

**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. 15327
ORDER NO. R-14023**

**APPLICATION OF COG OPERATING LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 25, 2015, at Santa Fe, New Mexico, before Examiner Michael McMillan, and July 9, 2015, before Examiner William V. Jones.

NOW, on this 22nd day of July, 2015, the Division Director, having considered the testimony, the record and the recommendations of Examiner McMillan,

FINDS THAT:

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

(2) COG Operating LLC ("COG" or "Applicant") seeks approval of a non-standard 200-acre, more or less, oil spacing and proration unit (the "Unit") in the Yeso formation from 5000 feet below surface to the base of the Blinberry formation, Maljamar; Yeso, West Pool (pool code 44500), comprised of the S/2 of the N/2 of Section 9, and the SW/4 of the NW/4 of Section 10, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.

(3) The Unit will be dedicated to the Applicant's Sneed 9 Federal Com. Well No. 23H (the "proposed well"; API No. 30-025-41410), a horizontal well to be drilled from a surface location 1650 feet from the North line and 330 feet from the West line (Unit E) of Section 9, to a terminus 1650 feet from the North line and 990 feet from the

West line (Unit E) of Section 10. The completed interval of the proposed well in the Yeso formation will be orthodox.

(4) The proposed well is within the Maljamar; Yeso, West Pool (pool code 44500). Spacing in this pool is governed by statewide Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of five adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

- (a) Applicant seeks to compulsory pool; i) working interest owners in the Unit; ii) all interest owners of bare record title within the Unit; and iii) several overriding royalty interest owners within the Unit whose leases do not authorize communitization;
- (b) Applicant is preparing to submit the proposed Communitization Agreement to the United States Bureau of Land Management ("BLM"); however, the Communitization Agreement cannot be approved because the record title owners and overriding royalty interest owners have not ratified or otherwise approved the Communitization Agreement;
- (c) The Yeso formation in this area is suitable for development by horizontal drilling;
- (d) the proposed orientation of the horizontal well East to West or West to East is appropriate for the proposed Unit;
- (e) the SW/4 of the NW/4 of Section 10 has production in the Maljamar; Yeso, West Pool from existing vertical wells, and a proposed horizontal well in the E/2 of the W/2 of the Section;
- (f) Applicant's Exhibit 13 shows that the top of the Tubb formation is equivalent to the base of the Blinebry formation;
- (g) Applicant requested compulsory pooling from 5000 feet below surface to the base of the Blinebry formation due to depth severances within the Maljamar; Yeso, West Pool;
- (h) all quarter-quarter sections to be included in the Unit are expected to be productive in the Yeso formation, so that formation of the Unit as requested will not impair correlative rights;

- (i) At the request of the Division, Applicant identified and provided notice to all owners in this Unit within the entire vertical depths of the Maljamar; Yeso, West Pool that were not owners of this well from 5000 feet below the surface to the base of the Blinbry formation;
- (j) Applicant provided notice of publication before hearing in a newspaper of general circulation in Lea County, New Mexico, the county in which the property is located for the unlocatable interests.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) Applicant in this case requested approval to dedicate this well to a vertical subset of the Maljamar; Yeso, West Pool and to ask only those owners from 5000 feet below surface to the base of the Blinbry formation to pay for, and benefit from, this well.

(8) The Division has defined the Maljamar; Yeso, West Pool as a single common source of supply with vertical depths from the top of the Glorieta formation to the base of the Yeso formation. Division Rule 19.15.15.11 (B) allows the Division to create and approve a non-standard spacing and proration unit or project area and dedicate the project area to a well. However, there is no rule that allows the Division to compulsory pool a fraction of a pool even if the approved project area or unit contains depth severance clauses.

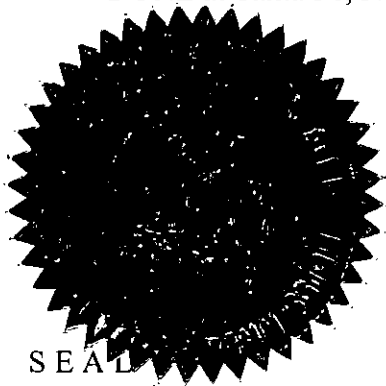
(9) This application should be denied without prejudice.

IT IS THEREFORE ORDERED THAT:

(1) The application of COG Operating LLC for approval of a non-standard 200-acre, more or less, oil spacing and proration Unit in the Yeso formation from the top of the Yeso formation to 5000 feet below surface to the base of the Blinbry formation, Maljamar; Yeso, West Pool (pool code 44500) comprising the S/2 of the N/2 of Section 9, and the SW/4 of the NW/4 of Section 10, Township 17 South, Range 32 East, NMPM, Lea, County, New Mexico, said Unit to be dedicated to Applicant's Sneed 9 Federal Com. Well No. 23H to be drilled from a surface location 1650 feet from the North line and 330 feet from the West Line (Unit E) of Section 9, to a terminus 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 10, and for the compulsory pooling of all uncommitted interests in the Unit is hereby denied without prejudice.

(2) 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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director