

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 21, 2016

8:15 A.M. - 1220 South St. Francis

Santa Fe, New Mexico

Docket Nos. 04-16 and 05-16 are tentatively set for February 4, 2016 and February 18, 2016. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule Subsection B of 19.15.4.13 NMAC requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer. The following cases will be heard by an Examiner.

Locator Key for Cases

Case 15371 - No. 6

Case 15376 - No. 3

Case 15411 - No. 7

Case 15427 - No. 10

Case 15428 - No. 11

Case 15429 - No. 2

Case 15431 - No. 12

Case 15432 - No. 1

Case 15433 - No. 4

Case 15434 - No. 5

Case 15435 - No. 8

Case 15436 - No. 9

1. ***Case No. 15432: Application Of The New Mexico Oil Conservation Division Compliance And Enforcement Bureau for a Compliance Order against DC Energy, LLC, for Wells Operated in Lea County, New Mexico.*** The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator DC Energy, LLC ("Operator") is out of compliance with OCD rules 19.15.26, 19.15.16, 19.15.29, 19.15.25, and 19.15.5.9 NMAC; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by § 70-2-14(E), NMSA 1978.
2. ***Case No. 15429: (Continued from the January 7, 2016 Examiner Hearing.)***
Application of Devon Energy Production Company, L.P. for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Devon Energy Production Company, L.P. seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Wolfcamp formation comprised of Lot 4, SW/4 NW/4, and W/2 SW/4 (the W/2 W/2) of Section 1, Township 23 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit, for any formations and/or pools developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the **Tomb Raider 1 Fed. Well No. 2H**, a horizontal well to be drilled at a surface location 200 feet from the north line and 1360 feet from the west line, with a terminus 330 feet from the south line and 660 feet from the west line, of Section 1. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 21 miles east-northeast of Malaga, New Mexico.
3. ***Case No. 15376 (re-opened): Application of COG Operating LLC To Re-Open Case No. 15376 To Amend The Well Surface Location and Well Orientation Under The Terms Of Compulsory Pooling Order R-14072, Eddy County, New Mexico.*** Applicant in the above-styled cause seeks to amend Division Order R-14072 to reflect the revised surface location and well orientation for the initial well to be dedicated to the 160-acre oil spacing and proration unit created by Order R-14072. The spacing unit consists of the W/2 W/2 of Section 11, Township 20 South, Range 25 East, NMPM Eddy County, New Mexico. Said unit will now be dedicated to the applicant's proposed Bone Yard 11 Fee No. 11H Well to be drilled from a surface location surface location 120 feet from the North line and 170 feet from the West line (Unit D) to a standard

Examiner Hearing – January 21, 2016
Docket No. 03-16
Page 2 of 4

terminus 330 feet from the South line and 330 feet from the West line (Unit M) of Section 11. The completed interval will commence in Section 15 and remain within the standard setback required by the Division's rules. The subject area is located approximately 6.5 mile southwest of Lakewood, New Mexico.

4. **Case No. 15433: Application of Matador Production Company 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, 160-acre, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 32, Township 18 South, Range 33 East, Lea County, New Mexico and (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Eland State 32-18S-33E RN No. 123H Well, which will be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) to a standard bottom hole location in the SW/4 SE/4 (Unit O) of Section 32. The completed interval for this well will remain within the 330-foot standard offset required by the 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 Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 16.2 miles southeast of Maljamar, NM.
5. **Case No. 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.
6. **Case No. 15371: (Continued from the December 17, 2015 Examiner Hearing.)**
Application of Smih and Marrs Inc., for approval of a pressure maintenance project, in Eddy County, New Mexico. Applicant seeks approval to institute a lease pressure maintenance project in its **Superior State Well #1**, located 1980' FNL and 660' FEL, Unit H, Section 8, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. Applicant intends to inject produced water into the Delaware Sand formation at depths of 3736-3776 feet (perforated). The well is located approximately 10 miles south east of Malaga, New Mexico.
7. **Case No. 15411: (Continued from the December 3, 2015 Examiner Hearing.)**
Application of Devon Energy Production Company, L.P. for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Devon Energy Production Company, L.P. seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2 W/2 of Section 8, Township 23 South, Range 32 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit, for any pools developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the **Stray Cat 8 Fed. Com. Well No. 1H**, a horizontal well to be drilled at a surface location in the SW/4 SW/4, with a terminus in the NW/4 NW/4, of Section 8. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 15 miles south-southeast of Halfway, New Mexico.
8. **Case No. 15435: Application Of Dugan Production Company For Approval Of The Sunflower Fruitland Pictured Cliffs Unit, San Juan County, New Mexico.** Applicant seeks approval of its Sunflower Fruitland Pictured Cliffs Unit consisting of approximately 6,976.53 acres of the following Federal and State lands situated in San Juan County, New Mexico:
TOWNSHIP 24 NORTH, RANGE 12 WEST, N.M.P.M.
Section 6: All
Section 7: N/2
TOWNSHIP 24 NORTH, RANGE 13 WEST, N.M.P.M.
Section 1: All
Section 2: All
Section 11: All
Section 12: All
Section 14: N/2NE/4 and NW/4