

**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. 14831 Re-Opened
ORDER NO. R-13578-A**

**APPLICATION OF COG OPERATING, LLC TO AMEND ORDER NO. R-13578
TO COMPULSORY POOL ADDITIONAL MINERAL INTERESTS IN THE
APPROVED SPACING AND PRORATION UNIT, EDDY COUNTY, NEW
MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 6, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 28th day of February, 2014, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

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

(2) Pursuant to previous hearings, the Division, on June 26, 2012, issued Order No. R-13578, granting the application of COG Operating LLC (Applicant) for approval of a non-standard spacing and proration unit and compulsory pooling. The Director also approved an extension to June 30, 2014, to commence drilling of the proposed well for the unit, the Falabella 31 Fee Well No. 7H (API No. 30-015-39514).

(3) Subsequently, Applicant filed a Motion to Re-open this case, and in that Motion informed the Division that Applicant had discovered additional owners with an interest in the lands pooled pursuant to an instrument of record in Eddy County, New Mexico. These owners were not identified in the original title record review and were subsequently omitted from previous notices provided to owners in this case, as required by Division Rule 19.15.4.12A.(1) NMAC. These additional interests are identified in the last two pages of Applicant's Exhibit No. 4 (16 parties in total).

(4) At the hearing, Applicant appeared through counsel and presented evidence that it had given notice of the original application and the re-opened hearing to the recently identified interest owners, or their heirs, successors or assigns, by certified mail and by publication pursuant to 19.15.4.12.B NMAC. No appearance was entered for these mineral owners, or any personal representative, heir or successor, and no person claiming to own or represent a claimant to an interest derived from these mineral owners has otherwise communicated with the Division.

(5) Applicant also requested a change of overhead rates provided in Ordering Paragraph (15) from \$5,500 a month while drilling and \$550 a month while producing to \$5,450 a month while drilling and \$545 a month while producing. This change reflects the rates provided in notification to the recently identified interest owners.

The Division therefore concludes:

(6) Order No. R-13578 should be amended to compulsory pool the recently identified interest owners and their heirs, devisees, personal representatives, successors and assigns, whoever they may be.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Application of COG Operating LLC (OGRID 229137), Order No. R-13587, issued in this case on June 26, 2012, is hereby amended to pool the recently identified interest owners and their heirs, devisees, personal representatives, successors and assigns, as well as all other owners of interests in the Unit established thereby, from the date said Order was originally issued.

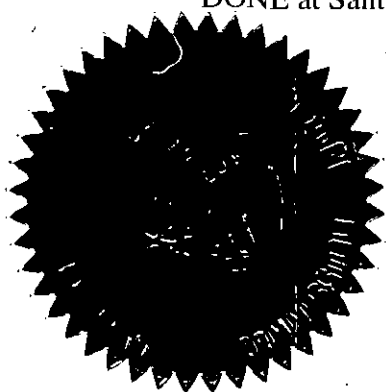
(2) Ordering Paragraph (15) of Order No. R-13578 is amended to read in its entirety, as follows:

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$5,450 per month while drilling and \$545 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(3) All other provisions of Order No. R-13578 remain in full force and effect.

(4) Jurisdiction of this case is 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

A handwritten signature in dark ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director