

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

2014 SEP 16 A 10: 17

IN THE MATTER OF THE
APPLICATION OF XTO ENERGY, INC
FOR COMPULSORY POOLING, NON-STANDARD
SPACING AND PRORATION UNIT, AND
REINSTATEMENT OF APPLICATION
FOR PERMIT TO DRILL,
LEA COUNTY, NEW MEXICO.

CASE NO. 15220

**APPLICATION FOR COMPULSORY POOLING, NON-STANDARD SPACING
AND PRORATION UNIT, AND REINSTATEMENT OF APPLICATION FOR PERMIT
TO DRILL**

XTO ENERGY, INC. applies for an order pooling all mineral interests from the surface of the earth to a depth sufficient to test the Bone Spring formation (Berry; Bone Spring, South Pool, No. 96660), non-standard spacing and proration unit, and reinstatement of a cancelled Application for Permit to Drill (APD) underlying the E/2W/2 of Section 18, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico. In support of this application, Applicant states:

1. Applicant is an interest owner in the E/2W/2 of Section 18, and has the right to drill thereon.
2. On June 6, 2014 Applicant filed its APD proposing to horizontally drill its XTO Campo Fresa State Com No. 2 H well having a surface location of 225 FNL and 1980 FWL of Section 18 and a terminus at 200 FSL and 1980 FWL with the completed interval will be within the 330-foot standard offset required by the Division's rules.
3. The Applicant's APD was approved by the Hobbs District Office of the Division on June 16, 2014.

4. On or about August 27, 2014, the Hobbs District Office of the Division cancelled its approval of Applicant's APD on the basis that the application created overlapping spacing and proration units with an Application for Permit to Drilled filed by Yates Petroleum Corporation which was filed after Applicant's APD filing and approved after the Applicant's APD was approved.

5. Applicant seeks to dedicate the E/2W/2 of Section 18 to the well to forming a non-standard 160 acre spacing and proration unit as to the Bone Spring formation (Project Area) and for any other formations or pools encountered for developed on 40- acre spacing within the vertical extent of the well.

6. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E/2W/2 of Section 18 for the purposes set forth herein.

7. Certain mineral owners have failed or refused to join in the drilling of the proposed well, therefore, applicant seeks an order pooling all mineral interest owners in the W/2W/2 of Section 18 pursuant to NMSA 1978, Section 70-2-17.

8. The pooling of all mineral interests as requested in this application underlying the E/2W/2 of Section 18 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the E/2W/2 of Section 18;
- B. Approving this application with respect to non-standard spacing and proration unit;
- C. Designating Applicant as the operator of the well;

D. Considering the cost of completing the well, and allocating the cost among the well's working interest owners;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and,

F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

G. Reinstating the Application for Permission to Drill for the subject well previously approved by the Division's Hobbs, New Mexico Office, and then thereafter cancelled.

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NMOCD Case No. 15220; Application of XTO Energy, Inc. for non-standard spacing and proration unit, compulsory pooling, and reinstatement of application for permit to drill, Lea County, New Mexico; Applicant seeks an order from the Division: (1) creating a non-standard 160-acre spacing and proration unit in the Bone Spring formation (Berry; Bone Spring, South Pool, No. 96660), comprised of the E/2W/2 of Section 18, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico; (2) pooling all mineral interests in the Bone Spring formation underlying the proposed spacing and proration unit; and (3) reinstating the cancelled Application for Permit to Drill (APD) for the Campo Fresca State Com No. 2 H well. This proposed spacing and proration unit will be the project area for the Campo Fresca State Com No. 2 H well. The completed interval for this well will be within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well, the allocation of costs and charges for supervision, designation of XTO Energy Inc. as the operator of the well, and a 200% charge for risk involved in drilling the well. Said area is located approximately 20 miles west of Eunice, New Mexico.

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