

State of New Mexico
Energy, Minerals and Natural Resources Department

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Oil Conservation Division



February 7, 2018

Administrative Order NSP-2089

NON-STANDARD SPACING AND PRORATION UNIT, AND PROJECT AREA

C/o Bobbie Goodloe, Regulatory Tech
COG OPERATING LLC (OGRID 229137)

Way South State Com Well No. 3H (API No. 30-015-40369)

SHL: Unit C, Section 30, T26S, R28E, Eddy County

BHL: Lot 3/ Unit F, Section 31, T26S, R28E, Eddy County

Hay Hollow; Bone Spring Pool (Pool Code 30215) Statewide Rules Apply
Proposed 183.89 Acre, more or less, Standard Project Area

Consisting of the following lands:

Township 26 South, Range 28 East, Eddy County, New Mexico

Section 30: SE/4 NW/4 and E/2 SW/4

Section 31: NE/4 NW/4 (Unit B)

Section 31: Lot 3/ Unit F (23.89-Acre, Non-Standard Spacing and Proration Unit)

Pertinent Rules:

Division Rule 19.15.15.9 A NMAC Oil Well Acreage, 40-acre Spacing.

Division Rule 19.15.15.11 B NMAC Acreage Assignment, Non-Standard Spacing Units.

Division Rule 19.15.4.12 A (3) NMAC Notice Requirements, Non-Standard Spacing Units.

Division Rule 19.15.16.7 H/M NMAC Definitions, Standard and Non-Standard Project Area.

Division Rule 19.15.16.15 E NMAC Horizontal Wells, Formation of Project Areas.

Reference is made of your application received on August 22, 2017 for administrative approval of the above described non-standard spacing unit and the pertinent rules, some of which are cited above.

This pool is spaced on standard 40-acre spacing and proration units. You propose to form a standard project area consisting of portions of six oil spacing units for purposes of drilling the above mentioned or other horizontal well(s). One of these five units is non-standard as acreage is less than 70 percent of the size of a standard unit. The non-standard spacing and proration unit is a result of variation in legal survey, because the project area is located in extreme southern New Mexico.

The non-standard spacing and proration unit comprised of **Lot 3/ Unit F of Section 31** is hereby approved and may be combined with the standard spacing units as described above for purposes of drilling the above mentioned proposed well in the Bone Spring formation.

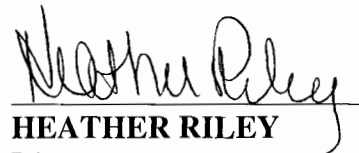
The proposed non-standard spacing and proration unit is a reasonable plan of development in the pool within the described acreage. Therefore, this application qualifies for approval administratively and notice is not required.

The non-standard project area exists because the NE/4 NW/4 of Section 30 is excluded from the Unit. Pursuant to Division Rule 19.15.16.15 E NMAC, the operator of that unit must be notified. However, the operator of that Unit is COG Operating, LLC; therefore, no notification is required.

Additional or alternately named wells may be drilled and produce from this non-standard spacing and proration unit or from this project area.

Any horizontal well wholly completed within this 183.89-acre, more or less, project area and not completed in all the spacing units comprising this project area shall be dedicated to only those spacing units in which that well is completed. If the Division redefines this 183.89-acre, more or less, project area as one spacing unit, this restriction shall not apply.

These approvals are subject to the operator following all other applicable Division rules. Jurisdiction is retained for the entry of such further orders as the Division may deem necessary.



HEATHER RILEY
Director

HR/mam

cc: Oil Conservation Division – Artesia District Office
New Mexico State Land Office – Oil, Gas, and Minerals