued in Case No. 11693 on February 3, 1997, the Division approved the application of Devon Energy Corporation (Nevada), to commingle production from the Red Lake Queen-Grayburg-San Andres Pool from six Federal Leases namely: NM 025528, NM 056122, LC 026874-B, NM 0557370, LC 067849, and LC 064050-A into a common tank battery located in the NE/4 SW/4 (Unit K) of Section 34 (the Eagle "34" Tank Battery), allocating production to each well and to each lease on the basis of monthly well tests.

(3) The applicant, Devon Energy Production Company, L.P. ("Devon" or "Applicant"), now seeks to expand the authority granted by Order No. R-10759 to add two new Federal leases to the existing six Federal leases, and to permit the commingling of production from the Red Lake-Queen-Grayburg-San Andres Pool and the Northeast Red Lake-Glorieta-Yeso Pool from the eight federal leases described below into the Eagle "34" Tank Battery located in the NE/4 SW/4 (Unit K) of Section 34, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico.

Leases to be added:

- (a) Federal Lease NM 033865 comprising the N/2 SE/4 of Section 33;
- (b) Federal Lease NM 29270 comprising the SE/4 SE/4 of Section 34.

Existing Leases:

- (c) Federal Lease NM 025528 comprising the N/2 NE/4, SW/4 NE/4, and S/2 SE/4 of Section 33;
- (d) Federal Lease NM 056122 comprising the SE/4 NE/4 of Section 33;
- (e) Federal Lease LC 026874-B comprising the SE/4 SW/4 of Section 33;
- (f) Federal Lease NM 0557370 comprising the NE/4 and NW/4 SE/4 of Section 34;
- (g) Federal Lease NM LC 064050-A comprising the E/2 NW/4 and NE/4 SE/4 of Section 34 and NW/4 SW/4 of Section 35;
- (h) Federal Lease LC 067849 comprising the W/2 NW/4 and SW/4 of Section 34; and

The expanded area will cover approximately 1000 acres, more or less, and the expanded authority will apply to 58 existing and planned wells.

(4) The royalty interest on all leases is 1/8, and belongs to the United States of America. Applicant is the largest working interest owner in all of the leases. Occidental Permian Ltd. owns working interests as to certain depths in all leases except Federal Leases NM 033865 and LC 026874-B; Chesapeake Energy Corporation owns working interests as to certain depths in Federal Leases NM 025528 and NM 033865; and Yates Petroleum Corporation owns a working interest in Federal Lease NM 033865. Overriding royalty ownership is diverse in some of the leases.

(5) Applicant testified that production would be allocated to each well and to each lease on the basis of monthly well tests. In addition, production shall be allocated to each well based on the number of days each month a well produces.

(8) Production from the Red Lake-Queen-Grayburg-San Andres Pool and the Northeast Red Lake-Glorieta-Yeso Pool will be downhole commingled in certain wells. Downhole commingling in those pools is pre-approved by Division Rule 303.C.

(7) Division Rule 303.B.4(a) contains provisions that require the separate metering of production from each lease when leases of diverse ownership are to be commingled.

(8) Each mineral interest owner (working, royalty, and overriding royalty) within the 1000-acre area was provided notice of the application. Only Occidental Permian Ltd. entered an appearance in this matter, and did not object to the application. In addition, the United States Bureau of Land Management has approved the lease commingling.

(9) Approval of this application will result in economic savings to the operator, is in the best interests of conservation, exhibits sound engineering principles, and will serve to prevent waste and protect correlative rights.

(10) The commingling facilities should be operated in accordance with the applicable provisions of Division Rule 303.

IT IS THEREFORE ORDERED THAT:

(1) The Applicant, Devon Energy Production Company, L.P., is hereby authorized to surface commingle Red Lake-Queen-Grayburg-San Andres Pool and the Northeast Red Lake-Glorieta-Yeso Pool production from the following leases described below in Township 17 South, Range 27 East, N.M.P.M., Eddy County, New Mexico in a common, existing tank battery located in the NE/4 SW/4 (Unit K) of Section 34, Township 17 South, Range 27 East, N.M.P.M.

Leases to be added:

(a) Federal Lease NM 033865 comprising the N/2 SE/4 of Section 33;

(b) Federal Lease NM 29270 comprising the SE/4 SE/4 of Section 34;

Existing Leases:

(c) Federal Lease NM 025528 comprising the N/2 NE/4, SW/4 NE/4, and S/2 SE/4 of Section 33;

(d) Federal Lease NM 056122 comprising the SE/4 NE/4 of Section 33;

(e) Federal Lease LC 026874-B comprising the SE/4 SW/4 of Section 33;

(t) Federal Lease NM 0557370 comprising the NE/4 and NW/4 SE/4 of Section 34;

(g) Federal Lease NM LC 064050-A comprising the E/2 NW/4 and NE/4 SE/4 of Section 34 and NW/4 SW/4 of Section 35; and

(h) Federal Lease LC 067849 comprising the W/2 NW/4 and SW/4 of Section 34; and

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 a month.

PROVIDED FURTHER THAT: The commingling facilities shall be installed and operated in accordance with the applicable provisions of Division Rule 303.

PROVIDED FURTHER THAT: 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 on Division Form C-1 15 each month.

PROVIDED FURTHER THAT: Applicant shall allocate production to each well based on the number of days each month a well produces.

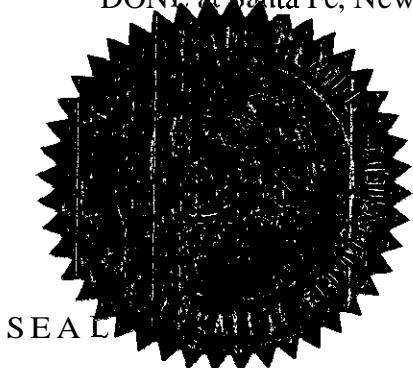
(2) The operator shall notify the supervisor of the Artesia District Office of the Division prior to implementation of the commingling process, and at such time as wells are completed and production from said wells is included to the facility.

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

(4) This Order No. R-10759-A supersedes Order No. R-10759.

(5) Jurisdiction of this case is 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

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director