

**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. 13983
ORDER NO. R-12800-A**

**APPLICATION OF RANGE OPERATING NEW
MEXICO, INC. FOR EMERGENCY PERMISSION
FOR SURFACE COMMINGLING AND OFF-LEASE
SALES, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 23, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 28th day of August, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) The applicant, Range Operating New Mexico, Inc. ("Range" or "Applicant"), seeks an extension of emergency temporary approval granted in Order No. R-12800, entered in this case on August 13, 2007, authorizing surface commingling and off-lease measurement and sale of gas produced from forty-six oil wells that were shut-in because of gathering system pipeline repairs being conducted by Southern Union Gas Company ("Southern Union"). The 46 wells, which are specifically identified on Exhibit A to this order, are located on six separate leases ("subject leases") listed below. All of the subject leases are located in Township 22 South, Range 37 East of Lea County, New Mexico:

(a) The Greenwood lease located in the S/2 of Section 9 contains 10 wells all producing from the Southwest Eunice-San Andres Pool (24180);

(b) The Penrose lease located in the SW/4 NW/4 of Section 9 contains four wells that produce from the Southwest Eunice-San Andres Pool (24180), the Paddock Pool (49210), and the Drinkard Pool (19190);

(c) The Grizzell lease located in the SW/4 SE/4 and the NW/4 SE/4 of Section 5 contains six wells that produce from the Penrose Skelly-Grayburg Pool (50350), the Southwest Eunice-San Andres Pool (24180), the Blinebry Oil and Gas Pool (Oil 6660), the Tubb Oil and Gas Pool (Oil 60240), and the Drinkard Pool (19190);

(d) The Grizzell A lease located in the SE/4 SE/4 of Section 6 contains three wells that produce from the Southwest Eunice-San Andres Pool (24180), the Blinebry Oil and Gas Pool (Oil 6660), the Tubb Oil and Gas Pool (Oil 60240), and the Drinkard Pool (19190);

(e) The Grizzell B lease located in the S/2 NE/4 of Section 8 contains six wells that produce from the Blinebry Oil and Gas Pool (Oil 6660), the Drinkard Pool (19190), the Wantz-Abo Pool (62700), the Paddock Pool (49210), and the Southwest Eunice-San Andres Pool (24180); and

(f) The Elliott B Federal lease is located in the NE/4 of Section 7 and the SE/4 of Section 6 and contains 17 wells that produce from the Eumont-Yates-Seven Rivers-Queen Pool (Oil 22800), the Penrose Skelly-Grayburg Pool (50350), the Southwest Eunice-San Andres Pool (24180), the Blinebry Oil and Gas Pool (Oil 6660), the Tubb Oil and Gas Pool (Oil 60240), and the Drinkard Pool (19190).

These wells are located approximately 2-1/2 miles south of Eunice, New Mexico.

(3) All pools involved in this commingle are oil pools, and all are spaced on 40-acre spacing and proration units. This order concerns associated gas produced from such pools. Applicant is not seeking to transport off-lease or commingle oil production from any of these pools or leases.

(4) Applicant appeared at the hearing through counsel and presented the testimony of its District Engineer, Deanna Poindexter, who testified to the following matters.

(a) On and prior to August 3, 2007, gas production from the subject leases was delivered through separate, on-lease sales meters into a ten-inch pipeline ("the ten-inch line") operated by Southern Union Gas Company ("Southern Union") that crosses this field diagonally from northwest to southeast.

(b) On August 3, 2007, Southern Union notified Applicant of a rupture of the ten-inch line and required that Applicant shut-in all its wells that were delivering gas into that line so that the line could be closed off and repaired.

(c) Shutting in the wells on the subject leases cost Applicant approximately \$80,000 per day in lost production.

(d) Accordingly, Applicant began laying temporary lines through which it could deliver gas from the subject leases to Southern Union's system at alternative delivery points. Applicant also applied for, and the Division issued, Order No. R-12800, granting Applicant permission, on an emergency basis, to surface commingle gas from the subject leases for delivery through the temporary lines.

(e) On or about August 13, 2007, the date of issuance of Order No. R-12800, Southern Union resumed acceptance of gas deliveries into the ten-inch line, and all gas from the subject leases is currently being delivered into the ten-inch line from separate, on-lease delivery points, as was formerly done.

(f) However, due to the age of the ten-inch line, and its deteriorated condition, as revealed by the recent rupture and the resulting investigation of the line, Southern Union and Applicant are concerned that further ruptures may occur, that may interrupt delivery into the ten-inch line.

(g) Accordingly, in order to prevent further losses as sustained during the period from August 3 to August 13, Applicant is applying to the Division and to the United States Bureau of Land Management for permission to surface commingle gas production from the subject leases so that it can deliver the gas into Southern Union's system at alternative delivery points at any time, and from time to time, as may be required in the event of further interruption of deliveries into the ten-inch line.

