

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

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

CASE NO. 15837

AMENDED APPLICATION

XTO Energy Inc., ("XTO") through its undersigned attorneys, hereby files this amended application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 240-acre spacing and proration unit comprised of the W/2 SW/4 of Section 25 and the W/2 W/2 of Section 36, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. In support of its application, XTO states:

1. XTO Energy Inc. (OGRID No. 5380) or its affiliate is a working interest owner in the non-standard spacing and proration unit and has the right to drill thereon.
2. XTO proposes to dedicate the above-referenced spacing and proration unit as the project area for three proposed initial wells: the proposed **Remuda South 25 State No. 701H Well**, the proposed **Remuda South 25 State No. 702H Well**, and the proposed **Remuda South 25 State No. 902H Well**, which will be pad-drilled sequentially and batch completed. All three wells will be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 25 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 36. The proposed **Remuda South 25 State No. 701H Well**, proposed **Remuda South 25 State No. 702H Well** will

be drilled in the Second Bone Spring and the proposed **Remuda South 25 State No. 902H Well** will be drilled in the Third Bone Spring.

3. The completed interval for each 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 voluntary agreement for the development of these lands from all of the working interest 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 each 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 October 12, 2017, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 240-acre non-standard spacing and proration unit in the Bone Spring formation comprised of the W/2 SW/4 of Section 25 and the W/2 W/2 of Section 36, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Dedicating three initial wells to the non-standard spacing and proration unit;
- D. Designating XTO Energy Inc. operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- E. Authorizing XTO to recover its costs of drilling, equipping and completing each well;

- F. 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
- G. Imposing a 200% penalty for the risk assumed by XTO in drilling and completing each 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 15837:

Amended Application of XTO Energy Inc. for a non-standard spacing and proration unit, and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 240-acre spacing and proration unit comprised of the W/2 SW/4 of Section 25 and the W/2 W/2 of Section 36, Township 23 South, Range 29 East, NMPM, Eddy 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 three proposed initial wells: the proposed **Remuda South 25 State No. 701H Well**, the proposed **Remuda South 25 State No. 702H Well**, and the proposed **Remuda South 25 State No. 902H Well**, which will be pad-drilled sequentially and batch completed. All three wells will be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 25 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 36. The completed interval for each 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 each 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 each well and a 200% charge for risk involved in drilling each well. Said area is located approximately 19 miles southeast of Carlsbad, New Mexico.