

**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. 12967
ORDER NO. R-11972**

**APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR
APPROVAL OF SURFACE COMMINGLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 9 and March 13, 2003, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 12th day of June, 2003, 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) Division Cases No. 12967 and 12968 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, BP America Production Company ("BP America"), seeks authority to surface commingle Indian Loafer Draw-Upper Pennsylvanian (Gas - 79122), Little Box Canyon-Morrow (Gas - 80240), Strychnine Draw-Atoka (Gas - 97121) and Strychnine Draw-Strawn (Gas - 97122) Gas Pool production from the following-described eight wells located in Township 20 South, Range 21 East, NMPM, Eddy County, New Mexico:

<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION & DEDICATED ACREAGE</u>
Crooked Canyon Federal Well No. 1	30-015-30559	1650' FSL & 660' FEL (Unit I), Section 35, E/2 dedication

Leggett Federal Well No. 1	30-015-25228	1497' FSL & 551' FEL (Unit I), Section 22, E/2 dedication
B & C "25" Federal Well No. 1	30-015-30842	660' FSL & 990' FWL (Unit M), Section 25, S/2 dedication
B & C "25" Federal Well No. 2	30-015-31745	660' FSL & 1980' FEL (Unit O), Section 25, S/2 dedication
B & C "25" Federal Well No. 3	30-015-31847	1600' FNL & 1050' FEL (Unit H) Section 25, N/2 dedication
Little Box State Well No. 3	30-015-30434	1980' FNL & 1980' FWL (Unit F) Section 36, N/2 dedication
Little Box State Well No. 5	30-015-31650	1980' FNL & 1980' FEL (Unit G) Section 36, N/2 dedication
Jaguar "26" Federal Well No. 1	30-015-31566	735' FNL & 660' FEL (Unit A) Section 26, E/2 dedication

(4) At the initial hearing on this application held on January 9, 2003, Trilogy Operating, Inc., Jerry A Weant, Bob Stevens, C. C. Tull, Jr., Doug Tull, George Knox, S. Family Partners, Ltd., Wesley K. Noe, Calmetto II, Ltd., Scott Muehlbrad, Sutherland Family, L.L.C., Avalon Oil Company, Michael G. Mooney, Pogar Petroleum and Stevens and Tull Development, L.P., (collectively the "Trilogy Group"), all owners of interest in production proposed to be surface commingled, appeared in opposition to the application.

(5) At the conclusion of proceedings on January 9, 2003, Case No. 12967 was continued for notice purposes, and to provide the opportunity for BP America to meet with the Trilogy Group.

(6) BP America and the Trilogy Group appeared at the hearing on March 13, 2003, and both stated that as a result of discussions between the parties, the Trilogy Group was withdrawing its objection to the application.

(7) The applicant testified that some of the subject wells were previously approved for surface commingling of gas production by Division Order No. PLC-184 dated July 26, 2001, and by Division Order No. CTB-527 dated July 26, 2002.

(8) The evidence presented demonstrates that:

- (a) the Little Box State Wells No. 3 and 5, the B & C "25" Federal Wells No. 1, 2 and 3, and the Crooked Canyon Federal Well No. 1 are currently completed in and producing from the Little Box Canyon-Morrow Gas Pool;
- (b) the Leggett Federal Well No. 1 is currently completed in and producing from the Indian Loafer Draw-Upper Pennsylvanian Gas Pool;
- (c) the Jaguar "26" Federal Well No. 1 is currently downhole commingled within the Strychnine Draw-Atoka and Strychnine Draw-Strawn Gas Pools;
- (d) the proposed area to be commingled encompasses all or portions of Federal Leases No. NMNM-93457 and NMNM-25336 and all or portions of State Lease No. V-1541; and
- (e) the interest ownership between the wells is not common.

(9) The proposed surface commingling will allow the applicant to eliminate unnecessary compression and will allow increased recovery of gas from the subject wells by reducing operating costs, thereby preventing waste.

