

**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. 14795 Re-Opened
ORDER NO. R-13535-A**

**APPLICATION OF COG OPERATING, LLC TO AMEND ORDER NO. R-13535
TO COMPULSORY POOL ADDITIONAL MINERAL INTERESTS IN THE
APPROVED SPACING AND PRORATION UNIT AND TO CHANGE THE
WELL DEDICATED TO THE UNIT, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 6, 2014, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 28th day of February, 2014, the Division Director, having considered the testimony, the record 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) Pursuant to previous hearings, the Division, on April 11, 2012, issued Order No. R-13535, granting the application of COG Operating, LLC (the "Applicant") for approval of a non-standard spacing and proration unit and compulsory pooling. The Order established a non-standard 160-acre oil spacing and proration unit and project area (the "Unit") consisting of the E/2 of the E/2 of Section 31, Township 18 South, Range 26 East, NMPM, in Eddy County, New Mexico.

(3) Order No. R-13535 designated that the Unit be dedicated to the Falabella 31 Fee Well No. 4H (API No. 30-015-39513), a horizontal well to be drilled from a non-standard surface location 150 feet from the South line and 1040 feet from the East line (Unit P) of Section 31. The well would penetrate the Yeso formation and continue horizontally to a standard terminus, or bottomhole location, 330 feet from the North line

and 1040 feet from the East line (Unit A) of Section 31. The Director approved an extension to April 15, 2014, to commence drilling of the Falabella 31 Fee Well No. 4H.

(4) Subsequently, Applicant sought to amend Order No. R-13535 to compulsory pool additional owners with an interest in the lands pooled pursuant to an instrument of record in Eddy County, New Mexico. These interest owners were not identified in the original title record review and were subsequently omitted from previous notices provided to owners in this case, as required by Division Rule 19.15.4.12A.(1) NMAC. These additional interest owners are identified in the last two pages of Applicant's Exhibit No. 5 (16 parties in total).

(5) Applicant also requested the proposed well for the Unit to be the Falabella 31 Fee Well No. 8H (API No. 30-01539515, the "new proposed well") a horizontal well to be drilled from a non-standard surface location 150 feet from the South line and 380 feet from the East line (Unit P) of Section 31. The well will penetrate the Yeso formation and continue horizontally to a standard terminus, or bottomhole location, 330 feet from the North line and 380 feet from the East line (Unit A) of Section 31.

(6) At the hearing, Applicant appeared and presented evidence that it had given notice of the original application and the re-opened hearing to the recently identified interest owners, or their heirs, successors or assigns, by certified mail and by publication pursuant to 19.15.4.12.B NMAC. No appearance was entered for these mineral owners, nor any personal representative, heir or successor, and no person claiming to own or represent a claimant to an interest derived from these mineral owners has otherwise communicated with the Division.

(7) Applicant appeared at hearing through counsel and presented testimony to the effect that:

(a) the Falabella 31 Fee Well No. 4H has not been drilled;

(b) the proposed new well is closer to the East line of the Unit, but the completed interval will be within all applicable setbacks and has the same orientation and target zone as the Falabella 31 Fee Well No. 4H; and

(c) the notification requirements for the location of the new proposed well have been satisfied with the prior notification completed for the Falabella 31 Fee Well No. 4H and with the proof of notification submitted in the hearing.

(8) Applicant also requested a change of overhead rates provided in Ordering Paragraph (15) from \$5,500 a month while drilling and \$550 a month while producing to \$5,450 a month while drilling and \$545 a month while producing. This change reflects the rates provided in notification to the recently identified interest owners.

The Division therefore concludes:

(9) Order No. R-13535 should be amended to compulsory pool the interests of recently identified owners and their heirs, devisees, personal representatives, successors and assigns, whoever they may be.

(10) The designation of the Applicant's new proposed well for the Unit will 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 its just and fair share of hydrocarbons.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Application of COG Operating, LLC (OGRID 229137), Order No. R-13535, issued in this case on April 11, 2012, is hereby amended to compulsory pool the recently identified owners and their heirs, devisees, personal representatives, successors and assigns, as well as all other owners of interests in the Unit established thereby, from the date said Order was originally issued.

(2) Ordering Paragraph (3) of Order No. R-13535 is amended to read in its entirety, as follows:

(3) The Unit shall be dedicated to Applicant's Falabella 31 Fee Well No. 8H (API No. 30-015-39515); the "proposed well", a horizontal well to be drilled from a non-standard surface location 150 feet from the South line and 380 feet from the East line (Unit P) of Section 31. The well will penetrate the Yeso formation and continue horizontally to a standard terminus, or bottomhole location, 330 feet from the North line and 380 feet from the East line (Unit A) of Section 31. The completed interval will be within all applicable setbacks from the outer boundaries of the E/2 E/2 of Section 31.

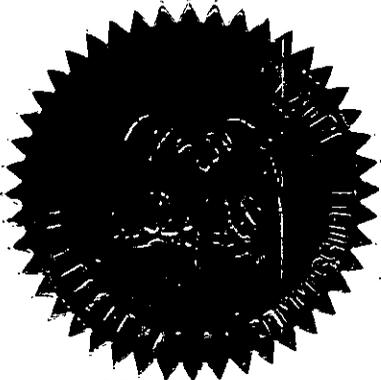
(3) Ordering Paragraph (15) of Order No. R-13535 is amended to read in its entirety, as follows:

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$5,450 per month while drilling and \$545 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(4) All other provisions of Order No. R-13535 remain in full force and effect.

(5) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director