

15655

2017 FEB 17 PM 3:04

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF BLACK MOUNTAIN OPERATING LLC
FOR A NON-STANDARD OIL SPACING AND PRORATION
UNIT, COMPULSORY POOLING, AND AN UNORTHODOX
WELL LOCATION, LEA COUNTY, NEW MEXICO**

Case No. 15655

APPLICATION

Black Mountain Operating LLC applies for an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the W/2SW/4 of Section 35, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, and the W/2W/2 of Section 2, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and approving an unorthodox well location, and in support thereof, states:

1. Applicant is an interest owner in the W/2SW/4 of Section 35, Township 21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East, and has the right to drill a well thereon.

2. Applicant proposes to drill its Grama Ridge State Com 1H well to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate the W/2SW/4 of Section 35, Township 21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East to the well to form a non-standard 240-acre oil spacing and proration unit (project area) in the Bone Spring formation. The well is a horizontal well, with a surface location 144.3 feet from the south line and 911 feet from the west line of Section 2, Township 22 South, Range 34 East, and a bottom hole location 2731 feet from the south line and 330 feet from the west line of Section 35, Township 21 South, Range 34 East.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation in the W/2SW/4 of Section 35, Township

21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation in the W/2SW/4 of Section 35, Township 21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East, pursuant to NMSA 1978, §§ 70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the W/2SW/4 of Section 35, Township 21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East, and approval of the unorthodox well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing on March 30, 2017 and that, following notice and hearing, the Division enter its order:

A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2SW/4 of Section 35, Township 21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East;

B. Pooling all mineral interests in the Bone Spring formation underlying W/2SW/4 of Section 35, Township 21 South, Range 34 East, and the W/2W/2 of Section 2, Township 22 South, Range 34 East;

C. Approving the unorthodox well location;

D. Designating Applicant as operator of the well;

E. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;

F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



J. Scott Hall
Seth C. McMillan
Post Office Box 2307
Santa Fe, NM 87504-2307
(505) 982-3873
Attorneys for Black Mountain LLC