

**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. 16005
ORDER NO. R-14656**

**APPLICATION OF COG OPERATING LLC FOR A NON-STANDARD SPACING
AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 8, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 30th day of April, 2018, 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 the subject matter.

(2) COG Operating LLC (the "Applicant") seeks approval of a 160-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil production in the San Andres formation, Red Lake; San Andres Pool (Pool code 97253), underlying the S/2 N/2 of Section 22, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico. Applicant further seeks the pooling of all uncommitted interests in the Unit.

(3) The Unit will be dedicated to Applicant's Collier 22 State Com Well No. 43H (the "subject well"; API No. 30-015-44044), a horizontal well drilled from a surface location 1650 feet from the North line and 140 feet from the West line (Unit E) to a bottom-hole location 1673 feet from the North line and 220 feet from the East line (Unit H) of Section 22, Township 17 South, Range 28 East. The location of the completed interval will be standard for oil production within the Unit.

(4) The subject well is within the Red Lake; San Andres Pool (pool code 97253) and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four adjacent quarter-quarter sections oriented west to east.

(5) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The San Andres formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from west to east or east to west is appropriate for the proposed Unit;
- (c) all quarter-quarter sections within the Unit are expected to be productive within the prospective portion of the San Andres formation, so that formation of the Unit, as proposed, will not impair correlative rights.
- (d) Applicant is requesting to compulsory pool record title owners who have divested all operating rights in the San Andres formation;
- (e) Record title owners who own no working interest are not subject to cost recovery or the risk penalty;
- (f) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments; and
- (g) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(7) The proposed non-standard unit should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the subject well to a common source of supply within the Unit at the proposed location.

(10) There are owner(s) of record title in the Unit that have not signed the communitization agreement as required by the State Land Office. All other interests have chosen to participate.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) COG Operating LLC should be designated the operator of the subject well and the Unit.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit and project area ("the Unit") is hereby established for oil and gas production from the San Andres formation, Red Lake; San Andres Pool (Pool Code 97253) underlying the S/2 N/2 of Section 22, Township 17 South, Range 28 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of COG Operating LLC, all uncommitted interests, whatever they may be, in the oil and gas in the San Andres formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Collier 22 State Com Well No. 43H (the "subject well"; API No. 30-015-44044), a horizontal well drilled from a surface location 1650 feet from the North line and 140 feet from the West line (Unit E), to a bottom-hole location 1673 feet from the North line and 220 feet from the East line (Unit H) of Section 22, Township 17 South, Range 28 East NMPM, Eddy County, New Mexico. The location of the completed interval will be standard for oil production within the Unit.

(4) Upon final plugging and abandonment of the subject well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this order shall terminate, unless this Order has been amended to authorize further operations.

(5) COG Operating LLC (OGRID 229137) is hereby designated the operator of the well and the Unit.

(6) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(7) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of parties subject to the compulsory pooling provisions of this order.

(8) Jurisdiction of this case is 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


HEATHER RILEY
Director