

**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. 12239***  
***Order No. R-11250***

**APPLICATION OF MARKS AND GARNER PRODUCTION LTD. CO. FOR AN  
EXCEPTION TO DIVISION RULES 305 AND 309 TO PERMIT LEASE  
COMMINGLING AND APPROVAL OF A CENTRAL DELIVERY POINT,  
EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on September 16, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 29<sup>th</sup> day of September, 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, Marks and Garner Production Ltd. Co., seeks an exception to Division Rules No. 305 and 309 to permit lease commingling of gas production from the Grayburg Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool from the following described seventeen (17) wells located on various state or federal leases in Eddy County, New Mexico:

**Well Name & Number**

**Well Location**

Red Twelve Federal No. 1  
Red Twelve Federal No. 2  
Cave State No. 1  
Cave State No. 5  
Diamond State No. 1  
Diamond State No. 2  
Red State No. 1  
Red State No. 2  
State No. 1  
State No. 2  
Levers Federal No. 7  
Levers Federal No. 5

Unit O, Section 33, T-16 South, R-29 East  
Unit P, Section 33, T-16 South, R-29 East  
Lot 4, Section 4, T-17 South, R-29 East  
Lot 3, Section 4, T-17 South, R-29 East  
Unit O, Section 4, T-17 South, R-29 East  
Unit M, Section 4, T-17 South, R-29 East  
Lot 2, Section 4, T-17 South, R-29 East  
Unit G, Section 4, T-17 South, R-29 East  
Unit D, Section 4, T-17 South, R-29 East  
Lot 3, Section 4, T-17 South, R-29 East  
Unit J, Section 33, T-16 South, R-29 East  
Unit M, Section 33, T-16 South, R-29 East

**CASE NO. 12239**

**Order No. R-11250**

**-2-**

---

Levers Federal No. 6	Unit L, Section 33, T-16 South, R-29 East
Red Twelve State No. 1	Unit N, Section 4, T-17 South, R-29 East
Red Twelve State No. 2	Unit H, Section 4, T-17 South, R-29 East
Red Twelve State No. 3	Unit I, Section 5, T-17 South, R-29 East
Cave State No. 2	Unit H, Section 5, T-17 South, R-29 East

(3) The applicant further seeks authority to commingle the gas production from the above-described wells without first separately metering the production from each well.

(4) Division Rule No. 309-B.A.(5)(a) provides that:

"to commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership and overriding royalty ownership."

(5) According to applicant's evidence, the proposed commingled wells are marginal producers within the Grayburg Jackson Pool. Total combined gas production from the proposed commingled wells is approximately 100 MCF gas per day.

(6) Applicant further testified that it is uneconomic to maintain separate metering facilities for each well due to their marginal nature.

(7) The applicant proposes to commingle and allocate the production to each well in the following manner:

- a) Oil and gas production will be separated at each well utilizing a two-phase separator. Oil production will be stored and sold at each wellsite. Gas production from the seventeen wells will be commingled and delivered to a central delivery and metering point located in Unit O of Section 8, Township 17 South, Range 29 East.
- b) Gas production from each well shall be determined by monthly well test.

(8) The applicant testified that the working interest ownership among the subject wells is common; however, there is diversity of royalty and overriding royalty interest among the wells.

**CASE NO. 12239**  
**Order No. R-11250**

-3-

---

(9) The applicant notified all interest owners in the wells of its proposed commingling, including the Bureau of Land Management and the Commissioner of Public Lands for the State of New Mexico. By letter dated August 9, 1999, the Commissioner of Public Lands for the State of New Mexico approved the applicant's proposed commingling.

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

(11) Approval of the application will allow the applicant to economically produce the oil and gas reserves from the subject wells, thereby preventing waste, and will not violate correlative rights.

(12) The applicant should notify the transporter of the commingling authority granted by this order.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Marks and Garner Production Ltd. Co., is hereby granted an exception to Division Rules No. 305 and 309 to permit lease commingling of gas production from the Grayburg Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool from the following described seventeen (17) wells located on various state or federal leases in Eddy County, New Mexico:

**Well Name & Number**

**Well Location**

Red Twelve Federal No. 1	Unit O, Section 33, T-16 South, R-29 East
Red Twelve Federal No. 2	Unit P, Section 33, T-16 South, R-29 East
Cave State No. 1	Lot 4, Section 4, T-17 South, R-29 East
Cave State No. 5	Lot 3, Section 4, T-17 South, R-29 East
Diamond State No. 1	Unit O, Section 4, T-17 South, R-29 East
Diamond State No. 2	Unit M, Section 4, T-17 South, R-29 East
Red State No. 1	Lot 2, Section 4, T-17 South, R-29 East
Red State No. 2	Unit G, Section 4, T-17 South, R-29 East
State No. 1	Unit D, Section 4, T-17 South, R-29 East
State No. 2	Lot 3, Section 4, T-17 South, R-29 East
Levers Federal No. 7	Unit J, Section 33, T-16 South, R-29 East
Levers Federal No. 5	Unit M, Section 33, T-16 South, R-29 East
Levers Federal No. 6	Unit L, Section 33, T-16 South, R-29 East
Red Twelve State No. 1	Unit N, Section 4, T-17 South, R-29 East
Red Twelve State No. 2	Unit H, Section 4, T-17 South, R-29 East
Red Twelve State No. 3	Unit I, Section 5, T-17 South, R-29 East
Cave State No. 2	Unit H, Section 5, T-17 South, R-29 East

**CASE NO. 12239**

**Order No. R-11250**

**-4-**

---

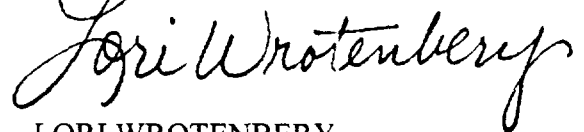
(2) Gas production from the seventeen wells shall be commingled and delivered to a central delivery and metering point located in Unit O of Section 8, Township 17 South, Range 29 East. Gas production from each of the wells shall be determined by means of a monthly well test.

