

**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. 12827
ORDER NO. R-11786**

**APPLICATION OF XTO ENERGY, INC. FOR APPROVAL OF SURFACE
COMMINGLING, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 7 and April 4, 2002, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 17th day of June, 2002, 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, XTO Energy, Inc., ("XTO"), seeks approval to surface commingle gas production from the Armenta Gas Com "C" Well No. 1A (API No. 30-045-25671) located 2120 feet from the North line and 835 feet from the East line (Unit H) of Section 27, and the Armenta Gas Com "G" Well No. 1 (API No. 30-045-30932) located 2254 feet from the North line and 698 feet from the East line (Unit H) of Section 27, both in Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

(3) The Armenta Gas Com "C" Well No. 1A is currently producing from the Blanco-Mesaverde Gas Pool, and is dedicated to a standard 320-acre gas spacing and proration unit comprising the N/2 of Section 27.

(4) The Armenta Gas Com "G" Well No. 1 has recently been completed in the Basin-Fruitland Coal Gas Pool, and is currently dedicated to a standard 320-acre gas spacing and proration unit comprising the E/2 of Section 27.

(5) This application was originally filed by XTO for administrative approval on February 11, 2002. By letter dated January 14, 2002, a royalty interest owner, Mr. Fred G. Armenia objected to the application. The application was subsequently set for hearing.

(6) This case was styled such that *"In the absence of objection, this application will be taken under advisement."*

(7) Mr. Fred G. Armenia ("Mr. Armenia") appeared at the hearing on March 7, 2002, in opposition to the application. Mr. Armenia did not present evidence at the March 7th hearing, however he expressed concern that the proposed surface commingling would not protect his correlative rights, and that XTO, prior to the hearing, had been unwilling to meet with him to discuss the proposed surface commingling.

(8) XTO appeared at the hearing and presented evidence to support its application.

(9) Upon conclusion of the proceedings at the March 7, 2002 hearing, the Division continued this case to the April 4, 2002 docket in order to allow XTO to meet and discuss the proposed surface commingling with Mr. Armenia.

(10) XTO appeared at the April 4, 2002 hearing and reported that a meeting with Mr. Armenia took place on March 14, 2002.

(11) Mr. Armenia did not appear at the April 4, 2002 hearing. However Mr. Armenia sent a letter to the Division dated March 25, 2002 in which he renewed his objection to the proposed surface commingling.

(12) The evidence presented in this case demonstrates that:

- (a) the proposed commingling is necessary in order to utilize a single compressor for both the Armenia Gas Com "C" Well No. 1A and the Armenia Gas Com "G" Well No. 1;
- (b) utilizing a single compressor will result in the recovery of additional gas reserves from these wells by extending their economic lives;
- (c) the interest ownership between the two wells is not common;

- (d) XTO proposes to allocate production to each well by:
 - i) separately measuring the gas production from the Armenia Gas Com "G" Well No. 1 utilizing an allocation meter; and
 - ii) determining the production from the Armenia Gas Com "C" Well No. 1A by subtracting the allocation meter production volume for the Armenia Gas Com "G" Well No. 1 from the total sales volume as obtained from the central distribution point gas sales meter located within the SE/4 NE/4 of Section 27; and
- (e) oil and water production from each of the wells will not be commingled.

(13) 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 respective wells.

(14) Approval of the application will enable XTO to recover additional gas reserves from the Armenia Gas Com "C" Well No. 1A and the Armenia Gas Com "G" Well No. 1 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT :

(1) The applicant, XTO Energy, Inc., is hereby authorized to surface commingle Blanco-Mesaverde Gas Pool production from the Armenia Gas Com "C" Well No. 1A (API No. 30-045-25671) located 2120 feet from the North line and 835 feet from the East line (Unit H) of Section 27, and Basin-Fruitland Coal Gas Pool production from the Armenia Gas Com "G" Well No. 1 (API No. 30-045-30932) located 2254 feet from the North line and 698 feet from the East line (Unit H) of Section 27, both in Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) Allocation of production to each of the wells shall be determined as follows:

- (a) gas production from the Armenia Gas Com "G" Well No. 1 shall be determined by separately metering this production utilizing a gas allocation meter; and
- (b) gas production from the Armenia Gas Com "C" Well No. 1A shall be determined by subtracting the allocation meter production volume from the Armenia Gas Com "G" Well No. 1 from the total sales volume as obtained from the central distribution point gas sales meter located within the SE/4 NE/4 of Section 27.

(3) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

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