

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. 14613  
ORDER NO. R- 13382-D

APPLICATION OF COG OPERATING, LLC  
FOR SPECIAL RULES, EDDY AND LEA  
COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 16, 2011, at Santa Fe, New Mexico, before Examiner Richard I. Ezeamyim. Prior to commencement of the hearing of the application, the Examiner considered the Motion to Dismiss filed by Tandem Energy Corporation (Tandem).

NOW, on this 25<sup>th</sup> day of May, 2011, the Division Director, having considered the said Motion and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) In its application, COG Operating, LLC ("Applicant") sought establishment of special pool rules setting increased depth bracket allowables, unlimited gas-oil ratios, and cancellation of overproduction in thirteen pools in Lea and Eddy Counties, New Mexico, including the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres-Glorieta-Yeso Pool (Pool Code 97558) (the Grayburg Jackson Pool).

(3) Tandem is an operator of wells in the Grayburg Jackson Pool that are completed in San Andres or shallower formations. Tandem does not operate any wells that are completed in the Glorieta or Yeso formations, nor does Tandem operate any wells in any other pool included in this application.

(4) Except for the Grayburg Jackson Pool, all of the pools for which Applicant seeks establishment of special pool rules in this proceeding are limited to the Glorieta and Yeso.

(5) Tandem filed a motion to dismiss this application insofar as it applies to the Grayburg Jackson Pool.

(6) Upon receipt of Tandem's Motion to Dismiss, Applicant filed an amended application limiting its request for special pool rules for the Grayburg Jackson Pool to those portions of that pool that are included within the horizontal boundaries of the Dodd Federal Unit or the Burch Keely Unit.

(7) Division Rule 19.15.20.12.D provides that:

The Division may, where deemed appropriate, assign *to a given pool* a special depth bracket allowable at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. The special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing. [emphasis added]

(8) No Division rule authorizes assignment of a different depth bracket allowable to only a part of a pool. Due to obvious correlative rights implications of allowing some units to produce at a higher allowable than others from a common source of supply, the Division concludes that the rule was intended to provide for assignment of special depth bracket allowables only on a pool-wide basis. The Division can, of course, split a pool, or otherwise change a pool's horizontal or vertical boundaries, but only after appropriate notice and based on appropriate evidence.

(9) In response to the examiner's inquiry, Applicant indicated that it would not be presenting any evidence in this case supporting increased allowables for portions of the Grayburg Jackson Pool above the Glorieta formation.

(10) Accordingly, Applicant's requested special pool rules could not be applied to the Grayburg Jackson Pool based on the notices given in this case and the evidence Applicant indicated that it was prepared to present.

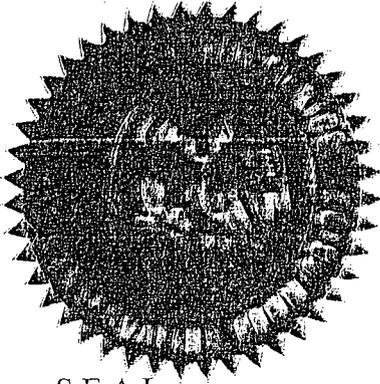
**IT IS THEREFORE ORDERED THAT:**

(1) This Application, insofar as it applies to the Grayburg Jackson-Seven Rivers-Queen-Grayburg-San Andres-Glorieta-Yeso Pool (Pool Code 97558) is dismissed without prejudice.

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(2) 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

A handwritten signature in black ink, appearing to read "Jami Bailey", written in a cursive style.

JAMI BAILEY  
Director