

**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. 12135
Order No. R-11186**

**APPLICATION OF MARATHON OIL COMPANY
FOR SURFACE COMMINGLING, OFF LEASE
MEASUREMENT AND STORAGE, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 18 and April 15, 1999, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 25th day of May, 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, Marathon Oil Company (Marathon), seeks an exception to Division Rules No. 309-A and 303.A. and the amendment of Division Order No. PLC-140 to permit surface commingling and off-lease measurement and storage of Indian Basin-Upper Pennsylvanian Gas Pool and Indian Basin-Upper Pennsylvanian Associated Pool production from the following described state and federal leases in Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico:

Indian Basin "32" State Lease (Leases No. V-992-3, V-993-3)

Section 32: All

Indian Hills Unit

Sections 20 and 21: All

Sections 28 and 29: All

Section 33: All

(3) Division records indicate that the Marathon operated Indian Hills Unit is comprised of Federal Leases No. NM-0330449, LC-064391-B, NM-07260, NM-07260-F, NM-030482, NM-06293, NM-06293-A and LC-067649-A.

(4) Within the Indian Hills Unit, Marathon also operates the Indian Hills Unit Gas Com that encompasses all of Section 29 and is comprised of Federal Leases No. LC-064391-B and NM-0330449.

(5) Within the Indian Hills Unit, Marathon currently operates seven wells that are producing from the Indian Basin-Upper Pennsylvanian Associated Pool, these being the Indian Hills Unit Wells No. 1, 8, 9, 12 and 18, and the Indian Hills Unit Gas Com Wells No. 3 and 13.

(6) Within the Indian Basin "32" State Lease, Marathon currently operates three wells that produce from the Indian Basin-Upper Pennsylvanian Associated Pool, these being the Indian Basin "32" State Wells No. 1Y, 2 and 3.

(7) There are currently no wells within the Indian Hills Unit or the Indian Basin "32" State Lease that are completed in and producing from the Indian Basin-Upper Pennsylvanian Gas Pool.

(8) By Order No. PLC-140 dated August 10, 1998, the Division authorized Marathon to surface commingle Indian Basin-Upper Pennsylvanian Gas and Indian Basin-Upper Pennsylvanian Associated Pool production from certain wells located within the Indian Hills Unit and the Indian Basin "32" State Lease.

(9) In the immediate case, the applicant seeks authority to:

- a) surface commingle Indian Basin-Upper Pennsylvanian Gas Pool and Indian Basin-Upper Pennsylvanian Associated Pool production within all existing and all future drilled wells within the Indian Hills Unit and the Indian Basin "32" State Lease;
- b) utilize five satellite test facilities located in Sections 20, 28, 29, 32 and 33 to test each commingled well's production on at least a monthly basis;
- c) utilize a central production facility to be located in the SE/4 SE/4 of Section 19, Township 21 South, Range 24 East to meter and store the total production from the Indian Hills Unit and the Indian Basin "32" State Lease; and

- d) surface commingle the Indian Basin "32" State Wells No. 1Y, 2 and 3 without first separately metering these wells' production.

(10) Marathon presented evidence and testimony indicating that:

- a) the wells and leases that are the subject of this application are located in an area designated by the United States Bureau of Land Management (BLM) as a "scenic byway" and therefore, the commingling of production at a central facility is necessary in order to minimize visual impact;
- b) Marathon plans to drill four additional wells in Section 28, one additional well in Section 29, one additional well in Section 32 and one additional well in Section 33 to test the Indian Basin-Upper Pennsylvanian Associated Pool;
- c) the interest ownership between the Indian Hills Unit, the Indian Hills Unit Gas Com and the Indian Basin "32" State Lease is not common;
- d) the interest ownership between the Indian Basin "32" State Well No. 1Y and the Indian Basin "32" State Wells No. 2 and 3 is not common; and
- e) Santa Fe Energy Resources, Inc., an interest owner within the Indian Basin "32" State Lease, appeared at the hearing through legal counsel but did not object to Marathon's proposal.

(11) Marathon proposes to allocate production to each of the wells and leases in the following manner:

- a) production from four wells to be drilled in Section 28 will be processed through a satellite facility located in the NW/4 of Section 28;
- b) production from the Indian Hills Unit Wells No. 8, 9, and 12, along with production from an additional well to be drilled in Section 33, will be processed through a satellite facility located in the NW/4 of Section 33;
- c) production from the Indian Hills Unit Wells No. 1 and 18 will be processed through a satellite facility located in the SW/4 of Section 20;

- d) production from the Indian Hills Unit Gas Com Wells No. 3 and 13, along with production from additional wells to be drilled in Sections 29 and 32, will be processed through a satellite facility located in the NW/4 of Section 29;
- e) production from the Indian Basin "32" State Wells No. 1Y, 2 and 3 will be processed through a satellite facility located in the NE/4 of Section 32;
- f) oil, gas and water production will be separated and metered at each satellite facility. Gas will be separately transported to the central facility in Section 19. Oil and water will be recombined after measurement and transported to the central facility in Section 19 for further processing and measurement; and
- g) oil and gas production will be allocated to each well on the basis of well tests to be conducted at least monthly.

(12) No other interest owner appeared at the hearing in opposition to the application.

(13) Approval of the proposed surface commingling and off-lease storage and measurement will allow the applicant the opportunity to economically recover oil and gas reserves underlying the subject acreage, thereby preventing waste, and will not violate correlative rights.

(14) Division Order No. PLC-140 should be superceded by this order.

(15) 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."*

(16) The operator shall notify the supervisor of the Division's Artesia District Office at such time as new wells are completed and production from these wells is commingled at the central tank battery in Section 19.

(17) It is the responsibility of the applicant to notify the transporter of this commingling authority.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Marathon Oil Company, is hereby authorized to surface commingle oil and gas production from existing and future drilled wells completed in the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool from the following described state and federal leases in Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico:

Indian Basin "32" State Lease
Lease Nos. V-992-3, V-993-3

Section 32: All

Indian Hills Unit

Lease Nos. NM-0330449, LC-064391-B, NM-07260, NM-07260-F,
NM-030482, NM-06293, NM-06293-A and LC-067649-A

Sections 20 and 21: All

Sections 28 and 29: All

Section 33: All

(2) Production shall be allocated as follows:

- a) oil, gas and water production shall be separated and metered at each of five satellite facilities located in Sections 20, 28, 29, 32 and 33. Each of the satellite facilities shall receive production generally in conformance with the proposal outlined in Finding No. (11) above;
- b) gas shall be transported separately to the central storage facility in the SE/4 SE/4 of Section 19. Oil and water will be recombined after measurement at the satellite facilities and transported to the central facility in Section 19 for further processing and measurement;
- c) oil and gas production will be allocated to each well on the basis of well tests to be conducted at least monthly.

(3) The commingling 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.*"

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

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

(6) Division Order No. PLC-140 is hereby superceded by this order.

(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

S E A L