

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

NOV 29 1999

November 29, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case No. 12254 (application of Maralo, LLC)

Dear Mr. Stogner:

Enclosed is a proposed order in the above matter.

Very truly yours,



James Bruce

Attorney for Maralo, LLC

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. 12254
Order No. R-

APPLICATION OF MARALO, LLC FOR AN
EXCEPTION TO DIVISION RULES 305 AND
309 TO PERMIT LEASE COMMINGLING AND
APPROVAL OF A CENTRAL DELIVERY POINT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 7, 1999,
at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 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, Maralo, LLC, seeks an exception to
Division Rules Nos. 305 and 309 to permit lease commingling of gas
production from the West Corbin-Delaware Pool from the following
described five (5) wells located on federal leases in Township 18
South, Range 32 East, NMPM, Lea County, New Mexico:

<u>Well Name & Number</u>	<u>Well Location</u>
Corbin 13 A Fed. No. 1	Unit I §13
Corbin 13 A Fed. No. 2	Unit J §13
Corbin 13 A Fed. No. 3	Unit O §13
Uncle Sam 13 Fed. No. 1	Unit H §13
West Corbin 13 Fed. No. 1	Unit P §13

(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 West Corbin-Delaware Pool. Total combined gas production from the proposed commingled wells is approximately 50 MCFGPD.

(6) Applicant further testified that is uneconomic to maintain separate gas 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. Oil production will be stored and sold at each well site. Gas production from the five wells will be commingled and delivered to a central delivery and metering point located in Unit P of Section 13, Township 18 South, Range 29 East, NMPM.

(b) Gas production from each well shall be determined by an annual GOR test.

(8) The applicant testified that there is a diversity of working interest and overriding royalty interest among the wells.

(9) The applicant notified all interest owners in the wells of its proposed commingling, including the United States Bureau of Land Management. By letter dated October 6, 1999, the Bureau of Land Management 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 gas transporter of the commingling authority granted by this order.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Maralo, LLC, is hereby granted an

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Order No. R-
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exception to Division Rules Nos. 305 and 309 to permit lease commingling of gas production from the West Corbin-Delaware Pool from the following described five (5) wells located on federal leases in Township 18 South, Range 32 East, NMPM, Lea County, New Mexico:

<u>Well Name & Number</u>	<u>Well Location</u>
Corbin 13 A Fed. No. 1	Unit I §13
Corbin 13 A Fed. No. 2	Unit J §13
Corbin 13 A Fed. No. 3	Unit O §13
Uncle Sam 13 Fed. No. 1	Unit H §13
West Corbin 13 Fed. No. 1	Unit P §13

(2) Gas production from the five wells shall be commingled and delivered to a central delivery and metering point located in Unit P of Section 13, Township 18 South, Range 32 East, NMPM. Gas production from each of the wells shall be determined by means of an annual well test.

(3) The applicant shall notify the gas 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

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