

**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. 15310 Reopened
ORDER NO. R-14033-A**

**APPLICATION OF COG OPERATING LLC TO RE-OPEN CASE NO. 15310 TO
CONTRACT THE NON-STANDARD PROJECT AREA TO CONFORM WITH
THE BOUNDARIES OF ACREAGE SUBJECT TO A PROPOSED STATE
COMMUNITIZATION AGREEMENT, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 23, 2016, at Santa Fe New Mexico, before Examiner William V. Jones.

NOW, on this 5th day of August, 2016, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) On August 12, 2015 the Division with Order No. R-14033 issued in Case No. 15310 approved a 640-acre project area for horizontal Bone Spring oil production, Wildcat-Bone Spring Oil Pool (Pool Code 97929), comprising all of Section 27, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico.
- (3) COG Operating, LLC (COG or Applicant) has drilled and completed (with first production in May of 2015) three, one mile long wells in a direction from north to south within this project area, all dedicated to the entire 640-acre project area. COG has permitted the fourth well, the Pygmy 27 State Well No. 4H (API No. 30-025-42069) planned for development of the E/2 E/2 of Section 27.
- (4) Applicant has re-opened this Case No. 15310, asking to contract the project area to only include the W/2 and W/2 E/2 of Section 27; in effect, excluding the E/2 E/2.

(5) Applicant appeared at the hearing through counsel and presented the following testimony:

- (a) The Applicant no longer plans to drill the Pygmy 27 State Well No. 4H. The E/2 E/2 of Section 27 is still planned for development, but with a well drilled in a North to South or South to North direction and more than one mile in length.
- (b) The State Land Office has agreed to terminate the existing 640-acre communitization agreement ("CA") and approve a new CA to cover the 480 acres consisting of the W/2 and the W/2 E/2 of Section 27, as soon as the Division gives approval for this dedication.
- (c) COG owns 100 percent of the two State leases that cover Section 27.
- (d) Applicant has provided notice to all affected parties in all 40-acre quarter-quarter sections surrounding the proposed 480-acre project area.
- (e) The creation of this CA and Project Area will enable Applicant to consolidate tank batteries. Applicant plans to dismantle the tank battery at the Pygmy 27 State Well No. 3H location.

(6) These wells are within the WC-025 G-06 S213326D; Bone Spring Pool (Pool Code 97929) which is Wildcat for oil production from the Bone Spring and therefore spaced on 40-acre drilling units. Notice of the proposed formation of this project area was properly provided to owners of all surrounding 40-acre units. The parties within the E/2 E/2 of Section 27 which will be contracted out of the previously approved 640-acre project area have been provided notice and have not objected. Notice was properly provided and no other party appeared at this hearing or otherwise opposed this application.

(7) Applicant is proposing a project area consisting of contiguous standard sized 40-acre oil spacing and proration units substantially in the form of a rectangle.

(8) Applicant has already drilled and completed horizontal wells so as to penetrate or "develop" all twelve standard sized 40-acre oil spacing and proration units within the project area. The two State leases involved are being held by production within this project area.

(9) Applicant's proposal to create a 480-acre project area for development of oil reserves from the Bone Spring formation should be approved in order to protect correlative rights and prevent waste.

(10) The project area should be considered as one dedicated acreage block with 100 percent voluntary commitment of owners of mineral interests.

(11) The three horizontal Bone Spring wells producing within this project area prior to the effective date of this order should, at that date, be re-dedicated by submission of form C-102 to the 640-acre project area.

IT IS THEREFORE ORDERED THAT:

(1) The application of COG Operating LLC to re-open Case No. 15310, in order to contract the previously approved 640-acre project area to 480 acres consisting of the W/2 and the W/2 E/2 of Section 27, Township 21 South, Range 33 East, NMPM, Lea County New Mexico, is hereby approved.

(2) The effective date of this reduced project area shall be the first of the month after approval of this order. The following oil wells completed within the Bone Spring formation and all producing from the WC-025 G-06 S213326D; Bone Spring Pool (Pool Code 97929), shall at that time be re-dedicated to the smaller project area by submission of form C-102 to the Hobbs district office with reference to this order:

- (a) Pygmy 27 State Well No. 1H (API No. 30-025-40352)
- (b) Pygmy 27 State Well No. 2H (API No. 30-025-42062)
- (c) Pygmy 27 State Well No. 3H (API No. 30-025-42068)

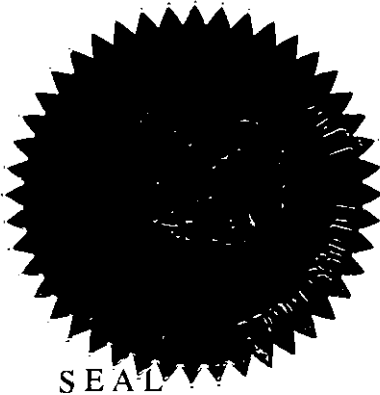
(3) Approval of this project area is conditioned upon approval of a voluntary CA or exploratory Unit for these lands by the State Land Office.

(4) Should it be discovered that all interest owners in the project area have not agreed to voluntarily commit their interests, then this order shall no longer be in effect.

(5) Division Order No. R-14033 is hereby superseded.

(6) Jurisdiction of this case is hereby 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

A handwritten signature in dark ink, appearing to read "David R. Catanach". The signature is fluid and cursive, written over the printed name.

DAVID R. CATANACH
Director