

**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. 12068
Order No. R-11112**

**APPLICATION OF MARATHON OIL COMPANY
FOR POOL AND LEASE COMMINGLING,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 19, 1998, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 15th day of December, 1998 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, Marathon Oil Company ("Marathon"), is the lessee of the following described State lands in Range 28 East, NMPM, Eddy County, New Mexico, comprising 2,880 acres, more or less:

David Crockett '27' State Lease
(3 wells producing from the Travis-Upper Pennsylvanian Pool)
W/2 of Section 27, Township 18 South;

James Buchanan '33' State Lease
(1 well producing from the Travis-Upper Pennsylvanian Pool)
E/2 of Section 33, Township 18 South;

Henry Courtman '4' State Lease
(1 well producing from the Travis-Upper Pennsylvanian Pool)
N/2 of Section 4, Township 19 South;

Samuel Burns '34' State Lease
(1 well producing from the Undesignated Travis-Upper Pennsylvanian Pool and 1 well producing from the Undesignated Travis-Wolfcamp Pool)
N/2 of Section 34, Township 18 South;

W.B. Travis '15' State Lease
(1 well producing from the Travis-Upper Pennsylvanian Pool)
E/2 of Section 15, Township 18 South;

James Garvin '22' State Lease
(1 well producing from the Undesignated North Turkey Track-Morrow Gas Pool)
S/2 of Section 22, Township 18 South;

George Pagan '26' State Lease
(2 wells producing from the Undesignated Travis-Upper Pennsylvanian Pool)
W/2 of Section 26, Township 18 South;

J. Guerrero '34' State Lease
(1 well producing from the Undesignated Travis-Upper Pennsylvanian Pool)
S/2 of Section 34, Township 18 South; and

Edward Mitchusson '4' State Lease
(1 well producing from the Travis-Wolfcamp Pool)
S/2 of Section 4, Township 19 South.

(3) Division Rule 303.A prohibits production from separate common sources of supply, or pools, to be commingled or confused before marketing and Division Rule 309.A disallows the commingling of production from two or more separate leases in a common facility.

(4) The applicant seeks an exception to Division Rules 303.A and 309.A to permit pool and lease commingling of oil and condensate production from the Undesignated North Illinois Camp-Morrow Gas, Undesignated Illinois Camp-Morrow Gas, North Turkey Track-Morrow Gas, Travis-Wolfcamp, Undesignated Travis-Wolfcamp, and Travis Upper Pennsylvanian Pools from the above-described State leases.

(5) The commingled production should be stored in the Buchanan No. 1 tank battery facility located in Unit Letter I, Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(6) The applicant further seeks authority to determine the production from each of the subject wells by monthly well tests.

(7) Natural gas production from the above-described State leases is not commingled prior to marketing.

(8) Division Rule No. 309-B.A.(5) provides for administrative approval of lease commingling, provided however that in order to commingle the production from two or more separate leases in a common tank battery without first separately metering the production from each such lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(9) According to applicant's evidence and testimony, the working and/or overriding royalty interest ownership between the subject State leases is not common.

(10) Each working, royalty, and overriding royalty interest owner within the proposed commingled area was provided notice of this application and no interested party entered an appearance in this matter or filed an objection to the subject application.

(11) Approval of the application will result in economic savings to the operator, is in the best interest of conservation, is based on sound engineering principles, and will serve to prevent waste and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each well on the subject leases on at least a monthly basis.

(12) The commingling facilities should be installed and operated in accordance with the applicable provisions of Division Rule No. 303 and the Division's "*Manual for the Installation and Operation of Commingling Facilities.*"

(13) The operator should notify the supervisor of the Division's Artesia District Office prior to implementation of the commingling process and at such time as wells are completed and production from those wells is commingled at the central tank battery.

(14) This order should supersede CTB-467.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Marathon Oil Company ("Marathon"), is hereby authorized to commingle oil and condensate production from the Undesignated North Illinois Camp-Morrow Gas, Undesignated Illinois Camp-Morrow Gas, North Turkey Track-Morrow Gas, Travis-Wolfcamp, Undesignated Travis-Wolfcamp, and Travis Upper Pennsylvanian Pools from the following described State leases in Range 28 East, NMPM, Eddy County, New Mexico, comprising 2,880 acres, more or less:

David Crockett '27' State Lease
(3 wells producing from the Travis-Upper Pennsylvanian Pool)
W/2 of Section 27, Township 18 South;

James Buchanan '33' State Lease
(1 well producing from the Travis-Upper Pennsylvanian Pool)
E/2 of Section 33, Township 18 South;

Henry Courtman '4' State Lease
(1 well producing from the Travis-Upper Pennsylvanian Pool)
N/2 of Section 4, Township 19 South;

Samuel Burns '34' State Lease
(1 well producing from the Undesignated Travis-Upper Pennsylvanian
Pool and 1 well producing from the Undesignated Travis-Wolfcamp
Pool)
N/2 of Section 34, Township 18 South;

W.B. Travis '15' State Lease
(1 well producing from the Travis-Upper Pennsylvanian Pool)
E/2 of Section 15, Township 18 South;

James Garvin '22' State Lease
(1 well producing from the Undesignated North Turkey
Track-Morrow Gas Pool)
S/2 of Section 22, Township 18 South;

George Pagan '26' State Lease
(2 wells producing from the Undesignated Travis-Upper
Pennsylvanian Pool)
W/2 of Section 26, Township 18 South;

J. Guerrero '34' State Lease
(1 well producing from the Undesignated Travis-Upper Pennsylvanian
Pool)
S/2 of Section 34, Township 18 South; and

Edward Mitchusson '4' State Lease
(1 well producing from the Travis-Wolfcamp Pool)
S/2 of Section 4, Township 19 South.

(2) The commingled production shall be stored in the Buchanan No. 1 tank battery facility located in Unit Letter I, Section 33, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) Production shall be allocated to each well and lease on the basis of monthly well tests.

PROVIDED HOWEVER THAT, the facilities for the commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on the subject leases at least once each month.

PROVIDED FURTHER THAT, the facilities shall be installed and operated in accordance with Division Rule No. 303 and the Division's "*Manual for the Installation and Operation of Commingling Facilities.*"

PROVIDED FURTHER THAT, the applicant shall conduct monthly productivity tests on each of the wells on the subject leases and shall file the results of those tests with the Division's Artesia District Office on Division Form C-115 each month.

(4) The operator shall notify the supervisor of the Division's Artesia District Office prior to implementation of the commingling process and at such time as wells are completed and production from those wells is commingled at the central tank battery.

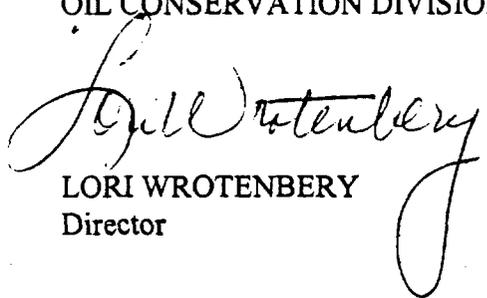
(5) It shall be the responsibility of the producer to notify the transporter of this commingling authority.

(6) This order hereby supersedes CTB-467.

(7) 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