

**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. 12102
Order No. R-11142**

**APPLICATION OF CHEVRON U.S.A. INC. FOR SURFACE COMMINGLING, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 17, 1998, and January 7, 1999, at Santa Fe, New Mexico, before Examiners David R. Catanach and Mark W. Ashley, respectively.

NOW, on this 26th day of February, 1999, 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, Chevron U.S.A. Inc. (Chevron), seeks an exception to Division Rules No. 303.A. and 309-A to permit surface commingling of Monument-Abo and North Monument-Abo Pool production from the following state leases in Lea County, New Mexico:

<u>Lease Name</u>	<u>Lease No.</u>	<u>Lease Description</u> <u>Township 19 South, Range 36 East</u>
Monument "1" State Lease	B-243 B-1585	Section 1: S/2
Monument "12" State Lease	B-10233 B-10164	Section 12: W/2, NE/4
Monument "13" State Lease	E-7355	Section 13: W/2
Monument "14" State Lease	E-7419 B-10268	Section 14: All
Monument "23" State Lease	B-230 E-7572	Section 23: NE/4, W/2 NW/4, NW/4 SW/4

(3) The proposed commingled area is contained within a larger working interest unit which encompasses the S/2 of Section 1, all of Sections 11, 12, 13 and 14, and portions of Section 23. Chevron is the operator and majority interest owner within the working interest unit. In addition to Chevron, Phillips Petroleum Company, Lead Operating, Inc., and Amerada Hess Corporation own working interests within the unit.

(4) The royalty interest within the proposed commingled area is owned 100 percent by the State of New Mexico.

(5) Within the proposed commingled area, the applicant currently operates twenty-five wells completed in the North Monument-Abo Pool and one well completed in the Monument-Abo Pool.

(6) Applicant testified that it has plans to drill an additional two to four wells within the proposed commingled area.

(7) Total production from the commingled area is approximately 1,300 barrels of oil per day, 3,550 MCF gas per day and 240 barrels of water per day.

(8) There are currently four satellite facilities located within the commingled area that are equipped to facilitate individual well testing.

(9) There is a central tank battery at a location within the SW/4 of Section 12 on the Monument "12" State Lease.

(10) The applicant proposes to conduct 24-hour production tests on each of the commingled wells four to five times per month at the satellite facilities, and transport the oil and water to the central tank battery for storage and sale. Gas is to be measured and sold at the satellite facilities.

(11) 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.

(12) All working and royalty interest owners within the proposed commingled area were provided notice of this application and at the time of the hearing no interested party entered an appearance in this matter or filed an objection to the application.

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

(14) 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*."

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

(16) Division Orders No. CTB-437 and CTB-449, which previously authorized the surface commingling of production on these leases, should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Chevron U.S.A. Inc., is hereby authorized to commingle Monument-Abo and North Monument-Abo Pool production from the following described state leases in Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, in a central tank battery to be located in the SW/4 of Section 12, Township 19 South, Range 36 East, NMPM,:

<u>Lease Name</u>	<u>Lease No.</u>	<u>Lease Description</u> <u>Township 19 South, Range 36 East</u>
Monument "1" State Lease	B-243 B-1585	Section 1: S/2
Monument "12" State Lease	B-10233 B-10164	Section 12: W/2, NE/4
Monument "13" State Lease	E-7355	Section 13: W/2
Monument "14" State Lease	E-7419 B-10268	Section 14: All
Monument "23" State Lease	B-230 E-7572	Section 23: NE/4, W/2 NW/4, NW/4 SW/4

(2) Production shall be allocated to each well on the basis of 24-hour production tests to be conducted on each well four to five times per month.

(3) The facilities for 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 leases on a frequent basis.

(4) The facilities shall 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*".

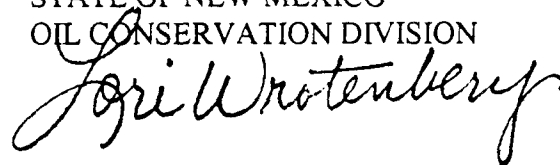
(5) The operator shall notify the supervisor of the Division's Hobbs District Office prior to implementation of the commingling process and at such time as wells are completed and production from these wells is commingled at the central tank battery.

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

(7) 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



LORI WROTENBERY
Director

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