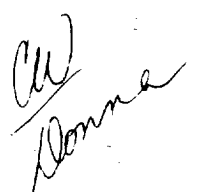


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:


CASE NO. 11904
Order No. R-10944

APPLICATION OF EXXON CORPORATION
FOR LEASE COMMINGLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 8, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of January, 1998 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Exxon Corporation, is the lessor and operator of the A. J. Adkins Fee Lease which comprises the W2 of Section 10, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico.
- (3) Evidence and testimony presented by the applicant indicates that the interest ownership between the N/2 NW/4 of Section 10, hereinafter referred to as the Blinebry Oil Com Lease, and the S/2 NW/4 and SW/4 of Section 10, hereinafter referred to as the A. J. Adkins Lease, is not common.
- (4) The N/2 NW/4 of Section 10 is currently dedicated to Exxon's Blinebry Oil Com Well No. 1, located in Unit C, which is currently producing from the Oil Center-Blinebry Pool.
- (5) The N/2 SW/4 of Section 10 is currently dedicated to Exxon's A. J. Adkins Well No. 8, located in Unit K, which is currently producing from the Oil Center-Blinebry Pool.

(6) The applicant seeks an exception to Division General Rule No. 309-B to permit the commingling of Oil Center-Blinebry Pool production from the above-described existing wells and any other wells either recompleted or drilled within the Blinebry Oil Com Lease or the A. J. Adkins Lease. Such commingling will occur at a central tank battery located on the A. J. Adkins Lease.

(7) Applicant testified that the W/2 of Section 10 and the E/2 of Section 10, which comprises the J. D. Knox Lease, will be subject to waterflood operations subsequent to the drilling of two injection wells, being the A. J. Adkins Well No. 11, located in Unit F, and the J. D. Knox Well No. 13 or 14, located in Unit J, both in Section 10. This waterflood project was approved by Division Order No. R-10736 dated January 15, 1997.

(8) Applicant's plan of operation will likely include the recompletion of the A. J. Adkins Well Nos. 9 and 10, which are currently Queen producing wells, as Oil Center-Blinebry Pool producing wells.

(9) Applicant further testified that separate production facilities will be maintained for the A. J. Adkins/Blinebry Oil Com Lease and the J. D. Knox Lease.

(10) The applicant further seeks authority to determine the production from each of the commingled wells by monthly well tests.

(11) Division General Rule No. 309-B.A.(5) provides for administrative approval of lease commingling, provided however that in order to commingle the production from two or more separate leases in a common tank battery without first separately metering the production from each such lease, the ownership must be common throughout, including working, royalty and overriding royalty interest ownership.

(12) Each working, royalty, and overriding royalty interest owner within the proposed commingled area was provided notice of this application and at the time of the hearing no interested party entered an appearance in this matter nor filed an objection to the subject application.

(13) Approval of the application will result in economic savings to the operator, is in the best interest of conservation, exhibits sound engineering principles, and will serve to prevent waste and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each well on the subject leases on at least a monthly basis.

(14) The commingling facilities should be installed and operated in accordance with the applicable provisions of General Rule No. 303 of the Division Rules and Regulations and the Division's *"Manual for the Installation and Operation of Commingling Facilities"*.

(15) The operator should notify the supervisor of the Hobbs District Office of the Division prior to implementation of the commingling process and at such time as wells are completed and production from said wells is commingled at the central tank battery.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Exxon Corporation, is hereby authorized to commingle Oil Center-Blinebry Pool production from its Blinebry Oil Com Well No. 1 located in Unit C of Section 10 on its Blinebry Oil Com Lease comprising the N/2 NW/4, and its A. J. Adkins Well No. 8 located in Unit K of Section 10 on its A. J. Adkins Lease comprising the S/2 NW/4 and the SW/4, both in Township 21 South, Range 36 East, NMPM, Lea County, New Mexico. Such production shall be stored at a central tank battery located on the A. J. Adkins Lease.

PROVIDED HOWEVER THAT, the facilities for said commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on the subject leases at least once each month.

PROVIDED FURTHER THAT, the aforementioned facilities shall be installed and operated in accordance with the applicable provisions of General Rule No. 303 of the Division Rules and Regulations after consulting the Division's "*Manual for the Installation and Operation of Commingling Facilities*".

PROVIDED FURTHER THAT, the applicant shall conduct monthly productivity tests on each of the wells on the subject leases and shall file the results of said tests with the Division's District Office at Hobbs, New Mexico on Division Form C-115 each month.

(2) The applicant is further authorized to commingle additional wells located on the subject leases upon recompletion or completion in the Oil Center-Blinebry Pool.

(3) The operator shall notify the supervisor of the Hobbs District Office of the Division prior to implementation of the commingling process and at such time as wells are completed and production from said wells is commingled at the central tank battery.

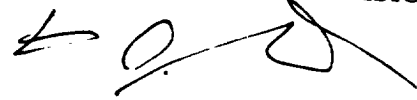
(4) It shall be the responsibility of the producer to notify the transporter of this commingling authority.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



KATHLEEN A. GARLAND
Acting Director

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