

**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. 15090
(Re-Opened and
Re-Advertised)**

ORDER NO. R-13808-A

AMENDED APPLICATION OF COG OPERATING LLC TO RE-OPEN CASE NO. 15090 TO POOL THE INTERESTS OF ADDITIONAL MINERAL OWNERS UNDER THE TERMS OF COMPULSORY POOLING ORDER NO. R-13808, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 4, 2016, before Examiner William V. Jones.

NOW, on this ___ day of October, 2016, 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 the subject matter.
- (2) COG Operating LLC (the "Applicant") seeks to amend Order No. R-13808, issued in Case No. 15090 on March 11, 2014 to include in a compulsory pooled unit ("the Unit") the interests of a working interest owner who previously committed its interest to the well Applicant has drilled on the Unit pursuant to an operating agreement that has since expired.
- (3) Applicant also seeks to expand the vertical boundaries of the Unit to clarify that the Unit includes the Glorieta formation as well as the Yeso.

(4) By Order No. R-13808 ("the previous order), the Division created the Unit as a non-standard oil spacing and proration unit "in the Yeso formation, Atoka; Glorieta-Yeso Pool" (pool code 3250), comprised of the W/2 W/2 of Section 6, Township 19 South, Range 26 East, NMPM, in Eddy County, New Mexico," and compulsory pooled all then uncommitted interests in the Unit for the drilling of Applicant's then proposed Arabian 6 Fee Well No. 10H (API No. 30-015-42004 - "the subject well") to be drilled from a surface location 150 feet from the South line and 210 feet from the West line (Unit M) of Section 31, Township 18 South, Range 26 East, NMPM, to a terminus 330 feet from the South line and 530 feet from the West line (Unit M; Lot 7), of Section 6, Township 19 South, Range 26 East, NMPM, in Eddy County, New Mexico.

(5) The testimony in the hearing held in original Case No. 15090 on February 20, 2014, which resulted in issuance of the previous order, was to the effect that all then leased interests were voluntarily committed to the subject well, and only certain unleased mineral interests should be compulsory pooled.

(6) The original order recites in Finding Paragraph (4) that the subject well will be located in the Atoka; Glorieta-Yeso Pool (pool code 3250), but the provisions of that order establishing, and pooling, the Unit describe it as comprising the Yeso formation.

(7) Applicant appeared through counsel and presented the following evidence:

- (a) The subject well has been drilled and completed.
- (b) Subsequent to completion, the Well was shut in for a period of time causing a joint operating agreement which committed the non-operating working interest owners to the well, to expire.
- (c) Applicant has obtained new leases, or existing leases have been re-committed to the Unit, for some, but not all lease interests. At least one lease formerly subject to the operating agreement has not been re-committed to the Unit.
- (d) There is a need to amend Order No. R-13808 (i) to confirm that any working interest ("presently uncommitted interest") that ceased to be committed to the Unit due to expiration of the operating agreement after issuance of the previous order is subject to the compulsory provisions of that order, and (ii) to define the rights of the owner or owners of the presently uncommitted interest(s) thereunder.
- (e) The only owner of an uncommitted interest whose interest is identified in a conveyance document of record or known to Applicant has been duly notified of the present Application and of the hearing.
- (f) Ownership of the area within the horizontal boundaries of the Unit is identical in the Glorieta and Yeso and formations; so that the Unit

can be expanded to include the Glorieta formation without any re-allocation of interests.

- (8) No other party entered an appearance or otherwise opposed this application.

The Division concludes as follows:

(9) In order to afford all owners of each interest in the Unit, including both the previously pooled parties and owners of any presently uncommitted interests, the opportunity to recover or receive without unnecessary expense their just and fair share of hydrocarbons, this application should be approved by pooling all presently uncommitted interests, whatever they may be, in the Unit pursuant to the provisions of Order No. R-13808, as modified by this order.

(10) The compulsory pooling provisions of this order should be effective from the date of first production from the subject well except as herein otherwise provided.

(11) Any owner of a presently uncommitted interest who has paid its share of well costs of the subject well shall be treated as a consenting pooled party under the previous order, shall be liable only for actual well costs, operating expenses, and overhead charges accrued from first production to the extent, but only to the extent, not previously paid, but shall not be subject to any risk charge.

(12) Reasonable charges for supervision (combined fixed rates) applicable to the interests of the owners of presently uncommitted interests should be fixed at \$5,450 per month, per well, while drilling and \$545 per month, per well, while producing, provided that these rates should be adjusted annually, from date of issuance of Order No. R-13808, pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*"

(13) Applicant also requested that the prior order be amended to pool the Glorieta formation as well as the Yeso formation.

(14) Although Applicant requested expansion of the Unit to include the Glorieta formation in its application, there is no reference to the proposed expansion in the advertisement of the hearing in this re-opened case. Hence, the requested amendment to include the Glorieta formation in the Unit should be denied, without prejudice.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of COG Operating LLC, Order No. R-13808, issued in this case on March 11, 2014, is hereby amended to compulsory pool all interests, whatever they may be, of owners whose interests ("presently uncommitted interests") that were contractually committed to the Unit when Order R-13808 was issued but have since become uncommitted due to expiration of an operating agreement, and their heirs, devisees, personal representatives, successors and assigns.

(2) The Unit shall remain dedicated to the Arabian 6 Fee Well No. 10H (API No. 30-015-42004 – “the subject well”).

(3) The owners of presently uncommitted interests shall be liable for actual well costs of the subject well to the extent, but only to the extent, not previously paid, and shall be liable for reasonable operating costs and overhead charges from the date of first production, to the extent not previously paid, but shall not be liable for any risk charge.

(4) Ordering Paragraphs (9) through (13) of Order No. R-13808 shall not apply to the interests pooled by this order, as to the subject well. If, however, any infill well is subsequently proposed in this Unit under Rule 19.15.13.10 NMAC, this Ordering Paragraph (4) shall not apply, and the provisions of Ordering Paragraphs (9) through (13) of Order No. R-13808 shall apply to any infill well so proposed.

(5) Ordering Paragraph (15) of Order No. R-13808 is hereby amended, as applied to the interests pooled by this order only, to read as follows:

Reasonable charges for supervision (combined fixed rates) for the subject 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 from date of first production from the subject well, 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 attributable to the interests pooled by this order. The expenses so withheld shall be limited to such as have not been previously paid.

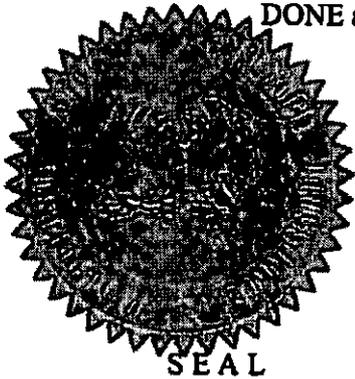
(6) Except as herein otherwise provided, Order No. R-13808 shall continue in full force and effect, and the interests pooled hereby shall be subject thereto.

(7) Because the request to expand the Unit formed by Order No. R-13808 vertically to include the Glorieta formation was not included in the advertisement of this case, that request is hereby denied, without prejudice.

(8) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
DIRECTOR