

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. 10306
Order No. R-9522-A

APPLICATION OF CONOCO INC. FOR
SURFACE COMMINGLING, EDDY COUNTY,
NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1991, at Santa Fe, New Mexico, before David R. Catanach, and Order No. R-9522 was entered therein on June 5, 1991. The Division has determined that Order No. R-9522 does not correctly state the intended order of the Division, and that this order should be substituted therefor.

NOW, on this 16th day of September, 1991, 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) By Division Administrative Order Nos. CTB-332, CTB-338 and CTB-346, Conoco Inc. was authorized to surface commingle North Dagger Draw-Upper Pennsylvanian Pool production from various State, Federal and Fee leases in Township 19 South, Ranges 24 and 25 East, NMPM, Eddy County, New Mexico.

(3) Due to an active drilling program currently underway in this area, and, in order to eliminate the administrative burden of amending said orders on a frequent basis, the applicant, Conoco Inc., seeks an order authorizing the surface commingling and off-lease storage of North Dagger Draw-Upper Pennsylvanian Pool production from existing wells and subsequently drilled wells located on the following leases within existing tank batteries or any subsequently constructed tank battery located on said leases:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Dee State Lease (K-6385): SE/4 Section 36
Dee State Lease (LG-1525): SW/4 Section 36

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Lodewick "A" Lease: NW/4 Section 19
Lehman Federal Lease: SW/4 Section 18
Barbara Federal Lease: S/2 Section 17
E/2, NW/4 Section 18
Jenny Com Lease: NW/4 Section 17
Julie Com Lease: NE/4 Section 17
Dagger Draw Federal Lease: NW/4, E/2 Section 30
Dagger Draw Fee Lease: SW/4 Section 19

(4) The applicant currently utilizes three central tank batteries to store production, these being the Lodewick Facility located in Unit C of Section 19, Township 19 South, Range 25 East, NMPM, which currently receives production from the Lodewick "A", Lehman Federal, Barbara Federal, Jenny Com and Julie Com Leases; the Dagger Draw Facility located in Unit L of Section 19, Township 19 South, Range 25 East, NMPM, which currently receives production from the Dagger Draw Federal and Dagger Draw Fee Leases; and the Dee State Facility located in Unit M of Section 36, Township 19 South, Range 24 East, NMPM, which currently receives production from the Dee State (K-6385) and Dee State (LG-1525) Leases, said commingled batteries approved, respectively, by Division Order Nos. CTB-338, CTB-332 and CTB-346.

(5) The applicant seeks such commingling approval in order to maintain the most cost effective and recovery efficient operations by allowing the realignment of existing or subsequently drilled wells with existing or subsequently constructed tank batteries, as such realignment may be needed.

(6) Testimony by the applicant indicates that the proposed commingling will result in substantial savings of capital outlay and operating costs which will extend the economic life of the subject wells, thus allowing additional oil recovery, thereby preventing waste.

(7) According to applicant's testimony, the royalty interest among the various subject leases, with the exception of the Dee State Leases, is not common.

(8) In order to correctly allocate production to each lease and well, the applicant proposes to separately meter the production from each lease or individual well, where participation interest may vary within the same lease, prior to commingling.

(9) The applicant has notified each interest owner in the subject leases of its proposal, including the United States Bureau of Land Management (BLM) and the Commissioner of Public Lands for the State of New Mexico.

(10) No interest owner appeared at the hearing in opposition to the application however; discussions subsequent to the hearing with the Commissioner of Public Lands for the State of New Mexico indicate that according to their Rule No. 1.053, the commingling, confusion, or the intercommunication of production by the use of common tankage facilities before marketing, with the production of any other trust lands or any lands not belonging to the State of New Mexico, is strictly prohibited.

(11) The application should be approved by allowing the applicant to surface commingle and store production off-lease from the various leases described in Finding No. (3) above with the exception of the Dee State (K-6385) and Dee State (LG-1525) Leases.

(12) The applicant should be required to separately meter the production from each lease or individual well, where participation interest may vary within the same lease, prior to commingling.

(13) The applicant should be required to furnish the Division and the United States Bureau of Land Management a schematic diagram of the commingled facilities any time such facilities are altered by the addition of new wells or the realignment of existing wells.

(14) The proposed facilities should be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities".

(15) Division Order Nos. CTB-332 and CTB-338 should be superseded by this order.

(16) Division Order No. CTB-346, which order authorized the surface commingling of North Dagger Draw-Upper Pennsylvanian Pool production from the Dee State (K-6385) and Dee State (LG-1525) Leases should remain in full force and effect.

IT IS THEREFORE ORDERED THAT:

(1) Order No. R-9522 is hereby withdrawn in its entirety and this order entered Nunc Pro Tunc as of June 5, 1991.

(2) The applicant, Conoco Inc., is hereby authorized to surface commingle North Dagger Draw-Upper Pennsylvanian Pool production from existing wells and subsequently drilled wells located on the following described leases in Eddy County, New Mexico, within existing tank batteries or subsequently constructed tank batteries located on said leases:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Lodewick "A" Lease:	NW/4 Section 19
Lehman Federal Lease:	SW/4 Section 18
Barbara Federal Lease:	S/2 Section 17
	E/2, NW/4 Section 18
Jenny Com Lease:	NW/4 Section 17
Julie Com Lease:	NE/4 Section 17
Dagger Draw Federal Lease:	NW/4, E/2 Section 30
Dagger Draw Fee Lease:	SW/4 Section 19

(3) The applicant shall be required to separately meter the production from each lease or individual well, where participation interest may vary within the same lease, prior to commingling.

(4) The applicant shall further be required to furnish the Division and the United States Bureau of Land Management a schematic diagram of the commingled facilities any time such facilities are altered by the addition of new wells or the realignment of existing wells.

(5) The proposed facilities shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities".

(6) Division Order Nos. CTB-332 and CTB-338 are hereby superseded by this order.

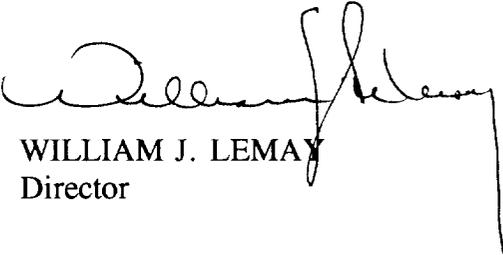
(7) Division Order No. CTB-346, which order authorized the surface commingling of North Dagger Draw-Upper Pennsylvanian Pool production from the Dee State (K-6385) and Dee State (LG-1525) Leases shall remain in full force and effect.

CASE NO. 10306
Order No. R-9522-A
Page -5-

(8) 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



WILLIAM J. LEMAY
Director

S E A L