

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

APPLICATION OF XTO ENERGY INC.
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

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CASE NO. 19434

APPLICATION

XTO Energy Inc., ("XTO") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 320-acre spacing and proration unit comprised of the W/2 W/2 of Section 8 and the W/2 W/2 of Section 17, Township 23 South, Range 32 East, N.M.P.M., Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. In support of its application, XTO states:

1. XTO Energy Inc. (OGRID No. 5380) is a working interest owner in the subject acreage and has the right to drill thereon.
2. XTO proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **SDE 17 Federal #1H** well, which will be horizontally drilled from a surface location in the SW/4 SW/4 of Section 17 (Unit M) to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 8.
3. The completed interval for this well will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

4. XTO has sought and been unable to obtain the voluntary joinder of all mineral owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit XTO to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and XTO Energy Inc. should be designated the operator of this proposed horizontal well and spacing unit.

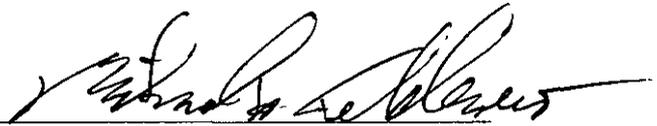
WHEREFORE, XTO requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 21, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 320-acre non-standard spacing and proration unit in the Bone Spring formation comprised of the W/2 W/2 of Section 8 and the W/2 W/2 of Section 17, Township 23 South, Range 32 East, N.M.P.M., Lea County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit;
- C. Designating XTO Energy Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing XTO to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by XTO in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR XTO ENERGY INC.

CASE 15434

Application of XTO Energy Inc. for a non-standard spacing and proration unit, and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320-acre spacing and proration unit comprised of the W/2 W/2 of Section 8 and the W/2 W/2 of Section 17, Township 23 South, Range 32 East, N.M.P.M., Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed SDE 17 Federal #1H well, which will be horizontally drilled from a surface location in the SW/4 SW/4 of Section 17 (Unit M) to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 8. The completed interval for this well will remain within the 330-foot standard setback required by the Division's statewide rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of XTO Energy Inc. as operator of the well, and a 200% charge for risk involved in drilling and completing said well. The subject area is located approximately 15 miles south-southeast of Halfway, New Mexico.