

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2356
Order No. R-2060

APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO
CONSIDER THE ADOPTION OF A MANUAL
ESTABLISHING MINIMUM STANDARDS FOR
COMMINGLING INSTALLATIONS AND TO
CONSIDER REVISIONS OF RULES 303 AND
309-B.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 16, 1961, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 13th day of September, 1961, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the Commission should establish standards applicable to comingling installations which should prevent, in so far as possible, improper measurement and allocation of production.
- (3) That to this end, the Commission should adopt a manual specifying measuring methods to be used, accuracies to be attained, and acceptable physical arrangements for comingling installations.
- (4) That the report of the Industry Study Committee on Comingling, with certain modifications, should be adopted as such a manual, entitled "Manual for the Installation and Operation of Comingling Facilities."
- (5) That Rules 303 and 309-B should be revised to provide administrative procedures for obtaining permission to commingle in conformance with said manual.

(6) That said manual also should serve as a criterion for the approval of commingling installations considered after notice and hearing.

(7) That the adoption of said manual and the revision of said rules will promote the interests of conservation and the protection of correlative rights.

IT IS THEREFORE ORDERED:

(1) That the Manual for the Installation and Operation of Commingling Facilities, attached to this order as Attachment A, is hereby adopted.

(2) That Rule 303 of the Commission Rules and Regulations is hereby revised to read in its entirety as follows:

RULE 303. SEGREGATION OF PRODUCTION FROM POOLS

(a) Each pool shall be produced as a single common source of supply and the wells therein shall be completed, cased, maintained, and operated so as to prevent communication, within the well bore, with any other specific pool or horizon, and the production therefrom shall at all times be actually segregated, and the commingling or confusion of such production, before marketing, with the production from any other pool or pools is strictly prohibited.

(b) The Secretary-Director of the Commission shall have the authority to grant an exception to Rule 303(a) to permit the commingling in common facilities of the commonly owned production from two or more common sources of supply, without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the Commission "Manual for the Installation and Operation of Commingling Facilities," then current.

Applications for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe office of the Commission. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbon production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.

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Where State or Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed commingling.

(3) That Rule 309-B of the Commission Rules and Regulations is hereby revised to read in its entirety as follows:

RULE 309-B. ADMINISTRATIVE APPROVAL, LEASE COMMINGLING

The Secretary-Director of the Commission shall have authority to grant exceptions to Rule 309-A to permit the commingling of production from two or more separate leases in a common tank battery without notice and hearing, provided application has been filed in triplicate with the Commission and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed, and schematic diagrams of the commingling facility, showing it to be of an acceptable design in accordance with the Commission "Manual for the Installation and Operation of Commingling Facilities," then current, and provided further that:

1. All production is from the same common source of supply, or an exception to Rule 303(a) has been obtained.

2. Adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

3. All parties owning an interest in the leases and the purchaser of the commingled production therefrom have consented in writing to the commingling of production from the separate leases.

4. In lieu of paragraph 3 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to commingle production from the separate leases. The Secretary-Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

5. In addition to the foregoing requirements for administrative approval to commingle production from two or more separate leases, the following requirements shall also apply:

(a) 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.

(b) To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or

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overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Commission "Manual for the Installation and Operation of Commingling Facilities," then current.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



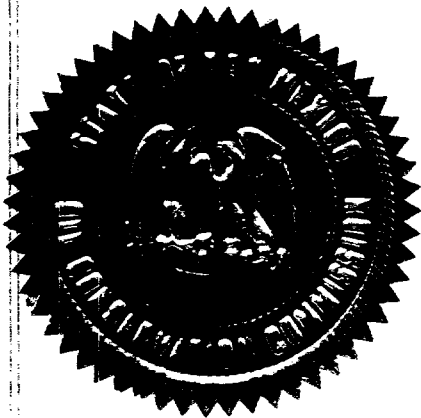
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



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