

**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. 12170
Order No. R-11179**

**APPLICATION OF TEXACO EXPLORATION AND PRODUCTION, INC. FOR
SURFACE COMMINGLING AND LEASE COMMINGLING, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 29, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 11th 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, Texaco Exploration and Production, Inc. ("Texaco"), is the lessee of the following described lands in Section 10, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, comprising 280 acres, more or less:

E.H.B. Phillips Lease
NE/4, E/2 NW/4, NW/4 NW/4;

E.H.B. Phillips 'B' Lease
W/2 NE/4, E/2 NW/4; and

E.H.B. Phillips 'C' Lease
E/2 NE/4.

(3) Division Administrative Order No. PC-266, dated June 8, 1965, authorized the surface commingling of Monument-Tubb and Skaggs-Drinkard Pool production on the E.H.B. Phillips 'B' lease, which at the time of approval comprised the

NW/4 NW/4, E/2 NW/4 and W/2 NE/4 of Section 10, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(4) Amended Division Administrative Order No. PC-266, dated December 7, 1965, authorized the allocation of production by well test.

(5) 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.

(6) 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 Monument-Tubb, Skaggs-Drinkard, Eumont-Yates Seven Rivers Queen Prorated Gas and Skaggs-Abo Gas Pools from the above-described leases.

(7) Natural gas production from the above-described leases will be separately metered prior to commingling.

(8) Commingled production will be stored in the E.H.B. Phillips 'B' tank battery facility located in Unit F, Section 10, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(9) The applicant further seeks authority to determine the production from each of the leases by monthly well tests.

(10) According to the applicant's evidence and testimony, working, royalty and overriding royalty interest ownership in the subject leases is not common.

(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 lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(12) Each working, royalty, and overriding royalty interest owner within the proposed commingled area was 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, is based on sound engineering principles, and will serve to prevent waste and protect correlative rights, provided that the installation of facilities for commingling production will permit the individual testing of each well on the lease on at least a monthly basis.

(14) The commingling facilities should be installed and operated in accordance with the applicable provisions of Division Rule No. 309 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 commingling and at such times as wells are completed and production from these wells is commingled at the central tank battery.

(16) This order should supersede Division Administrative Order No. PC-266.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Texaco Exploration and Production, Inc., is hereby authorized to surface commingle oil and condensate production from the Monument-Tubb, Skaggs-Drinkard, Eumont-Yates Seven Rivers Queen Prorated Gas and Skaggs-Abo Gas Pools from the following described leases in Section 10, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, comprising 280 acres, more or less:

E.H.B. Phillips Lease
NE/4, E/2 NW/4, NW/4 NW/4;

E.H.B. Phillips 'B' Lease
W/2 NE/4, E/2 NW/4; and

E.H.B. Phillips 'C' Lease
E/2 NE/4.

(2) Commingled production shall be stored in the E.H.B. Phillips 'B' tank battery facility located in Unit F, Section 10, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) Production from each lease shall be determined and allocated on the basis of well tests to be conducted on each well on at least a monthly basis.

(4) The commingling facilities shall be installed and operated in accordance with the applicable provisions of Division Rule No. 309 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 commingling and at such times as wells are completed and production from these wells is commingled at the central tank battery.

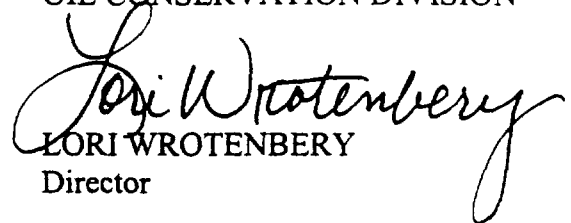
(6) It shall be the responsibility of the applicant to notify the transporter of this commingling authority.

(7) This order supersedes Division Administrative Order No. PC-266.

(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


LORI WROTENBERY
Director

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