

DOCKET: EXAMINER HEARING - THURSDAY - FEBRUARY 4, 2016

8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 06-16 and 07-16 are tentatively set for February 18, 2016 and March 3, 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 15345 - No. 6
Case 15432 - No. 1
Case 15437 - No. 2
Case 15438 - No. 3
Case 15439 - No. 4
Case 15440 - No. 5
Case 15441 - No. 7

1. Case No. 15432: (Continued from the January 21, 2016 Examiner Hearing.)

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. 15437: *Application of Caza Petroleum, Inc. for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.* Caza Petroleum, Inc. seeks an order approving a non-standard 160-acre spacing and proration unit in the Bone Spring formation comprised of the W/2 W/2 of Section 19, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The non-standard unit is to be dedicated to applicant's **Igloo 19 State Well No. 7H**, to be horizontally drilled from a surface location in the SW/4 SW/4, to a standard bottom hole location in the NW/4 NW/4, of Section 19. 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 Caza Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling the well. The unit is located approximately 15 miles west-northwest of Oil Center, New Mexico.

3. Case No. 15438: *Application of Devon Energy Production Company, L.P. for special pool rules for the Brinninstool-Bone Spring Pool, Lea County, New Mexico.* Applicant seeks an order instituting special rules and regulations for horizontal wells in the Brinninstool-Bone Spring Pool, including standard 320 acre oil spacing and proration units and a special depth bracket allowable of 6400 barrels of oil per day for a standard horizontal well unit. The Brinninstool-Bone Spring Pool currently includes parts of Sections 2, 10, and 11, Township 23 South, Range 33 East, NMPM. The Brinninstool-Bone Spring Pool is centered approximately 21 miles southwest of Oil Center, New Mexico.

4. Case No. 15439: *Application of Devon Energy Production Company, L.P. for special pool rules for the Triple X-Bone Spring Pool, Lea County, New Mexico.* Applicant seeks an order instituting special rules and regulations for horizontal wells in the Triple X-Bone Spring Pool, including standard 320 acre oil spacing and proration units and a special depth bracket allowable of 6400 barrels of oil per day for a standard horizontal well unit. The Triple X-Bone

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Spring Pool currently includes parts of Sections 29, 32, and 33, Township 23 South, Range 33 East, NMPM and part of Section 4, Township 24 South, Range 33 East, NMPM. The Triple X-Bone Spring Pool is centered approximately 27 miles southwest of Oil Center, New Mexico.

5. ***Case No. 15440: Application of Devon Energy Production Company, L.P. for special pool rules for the Cruz-Bone Spring Pool, Lea County, New Mexico.*** Applicant seeks an order instituting special rules and regulations for horizontal wells in the Cruz-Bone Spring Pool, including standard 320 acre oil spacing and proration units and a special depth bracket allowable of 6400 barrels of oil per day for a standard horizontal well unit. The Cruz-Bone Spring Pool currently includes part of Section 16, Township 23 South, Range 33 East, NMPM. The Cruz-Bone Spring Pool is centered approximately 25 miles southwest of Oil Center, New Mexico.

6. ***Case No. 15345: (Continued from the January 7, 2016 Examiner Hearing.) Application of LG&S Oil Company, LLC for approval of a salt water disposal well, Eddy County, New Mexico.*** Applicant seeks an order approving disposal of produced water into the Queen formation at depths of 3280 feet to 3570 feet subsurface in the Keohane B Federal 3 Well, located 1980 feet from the North line and 1980 feet from the West line, Unit F, of Section 28, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico. The well is located approximately 10 miles south of Maljamar, New Mexico.

7. ***Case No. 15441: Application of Nearburg Exploration Company LLC, SRO2 LLC and SRO3 LLC for an Accounting and Limitation on Recovery of Well Costs, and for Cancellation of Application for Permit to Drill, Eddy County, New Mexico.*** Applicants seek an order determining that COG Operating LLC (“COG”) did not have the right to drill two two-mile long lateral wells that COG drilled and completed in the Bone Spring formation by willfully trespassing from surface locations in Section 17 onto unconsolidated and unpooled lease acreage owned by Nearburg Exploration Company in the W/2 of Section 20, Township 26 South, Range 28 East, N.M.P.M., in Eddy County, New Mexico. The wells in trespass are the **SRO State Com 043H** (API 30-015-41141) located in the W/2 W/2 of Sections 17 and 20 (“043H”) and the **SRO State Com 044H** (API 30-015-41142) located in the E/2 W/2 of Sections 17 and 20 (“044H”). Both wells were drilled to and completed in the 2nd Bone Spring Sand, Hay Hollow Bone Spring Pool (30215). Applicants further seek an order requiring COG to account and pay to Applicants the amounts of production proceeds they are entitled in the absence of pooling, without recovery of well costs or expenses. Applicants also seek cancellation of the application for permit to drill the **COG SRO State Com 069H Well** (API 30-015-43093) projected to be drilled to the 3rd Bone Spring formation in the E/2 W/2 of Sections 17 and 20, T-26-S, R-28-E. Applicants may also seek the removal of COG and designation of Nearburg Producing Company as the operator of the **SRO State 016H well** (API 30-015-38071) located in the W/2 W/2 of Section 20, T-26-S, R-28-E. The wells and lands are located approximately twelve miles southwest of Malaga, New Mexico.