(10) With regard to the commingled system, the applicant presented evidence that demonstrates that:

- (a) each of the commingled wells will be individually metered by an electronic total flow meter;
- (b) total gas production from the commingled system will be metered through an El Paso gas sales meter;
- (c) gas production from each of the commingled wells will be determined by dividing the total gas sales volume by individual well allocations as determined from the electronic total flow meters;

- (d) three compressors will be utilized in this system, and the fuel gas for each compressor will be separately metered;
- (e) fuel gas usage will be allocated back to each well based upon its contribution to the total gas production; and
- (f) the electronic flow meters will be calibrated at least quarterly, and the gas sales meter will be calibrated at least monthly.

(11) The applicant's proposed method of production allocation is reasonable and sufficiently reliable to protect the correlative rights of owners of separate interests in the production from the respective wells.

(12) All parties owning an interest in the wells proposed to be commingled were provided notice of this application. Excluding the Trilogy Group, no other interest owner appeared at the hearing in opposition to the application.

(13) Approval of the application will enable BP America to recover additional gas reserves from the wells within the commingled system that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(14) Division Orders No. PLC-184 and CTB-527 should be superseded by this order.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, BP America Production Company, is hereby authorized to surface commingle Indian Loafer Draw-Upper Pennsylvanian (Gas - 79122), Little Box Canyon-Morrow (Gas - 80240), Strychnine Draw-Atoka (Gas - 97121) and Strychnine Draw-Strawn (Gas - 97122) Gas Pool production from the following-described eight wells located in Township 20 South, Range 21 East, NMPM, Eddy County, New Mexico:

<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION & DEDICATED ACREAGE</u>
Crooked Canyon Federal Well No. 1	30-015-30559	1650' FSL & 660' FEL (Unit I), Section 35, E/2 dedication

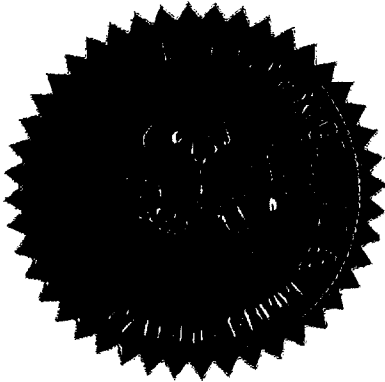
Leggett Federal Well No. 1	30-015-25228	1497' FSL & 551' FEL (Unit I), Section 22, E/2 dedication
<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION & DEDICATED ACREAGE</u>
B & C "25" Federal Well No. 1	30-015-30842	660' FSL & 990' FWL (Unit M), Section 25, S/2 dedication
B & C "25" Federal Well No. 2	30-015-31745	660' FSL & 1980' FEL (Unit O), Section 25, S/2 dedication
B & C "25" Federal Well No. 3	30-015-31847	1600' FNL & 1050' FEL (Unit H) Section 25, N/2 dedication
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Little Box State Well No. 5	30-015-31650	1980' FNL & 1980' FEL (Unit G) Section 36, N/2 dedication
Jaguar "26" Federal Well No. 1	30-015-31566	735' FNL & 660' FEL (Unit A) Section 26, E/2 dedication

(2) Allocation of production to each of the wells shall be determined as follows:

- (a) each of the commingled wells shall be individually metered by an electronic total flow meter;
- (b) total gas production from the commingled system shall be metered through an El Paso gas sales meter;
- (c) gas production from each of the commingled wells shall be determined by dividing the total gas sales volume by individual well allocations as determined from the electronic total flow meters;
- (d) fuel gas for each compressor shall be separately metered, and the fuel gas usage shall be allocated back to each well based upon its contribution to the total gas production; and

- (e) the electronic flow meters shall be calibrated at least quarterly, and the gas sales meter shall be calibrated at least monthly.
- (3) Division Orders No. PLC-184 and CTB-527 are hereby superseded 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director