



Midland Division
Exploration and Production

Conoco Inc.
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April 23, 1991

Mr. Michael Stogner
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

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OIL CONSERVATION DIVISION

Dear Mr. Stogner:

**Request For Examiner Hearing On May 16, 1991
To Approve Surface Commingling And Off-Lease
Storage Of North Dagger Draw Upper Pennsylvanian
Production From All Conoco-Operated Leases In
The North Dagger Draw Upper Pennsylvanian Pool,
Eddy County, New Mexico**

- (1) The complex ownership of mineral interests in the North Dagger Draw Upper Pennsylvanian Pool and the extensive communitizations required to establish 160-acre proration units have resulted in 15 separate proration units, each with unique interest ownership, operated by Conoco in this pool.
- (2) In order to reduce operating costs for the interest owners and to extend the economic life of each well, Conoco has established three regional storage facilities for these 15 separate leases and has secured off-lease storage and surface commingling permits for each lease as it was developed. This process has involved numerous amendments of the permits issued for each of the three facilities and will continue to be a time consuming procedure for Conoco and the OCD in the future.
- (3) The following identified acreage constitutes all of Conoco's operations in the North Dagger Draw Upper Pennsylvanian Pool:

TOWNSHIP 19 SOUTH, RANGE 25 EAST

Section 17: All Section 19: W/2
Section 18: All Section 30: E/2, NW/4

TOWNSHIP 19 SOUTH, RANGE 24 EAST

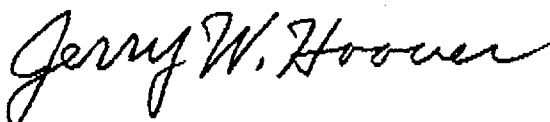
Section 36: S/2

- (4) The three regional facilities that have been established are at the following lease and well locations:

<u>Lease & Well</u>	<u>Location</u>
Lodewick "A" No. 1	Unit C, Sec. 19, T-19S, R-25E
Dagger Draw No. 4	Unit L, Sec. 19, T-19S, R-25E
Dcc State No. 2	Unit M, Sec. 36, T-19S, R-24E

- (5) At the suggestion of the OCD, Conoco is requesting that a comprehensive order be issued to simplify this commonly approved practice to provide reasonable flexibility in the storage and handling of current production and future developed reserves from this pool on Conoco-operated leases. The following stipulations for providing this prudent flexibility and economy of operations are suggested:
- (a) All North Dagger Draw Upper Pennsylvanian Pool production may be stored off-lease and surface commingled from any of Conoco's leases located in the above identified acreage.
 - (b) This production may be stored off-lease and surface commingled at any of the current existing facilities or any future developed facilities on the above identified acreage.
 - (c) The current groupings of leases with regional facilities may be realigned as needed in the future to maintain the most cost effective and recovery efficient operations for these leases and facilities.
- (6) Each currently producing well on Conoco-operated acreage, whose interest owners are different than those with whom it is being commingled, is equipped with its own production separator, positive displacement oil measurement meter, and individual, temperature compensated, gas meters. These meters are proved on a prudent regular schedule to ensure their accuracy of measurement. These wells and all future wells to be developed on the identified acreage will be similarly equipped in order to ensure that no revenue loss will be experienced by any of the interest owners.
- (7) All commingling installations will be installed and operated in accordance with the applicable provisions of Rule 309-B of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities."
- (8) Conoco believes that the approval of these operational exceptions to the general OCD rules will result in the minimizing of costs to interest owners and the prevention of waste by maximizing recovery from these wells. The proposed prudent measurement of production from varying interest wells will protect the correlative rights of all interest owners in these leases.

Very truly yours,



Jerry W. Hoover
Regulatory Coordinator

JWH/tm

CONOCO INC.

NORTH DAGGER DRAW UPPER PENNSYLVANIAN POOL
OFF-LEASE STORAGE AND SURFACE COMMINGLING ORDERS

1. COMMINGLING ORDER: CTB-338 (4 Amendments)

FACILITY LOCATION: Lodewick "A: No. 1
Unit C, Sec. 19, T-19S, R-25E

COMMINGLED LEASES: Lodewick "A" Lease
NW/4 Sec. 19, T-19S, R-25E

Lehman Federal Lease
SW/4 Sec. 18, T-19S, R-25E

Barbara Federal Lease
SW/4 Sec. 17, E/2 Sec. 18, T-19S, R-25E

Jenny Com Lease
NW/4 Sec. 17, T-19S, R-25E
2. COMMINGLING ORDER: CTB-332 (2 Amendments)

FACILITY LOCATION: Dagger Draw No. 4
Unit L, Sec. 19, T-19S, R-25E

COMMINGLED LEASES: Dagger Draw Lease (Federal)
NW/4, E/2 Sec. 30, T-19S, R-25E

Dagger Draw Lease (Fee)
SW/4, Sec. 19, T-19S, R-25E
3. COMMINGLING ORDER: CTB-346

FACILITY LOCATION: Dee State No. 2
Unit M, Sec. 36, T-19S, R-24E

COMMINGLED LEASES: Dee State (K-6385)
SE/4 Sec. 36, T-19S, R-24E

Dee State (LG-1525)
SW/4 Sec. 36, T-19S, R-24E

R-25E

