

**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. 15203
ORDER NO. R-13919**

**APPLICATION OF COG OPERATING, LLC FOR APPROVAL OF SURFACE
LEASE COMMINGLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 18, 2014 before Examiner Richard I. Ezeanyim.

NOW, on this 24th day of October, 2014, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) Case Nos. 15202 and 15203 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued for each case.

(3) In Case No. 15203, the applicant, COG Operating, LLC. ("Applicant" or "Operator"), seeks authority to surface lease commingle oil and gas production from the Yeso formation, the Penasco Draw-San Andres-Yeso Pool (**Pool Code 50270**) and from the following leases and wells:

<u>Name</u>	<u>API No.</u>	<u>Surface Location</u>	<u>ULSTR</u>
Falabella 31 Fee Well No. 3H	30-015-41265	150' FSL & 2256' FEL	O-31-18S-26E
Falabella 31 Fee Well No. 4H	30-015-39513	150' FSL & 963' FWL	P-31-18S-26E
Falabella 31 Fee Well No. 7H	30-015-39514	150' FSL & 1700' FEL	O-31-18S-26E
Falabella 31 Fee Well No. 8H	30-015-39515	150' FSL & 380' FEL	P-31-18S-26E

(4) The Applicant appeared at the hearing through counsel and presented the following testimony.

- (a) By administrative application dated April 28, 2014, COG sought Division approval of lease commingling of the oil and gas production from its Falabella wells. The leases from which COG seeks to commingle production are of diverse ownership. Accordingly, COG provided notice of this application to all the interest owners in the leases.
- (b) After providing notice, certain interest owners in the leases objected to the granting of the administrative application. COG contacted the objecting parties, but was unable to resolve their concerns. This application was therefore referred to the hearing process.
- (c) The proposed commingling of production is intended to reduce operating expenses and therefore result in an increased economic life of each well.
- (d) There will be no reduction in the value of the oil and gas production as a result of the surface commingling. COG requests that oil and gas production be allocated back to each well on the basis of monthly well tests.
- (5) No other party appeared at the hearing to oppose the granting of this application.

The Division concludes as follows:

- (6) The evidence presented by the applicant indicates that the units in the Falabella leases are marginal, and the wells which were just drilled this year are producing below the unit allowable. Accordingly, the Applicant should be allowed to use monthly periodic tests as requested to allocate production back to each well.
- (7) Approval of the proposed surface commingling will allow the Applicant to recover additional oil and gas reserves from these wells that may otherwise not be recovered, thereby preventing waste, will benefit the interest owners in these wells, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant, COG Operating, LLC ("Applicant" or "Operator"), is hereby authorized to surface lease commingle oil and gas production from the Yeso formation, the Penasco Draw-San Andres-Yeso Pool (**Pool Code 50270**) and from the following leases and wells.

<u>Name</u>	<u>API No.</u>	<u>Surface Location</u>	<u>ULSTR</u>
Falabella 31 Fee Well No. 3H	30-015-41265	150' FSL & 2256' FEL	O-31-18S-26E
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(2) The commingled oil and gas production from the wells detailed above shall be measured and sold at the Falabella 31 Fee Well No. 8H central tank battery (CTB), located in Unit P of Section 31, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico.

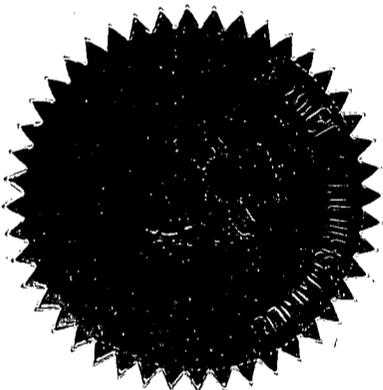
(3) Each well shall be tested at least once every month. Allocation of commingled production shall be based on the average well tests taken during the previous month.

(4) This installation shall be installed and operated in accordance with the applicable Division Rules. It is the responsibility of the operator to notify the transporter of this commingling authority.

(5) The operator shall notify the Artesia District office of the Division prior to implementation of the commingling operations.

(6) Jurisdiction is hereby 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

JAMI BAILEY
Director