(3) The applicant shall notify the transporter of the commingling authority granted by this order.

(4) 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

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. 12210*  
*ORDER NO. R-11132-A*

**APPLICATION OF CROSS TIMBERS OIL COMPANY TO AMEND DIVISION  
ORDER NO. R-11132 TO PERMIT AN ALTERNATE UNORTHODOX GAS WELL  
LOCATION, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 8, 1999 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 29th day of September, 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) By Division Order No. R-11132, issued in Case No. 12100 and dated February 5, 1999, Cross Timbers Oil Company was authorized to drill its Ute Indians "A" Well No. 26 (**API No. 30-045-29868**) from an unorthodox surface location 570 feet from the South line and 1045 feet from the East line (Unit P) of Section 2, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico, into the Ute Dome-Paradox Pool at an unorthodox subsurface gas well location/producing area that is no closer than: (i) 1650 feet from the North and West lines; (ii) 850 feet from the South line; and (iii) 1450 feet from the East line of Section 2. All of Section 2, being a standard 640-acre, more or less, gas spacing and proration unit within the Ute Dome-Paradox Gas Pool, was to be dedicated to this well.

(3) At this time Cross Timbers Oil Company seeks to amend this order allowing the Ute Indians "A" Well No. 26 to be either: (i) directionally drilled to the above-described unorthodox subsurface location in Section 2 or, (ii) drilled vertically from the above-described proposed unorthodox surface location.

(4) Subsequent to the issuance of Division Order No. R-11132, Cross Timbers Oil Company drilled its Ute Mountain Tribal "J" Well No. 6 (**API No. 30-045-29869**) at an unorthodox gas well location (approved by Division Order No. R-11130, issued in Case No. 12098 and dated February 5, 1999) 450 feet from the South line and 500 feet from the West line (Unit M) of Section 12, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico. While drilling, Cross Timbers Oil Company experienced a natural tendency for this well to drift to the north.

(5) Further evaluation of the Dakota interval within the Ute Mountain Tribal "J" Well No. 6 and other nearby wells indicate that a location within the Dakota interval directly underneath the proposed unorthodox surface location 570 feet from the South line and 1045 feet from the East line (Unit P) for the Ute Indians "A" Well No. 26 within the SE/4 of Section 2 would be more favorable than the proposed directionally drilled location, thereby increasing the likelihood of obtaining commercial Dakota gas production.

(6) In the nine section area comprising Sections 34, 35, and 36, Township 32 North, Range 14 West, NMPM, and Sections 1, 2, 3, 10, 11, and 12, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico, Cross Timbers Oil Company owns 100 percent of the working interest and the Ute Mountain Ute Tribe owns 100 percent of the royalty interest.

(7) No other interested party appeared at the hearing in opposition to the application.

(8) The applicant's request should therefore be granted.

(9) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas in this unit and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Ordering Paragraph No. (1) of Division Order No. R-11132, issued in Case No. 12100 and dated February 5, 1999, is hereby amended to read as follows:

*"(1) The applicant, Cross Timbers Oil Company, is hereby authorized to locate its Ute Indian "A" Well No. 26 at an unorthodox surface location 570 feet from the South line and 1045 feet from the East line (Unit P) and a subsurface gas*

*well location/producing area within the Ute Dome-Dakota Pool and the Ute Dome-Paradox Pool that is no closer than: (i) 1650 feet to the North and West lines; (ii) 570 feet to the South line and (iii) 1045 feet to the East line of Section 2, Township 31 North, Range 14 West, NMPM, San Juan County, New Mexico."*

(2) Ordering Paragraph No. (2) of Division Order No. R-11132, issued in Case No. 12100 and dated February 5, 1999 is hereby amended to read as follows:

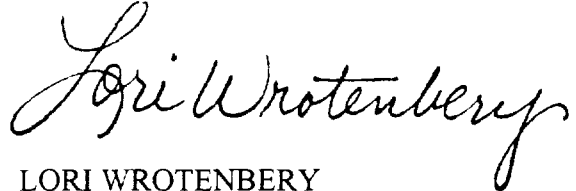
*"(2) For gas production from the Dakota formation, the SW/4 of Section 2 shall be dedicated to the well forming a standard 160-acre gas spacing and proration unit within the Ute Dome-Dakota Pool, and for gas production attributable to the Ute Dome-Paradox Pool, all of Section 2 shall be dedicated to the well in order to form a standard 640-acre gas spacing and proration unit."*

(3) All other provisions of Division Order No. R-11132 shall remain in full force and effect until further notice.

(4) 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

S E A L