

**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 TO CONSIDER:**

**CASE NO. 16105
ORDER NO. R-14783**

**AMENDED APPLICATION OF LOGOS OPERATING, LLC FOR APPROVAL
OF A NON-STANDARD PROJECT AREA AND NON-STANDARD SPACING
UNIT COMPRISED OF ACREAGE SUBJECT TO A PROPOSED
FEDERAL/STATE OF NEW MEXICO COMMUNITIZATION AGREEMENT,
SAN JUAN COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 3, 2018, at Santa Fe New Mexico, before Examiner Michael A. McMillan, and again on May 17, 2018 before examiner Scott A. Dawson.

NOW, on this 18th day of July 2018, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Logos Operating, LLC ("Applicant," or "Logos") seeks approval of a 640-acre non-standard project area and non-standard oil spacing unit (the "Unit") for oil and gas production from the Gallup formation, Nageezi Gallup (Pool Code 47540), comprised of the S/2 of Section 9, and the N/2 of Section 16, all in Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico.

(3) Applicant proposes to dedicate the Unit to the following wells (the "Unit wells");

- (a) Applicant's Heros 2308 09L Com Well No. 01H (API No. 30-045-35688), a horizontal well drilled from a surface location 1476 feet from the South line and 210 feet from the West line, (Unit L) of Section 9, to a bottom-hole location 2380 feet from the North line

and 1310 feet from the West line (Unit E) of Section 16, all in Township 23 North, Range 8 West;

- (b) Applicant's Heros 2308 09L Com Well No. 02H (API No. 30-045-35687), a horizontal well to be drilled from a surface location 1476 feet from the South line and 240 feet from the West line, (Unit L) to a bottom-hole location 1480 feet from the South line and 280 feet from the East line (Unit I), all in Section 9, Township 23 North, Range 8 West;
- (c) Applicant's Heros 2308 09L Com Well No. 03H (API No. 30-045-35848), a horizontal well to be drilled from a surface location 1476 feet from the South line and 270 feet from the West line, (Unit L) to a bottom-hole location 599 feet from the South line and 26 feet from the East line (Unit P), all in Section 9, Township 23 North, Range 8 West;
- (d) Applicant's Heros 2308 09L Com Well No. 04H (API No. 30-045-35847), a horizontal well drilled from a surface location 1476 feet from the South line and 300 feet from the West line, (Unit L) of Section 9, to a bottom-hole location 2113 feet from the North line and 267 feet from the East line (Unit H) of Section 16, all in Township 23 North, Range 8 West; and
- (e) Applicant's Heros 2308 09L Com Well No. 05H (API No. 30-045-35877), a horizontal well drilled from a surface location 1476 feet from the South line and 330 feet from the West line, (Unit L) of Section 9, to a bottom-hole location 844 feet from the North line and 257 feet from the East line (Unit A) of Section 16, all in Township 23 North, Range 8 West.

(4) The Unit wells will be completed within the Nageezi Gallup Pool (Pool code 474540), which is governed by statewide Rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section.

(5) Applicant appeared at the hearing through counsel and presented the following testimony:

- (a) Applicant has proposed to the New Mexico State Land Office (NMSLO) and Bureau of Land Management (BLM) a revised communitization agreement for 640 acres comprised of the S/2 of Section 9, and the N/2 of Section 16, Township 23 North, Range 8 West. NMPM, San Juan County, New Mexico.

- (b) Applicant's original application in this case, and its original request for communitization, was for a unit of 600 acres comprising the S/2 of Section 9, the NW/4, and the N/W4 and S/2 of the NE/4, of Section 16;
- (c) Applicant subsequently amended its application to propose a 640-acre unit as above described;
- (d) Both the United States Bureau of Land Management and the New Mexico State Land Office have indicated they will approve communitization of the proposed 640-acre Unit if this application is approved.
- (e) Applicant will drill the Unit wells from the same pad;
- (f) With modern drilling and completion techniques, all of acreage within the Unit will be developed;
- (g) Applicant stated that the Gallup formation is continuous throughout the Unit;
- (h) Oblique wells may increase oil production as much as 50 percent as compared to east-west and north-south wells in the Gallup formation;
- (i) Applicant has voluntary agreements with the working interest owners to form the proposed communitized Unit;
- (j) Applicant notified all offset operators of the proposed Unit;

(6) Hilcorp Energy Company through counsel filed a pre-hearing statement, and made an appearance at hearing, in support of this application. No other party appeared at the hearing or otherwise opposed the granting of this application.

The Division concludes that:

(7) All working interest owners within the Unit have agreed to form this voluntary 640-acre unit and share equally in production from all wells in the Unit area. Applicant testified that it expects the communitization agreement for the 640-acre Unit to be ratified by all working interest owners and finally approved by the appropriate governmental authorities.

(8) Under rules in force at the time this application was filed, the Unit proposed by Applicant could not have been designated a standard project area, since no Unit well will develop all of the 40-acre tracts proposed for inclusion in the Unit. Furthermore,

Applicant could not have dedicated a standard project area to each well, since the resulting project areas would not have been substantially rectangular.

(9) In Order No. R-14670, issued May 4, 2018 in Case No. 15953, Application of Chisholm Energy, *etc.*, the Division approved a non-standard spacing unit that included several horizontal wells no one of which was capable of developing the entire spacing unit.

(10) An application pending when a rule change becomes effective is ordinarily decided under the rules in force when the application is filed.

(11) In view of the Division's action in *Chisholm*, on which Applicant may have relied in planning its development, the Unit proposed in this case should be approved as a non-standard project area and non-standard spacing unit pursuant to rules in force and effect when this application was filed. Since these wells were permitted prior to June 26, 2018, the Unit should be approved retroactive to the date the applications for permits to drill were approved.

(12) By Order No. R-14689, issued on May 22, 2018 in Case No. 14597, the Oil Conservation Commission amended Rule 19.15.16.15 NMAC to define standard horizontal spacing units for horizontal wells.

(13) Rule 19.15.16.15.E(4) ("transitional provision), adopted by Order No. R-14689 and effective June 26, 2018, provides that a well permitted by the Division prior to the new rule's effective date will retain its previous spacing unit or project are, which spacing unit or project area shall automatically become a standard, or approved non-standard, horizontal spacing unit under Rule 19.15.16, as amended effective June 26, 2018.

(14) Accordingly, the Unit should be recognized as a non-standard project area and non-standard spacing unit dedicated to horizontal wells permitted under rules in force prior to June 26, 2018, and accordingly approved as a non-standard horizontal spacing unit pursuant to the transitional provision of the amended rule.

(15) Applicant's proposal to create a 640-acre non-standard spacing unit in the Gallup formation comprising the S/2 of Section 9 and the N/2 of Section 16, all in Township 23 North, Range 8 West, NMPM, San Juan County, **should be approved.**

IT IS THEREFORE ORDERED THAT:

(1) The application of Logos Operating, LLC ("Logos") to create a 640-acre non-standard spacing unit (the "Unit") for oil and gas production from the Gallup formation, Nageezi Gallup Pool (Pool Code 47540), comprised of the S/2 of Section 9 and the N/2 of Section 16, all in Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, **is hereby approved.**

(2) Applicant should file amended forms C-102 dedicating each of the Unit wells to the Unit.

(3) This order shall not constitute a precedent for approval of a non-standard horizontal spacing unit pursuant to Rule 19.15.16.15.B(5) pursuant to any application filed on or after June 26, 2018.

(4) Jurisdiction of this case 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

HEATHER RILEY
Director