



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



June 21, 2011

COG Operating, LLC
Attn: Ms. Netha Aaron
Fasken Center, Tower II
550 West Texas Ave., Suite 100
Midland, TX 79701

Administrative Order OLM-53

**Re: Hercules Federal Com Well No. 1
API No. 30-005-27999
1980 feet FNL & 330 feet FWL
Unit E, Section 15-15S-31E
Chaves County, New Mexico**

Dear Ms. Aaron:

Your application (**Administrative Application Reference No. pTGW11-14457977**) is hereby **denied** without prejudice to your implementing the proposed operation as a Lease Commingle by filing Form C-103 with the Division's Artesia district office, pursuant to Rule 12.10.B [19.15.12.10.B NMAC].

Your application cannot be granted pursuant to Rule 23.9 [19.15.23.9 NMAC] (Off-Lease Transportation or Storage Prior to Measurement). This is because, as provided in Rule 23.9.A(3) and (4) approval for off-lease measurement or storage can be granted under that rule only if:

- (3) commingling of production from different leases will not result; [and]
- (4) there will be no intercommunication of the handling, separating, treating or storage facilities designated to each lease[.]

The schematic filed with your application indicates that these requirements will not be met.



The operation described in your application involves commingling of production between two communitized units. As "lease" is defined in Rule 12.7.C [19.15.12.7.C NMAC], each communitized unit is a separate "lease." You have attached a statement attesting that ownership of all interests in these two communitized units is identical. That being the case, the appropriate course for you to pursue is to file a Form C-103 proposing lease commingling between leases involving identical ownership. Where production from different leases is comingled in accordance with Rule 12.10, and measurement and storage occurs on one of the comingled leases, separate off-lease storage or measurement approval is not required.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" being more prominent than the last name "Bailey".

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office
United States Bureau of Land Management