(h) Applicant proposes to establish two separate commingles. Gas from the Penrose and Greenwood leases will be transported to the Brunson lease and commingled there with gas from the Brunson lease for delivery at an alternative delivery point located on that lease. Gas from the Elliott B, Grizzell and Grizzell-B leases will be transported to the Simmons lease and commingled there with gas from the Simmons lease for delivery at an alternative delivery point located on that lease.

(i) Each of the subject leases has identical ownership internally, and gas production from each lease will be measured separately and constantly with allocation gas meters prior to transporting the gas off-lease, and prior to commingling and sale.

(5) No other person appeared at the hearing or otherwise opposed the application.

(6) Granting the approval sought by Applicant will prevent the necessity of suspending production from the subject leases in the event of a further rupture of the ten-inch line, and will accordingly prevent waste and protect the correlative rights of the owners of interests in the subject leases.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Range Operating New Mexico, Inc. ("Range"), is hereby authorized to commingle and sell off-lease gas production from 46 oil wells, specifically identified on the exhibit attached to this order, located on the six leases identified below, at any time, and from time to time, for 60 days from the date of issuance of this order. All of the subject leases are all located in Township 22 South, Range 37 East of Lea County, New Mexico:

(a) The Greenwood lease located in the S/2 of Section 9 contains 10 wells all producing from the Southwest Eunice-San Andres Pool (24180);

(b) The Penrose lease located in the SW/4 NW/4 of Section 9 contains four wells that produce from the Southwest Eunice-San Andres Pool (24180), the Paddock Pool (49210), and the Drinkard Pool (19190);

(c) The Grizzell lease located in the SW/4 SE/4 and the NW/4 SE/4 of Section 5 contains six wells that produce from the Penrose Skelly-Grayburg Pool (50350), the Southwest Eunice-San Andres Pool (24180), the Blinebry Oil and Gas Pool (Oil 6660), the Tubb Oil and Gas Pool (Oil 60240), and the Drinkard Pool (19190);

(d) The Grizzell A lease located in the SE/4 SE/4 of Section 6 contains three wells that produce from the Southwest Eunice-San Andres Pool (24180), the Blinebry Oil and Gas Pool (Oil 6660), the Tubb Oil and Gas Pool (Oil 60240), and the Drinkard Pool (19190);

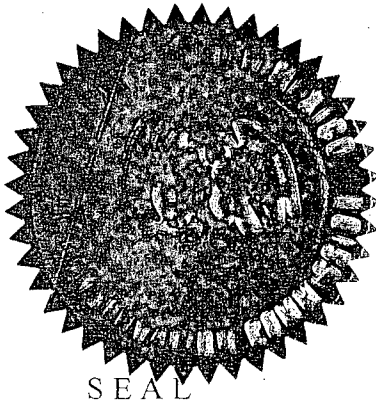
(e) The Grizzell B lease located in the S/2 NE/4 of Section 8 contains six wells that produce from the Blinebry Oil and Gas Pool (Oil 6660), the Drinkard Pool (19190), the Wantz-Abo Pool (62700), the Paddock Pool (49210), and the Southwest Eunice-San Andres Pool (24180); and

(f) The Elliott B Federal lease is located in the NE/4 of Section 7 and the SE/4 of Section 6 and contains 17 wells that produce from the Eumont-Yates-Seven Rivers-Queen Pool (Oil 22800), the Penrose Skelly-Grayburg Pool (50350), the Southwest Eunice-San Andres Pool (24180), the Blinebry Oil and Gas Pool (Oil 6660), the Tubb Oil and Gas Pool (Oil 60240), and the Drinkard Pool (19190).

(2) Gas from the Penrose and Greenwood leases will be transported to the Brunson lease and commingled there, together with gas from the Brunson lease, for delivery at an alternative delivery point located on that lease. Gas from the Elliott-B, Grizzell and Grizzell-B leases will be transported to the Simmons lease and commingled there, together with gas from the Simmons lease, for delivery at an alternative delivery point located on that lease.

(3) 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", written over a horizontal line.

