

**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. 12488
ORDER NO. R-11481**

**APPLICATION OF EOG RESOURCES, INC. FOR SURFACE COMMINGLING
AND OFF LEASE STORAGE AND MEASUREMENT, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 5, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 13th day of November, 2000, 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, EOG Resources, Inc. ("EOG"), is the lessee of the following described lands in Lea County, New Mexico, comprising 1240 acres, more or less:

(a) the Diamond "34" Federal Lease (Federal Lease No. NM 62225), which currently comprises the W/2 and N/2 NE/4 of Section 34, Township 23 South, Range 32 East, NMPM;

(b) the Diamondtail "34" Federal Lease (Federal Lease No. NM 94616), which currently comprises the S/2 NE/4 and SE/4 of Section 34, Township 23 South, Range 32 East, NMPM; and

(c) the Diamondtail "3" Federal Lease (Federal Lease No. NM 94850), which currently comprises all except the

NE/4 SW/4 of Section 3, Township 24 South, Range 32 East, NMPM.

(3) Division Administrative Order No. PLC-121, dated May 2 1996, authorized the surface commingling of Triste Draw-Delaware and Triste Draw-Bone Spring Pool production from the following leases in Lea County, New Mexico:

(a) the Diamond "34" Federal lease (Federal Lease No. NM62225), which at the time of approval comprised the NW/4 NE/4 and SE/4 SW/4 of Section 34, Township 23 South, Range 32 East, NMPM; and

(b) the Diamondtail "34" Federal lease (Federal Lease No. NM94616), which at the time of approval comprised the S/2 NE/4 and W/2 SW/4 of Section 34, Township 23 South, Range 32 East, NMPM.

(4) Division Administrative Order No. PLC-121 further authorized the allocation of production by separately metering the production from the Diamond "34" Federal Lease and determining the Diamondtail "34" Federal Lease production by the subtraction method.

(5) Division Administrative Order No. PLC-121 was amended on January 15, 1997, to include the following lease for surface commingling:

(a) the Sapphire "3" Federal Lease (Federal Lease No. NM0371175), which at the time of approval comprised the N/2 NE/4 and N/2 NW/4 of Section 3, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico.

(6) Amended Division Administrative Order No. PLC-121 further authorized the allocation of production by separately metering the production from the Diamond "34" Federal Lease and the Sapphire "3" Federal Lease and determining the Diamondtail "34" Federal Lease production by the subtraction method.

(7) Division Rule 303.A prohibits production from separate common sources of supply, or pools, to be commingled or confused before marketing, and Division Rule 309.A disallows the commingling of production from two or more separate leases in a common facility.

(8) The applicant seeks an exception to Division Rules 303.A and 309.A to add to the existing surface commingling facility the Diamondtail "3" Federal Lease,

which currently comprises all except the NE/4 SW/4 of Section 3, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico. The Diamondtail "3" Federal Lease now includes the lands previously included in the Sapphire "3" Federal Lease.

(9) The applicant further seeks authority to determine the production from each of the leases by monthly well tests.

(10) Commingled production will be stored at the Diamondtail "34" tank battery facility located in Unit J, Section 34, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico.

(11) Production from the Triste Draw-Bone Spring Pool is downhole commingled with Triste Draw-Delaware pool production in the Diamond "34" Federal Well No. 2 (Division Administrative Order No. DHC-1330) and in the Diamondtail "34" Federal Well No. 1 (Division Administrative Order No. DHC-1358).

(12) According to the evidence, working, royalty and overriding royalty interest ownership in the subject leases is not common. EOG owns 100% of the working interests in the Diamondtail "34" Federal Lease and the Diamondtail "3" Federal Lease and only 75% of the working interest in the Diamond "34" Federal Lease.

(13) Division Rule No. 309.B.A(5)(a) provides for administrative approval of lease commingling without first separately metering the production from each lease, unless the ownership is not common throughout, including working, royalty and overriding royalty interest ownership.

(14) 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 case or filed an objection to the application.

(15) Approval of the application will result in economic savings to the applicant, is in the best interest of conservation, is based on sound engineering principles, and will serve to prevent waste and protect correlative rights, provided that the installation of facilities for commingled production will permit the testing of each well on the lease on at least a monthly basis.

(16) The commingling facilities should be installed and operated in accordance with the applicable provisions of Division Rule No. 309 and the Division's *"Manual for the Installation and Operation of Commingling Facilities."*

(17) The operator should notify the supervisor of the Division's Hobbs District Office prior to commingling and at such times as wells are completed and production from these wells is commingled at the central tank battery.

(18) This order should supersede Division Administrative Order No. PL C-121.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, EOG Resources, Inc., is hereby authorized to surface commingle production from the Triste Draw-Delaware and Triste Draw-Bone Spring Pools from the following described lands in Lea County, New Mexico, comprising 1240 acres, more or less:

(a) the Diamond "34" Federal Lease (Federal Lease No. NM 62225), which currently comprises the W/2 and N/2 NE/4 of Section 34, Township 23 South, Range 32 East, NMPM;

(b) the Diamondtail "34" Federal Lease (Federal Lease No. NM 94616), which currently comprises the S/2 NE/4 and SE/4 of Section 34, Township 23 South, Range 32 East, NMPM; and

(c) the Diamondtail "3" Federal Lease (Federal Lease No. NM 94850), which currently comprises all except the NE/4 SW/4 of Section 3, Township 24 South, Range 32 East, NMPM.

(2) Commingled production will be stored at the Diamondtail "34" tank battery facility located in Unit J, Section 34, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) Production from each lease shall be determined and allocated on the basis of well tests to be conducted on each well on at least a monthly basis.

(4) The commingling facilities shall be installed and operated in accordance with the applicable provisions of Division Rule No. 309 and the Division's "*Manual for the Installation and Operation of Commingling Facilities.*"

(5) The operator shall notify the supervisor of the Division's Hobbs District Office prior to commingling and at such times as wells are completed and production from these wells is commingled at the central tank battery.

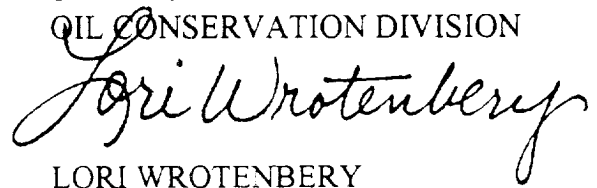
(6) It shall be the responsibility of the applicant to notify the transporter of this commingling authority.

(7) This order supersedes Division Administrative Order No. PLC-121.

(8) 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

S E A L