

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

**APPLICATION OF COLGATE OPERATING, LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Colgate Operating, LLC ("Colgate"), OGRID Number 14744, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the N/2 S/2 of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico and the N/2 S/2 of Section 30, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. In support of this application, Colgate states as follows:

1. Colgate is an interest owner in the subject lands and has a right to drill a well thereon.
2. Colgate seeks to dedicate the N/2 S/2 of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico and the N/2 S/2 of Section 30, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico to form a 320-acre, more or less, Bone Spring horizontal spacing unit.
3. Colgate plans to drill the following horizontal wells to a depth sufficient to test the Bone Spring formation:
 - a. The **Red Bandana 25 State Com 123H** well is a horizontal well with a surface location in the NW/4 SW/4 (Unit L) of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, and an intended bottom hole location in the NE/4 SE/4 (Unit I) of Section 30, Township 19 South, Range 29 East, NMPM, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 8,200' to the Bone Spring formation.

- b. The **Red Bandana 25 State Com 133H** well is a horizontal well with a surface location in the NW/4 SW/4 (Unit L) of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, and an intended bottom hole location in the NE/4 SE/4 (Unit I) of Section 30, Township 19 South, Range 29 East, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 9,200' to the Bone Spring formation.
4. These wells will be located within the Turkey Track; Bone Spring Pool (Code: 60660) and will comply with the Division's setback requirements.
5. Chi Operating, Inc. is the operator of a well with an existing horizontal spacing unit in the same pool and formation in the W/2 W/2 of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County. *See* Order No. R-13693, issued on April 8, 2013 in Case No. 14947. The **Red Bandana 25 State Com 123H** and **Red Bandana 25 State Com 133H** wells will have completed intervals partially in Chi Operating, Inc.'s existing well's spacing unit, and pursuant to NMAC 19.15.16(B)(9)(b)(i), Colgate is providing notice to all operators and working interest owners of record or known to Colgate in the existing and new wells' spacing units of its application.
6. Colgate sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.
7. The creation of a horizontal spacing unit and the pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Colgate requests that this case is set for hearing before an Examiner of the Oil Conservation Division on February 6, 2020, and after notice and hearing as required by law, the Division enter its order:

A. Creating an approximated 320-acre horizontal spacing unit in the Bone Spring formation comprised of N/2 S/2 of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico and the N/2 S/2 of Section 30, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the N/2 S/2 of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico and the N/2 S/2 of Section 30, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico;

C. Designating Colgate as operator of this unit and the wells to be drilled thereon;

D. Authorizing Colgate to recover its costs of drilling, completing and equipping the wells;

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

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

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CASE NO. _____: Application of Colgate Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a 320-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the N/2 S/2 of Section 25, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico and the N/2 S/2 of Section 30, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Red Bandana 25 State Com 123H** and **Red Bandana 25 State Com 133H** wells, to be horizontally drilled. The producing area for these wells will be orthodox. Also to be considered will be the cost of drilling, completing and equipping said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Colgate as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 16.5 miles northeast of Carlsbad, New Mexico.