MARK E. FESMIRE, P.E.
Director

Property #	Lease Name & No.	API	Location	Pool	Pool #
791005001-S1	Elliott B 1	10076	I-06-22S-37E	Penrose Skelly Grbg	50350
791005002-S1	Elliott B 2	10077	J-6-22S-37E	Eumont Yates SRQ	22800
791005002-S2				Penrose Skelly Grbg	50350
791005003-S1	Elliott B 3	10078	P-06-22S-37E	Penrose Skelly Grbg	50350
791005004-S1	Elliott B 4	10090	B-07-22S-37E	Eumont Yates SRQ	22800
791005004-S2				Penrose Skelly Grbg	50350
791005005-S1	Elliott B 5	10091	G-07-22S-37E	Penrose Skelly Grbg	50350
791005007-S1	Elliott B 7	24544	J-06-22S-37E	Blinbry Oil & Gas	6660
791005009-S1	Elliott B 9	37773	B-06-22S-37E	Eunice SA SW	24180
791005010-S1	Elliott B 10	37486	I-06-22S-37E	Tubb Oil & Gas	60240
791005010-S2				Drinkard	19190
791005011-S1	Elliott B 11	37877	J-06-22S-37E	Eunice SA SW	24180
791005012-S1	Elliott B 12	37735	O-06-22S-37E	Drinkard	19190
791005013-S1	Elliott B 13	37785	J-06-22S-37E	Tubb Oil & Gas	60240
791005013-S2				Blinbry Oil & Gas	06660
791005014-S1	Elliott B 14	37876	A-07-22S-37E	Eunice SA SW	24180
791005015-S1	Elliott B 15	37830	O-07-22S-37E	Eunice SA SW	24180
791005016-S1	Elliott B 16	37675	H-07-22S-37E	Penrose Skelly Grbg	50350
791005016-S2				Eunice SA SW	24180
791005017-S1	Elliott B 17	38517	G-07-22S-37E	Eunice SA SW	24180
791005018-S1	Elliott B 18	38353	O-06-22S-37E	Eunice SA SW	24180
791005019-S1	Elliott B 19	38354	P-06-22S-38E		24180
791000018-S1	Greenwood 18	23691	M-09-22S-37E	Eunice SA SW	24180
791000019-S1	Greenwood 19	36759	L-09-22S-37E	Eunice SA SW	24180
791000020-S1	Greenwood 20	36760	N-09-22S-37E	Eunice SA SW	24180
791000021-S1	Greenwood 21	36761	K-09-22S-37E	Eunice SA SW	24180
791000001-S1	Greenwood 22	37147	O-09-22S-37E	Eunice SA SW	24180
791000002-S1	Greenwood 23	37148	P-09-22S-37E	Eunice SA SW	24180
791000003-S1	Greenwood 24	37224	J-09-22S-37E	Eunice SA SW	24180
791000004-S1	Greenwood 25	37164	I-09-22S-37E	Eunice SA SW	24180
791000028-S1	Greenwood 28	37871	J-09-22S-37E	Eunice SA SW	24180
791000029-S1	Greenwood 29	37872	K-09-22S-37E	Eunice SA SW	24180
791010001-S1	Grizzell 1	24544	O-05-22S-37E	Blinberry Oil & Gas	06660
791010002-S1	Grizzell 2	10067	J-05-22S-37E	Drinkard	19190
791010002-S2				Penrose Skelly Grbg	50350
791010002-S3				Eunice SA SW	24180
791010003-S1	Grizzell 3	27185	O-05-22S-37E	Eunice SA SW	24180
791010004-S1	Grizzell 4	36782	O-05-22S-37E	Penrose Skelly Grbg	50350
791010005-S1	Grizzell 5	37163	J-05-22S-37E	Drinkard	19190
791010005-S2				Blinbry	6660
791010005-S3				Tubb Oil & Gas	60240
791010006-S1	Grizzell 6	38215	J-05-22S-37E	Eunice SA SW	24180
791011001-S1	Grizzell A 1	35372	H-6-22S-37E	Tubb Oil & Gas	60240
791011001-S2				Wantz Abo	62700
791011001-S3				Drinkard	19190
791011001-S4				Blinbry	06660
791011002-S1	Grizzell A2	37600	H-6-22S-37E	Eunice SA SW	24180
791011003-S1	Grizzell A3	38106	H-6-22S-37E	Drinkard	19190
791011003-S2	Grizzell A3	38106		Tubb Oil & Gas	60240
791012001-S1	Grizzell B 1	10110	G-08-22S-37E	Blinbry Oil & Gas	06660
791012003-S1	Grizzell B 3	26457	H-08-22S-37E	Blinbry Oil & Gas	06660
791012003-S2				Drinkard	19190
791012003-S3				Wantz Abo	62700
791012003-S4				Paddock	49210
791012004-S1	Grizzell B 4	26713	G-08-22S-37E	Eunice SA SW	24180
791012005-S1	Grizzell B5	36228	H-08-22S-37E	Eunice SA SW	24180
791012007-S1	Grizzell B7	37611	G-08-22S-37E	Eunice SA SW	24180
791012008-S1	Grizzell B8	37829	H-08-22S-37E	Eunice SA SW	24180
791016002-S1	Penrose 2	10146	E-09-22S-37E	Eunice SA SW	24180
791016003-S1	Penrose 3	10147	E-09-22S-37E	Drinkard	19190
791016004-S1	Penrose 4	10148	E-09-22S-37E	Drinkard	19190
791016004-S2				Paddock	49210
791016005-S1	Penrose 6	38260	E-09-22S-37E	Eunice SA SW	24180

Before the Oil Conservation Division
Case 13983

Hearing August 23, 2007
Range Operating New Mexico, Inc.
Exhibit No. *2*