

**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. 15394
(Reopened)
ORDER NO. R-14075-A**

**APPLICATION OF GMT EXPLORATION COMPANY LLC TO RE-OPEN CASE
NO. 15394 FOR A NON-STANDARD OIL SPACING AND PRORATION UNIT
AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 17, 2016, at Santa Fe, New Mexico, before Examiner Michael A. McMillan, and again on December 15, 2016.

NOW, on this 10th day of January, 2017, 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 of the subject matter.

(2) Order No. R-14075, issued in this case on November 9, 2015, created a 160-acre non-standard oil spacing and proration unit and project area in the Red Hills; Bone Spring, North Pool (Pool Code 96434) consisting of the W/2 W/2 of Section 22, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, and pooled uncommitted interests in that spacing unit ("the Unit").

(3) Order No. R-14075 further provided that the Unit would be dedicated to Applicant's Romeo Federal Com. Well No. 1H (API No. 30-025-42999), to be drilled from a surface location 400 feet from the North line and 660 feet from the West line (Unit D) of Section 22 to a bottom hole location 330 feet from the South line and 660 feet from the West line of said Section. The intended first take point was not specified. However, the

evidence presented indicated that Applicant then intended a first take point 660 feet from the North line and 660 feet from the West line (Unit D) of Section 22.

(4) Applicant now seeks to re-open Case No. 15394 to amend Order No. R-14075 to reflect a change in the location of the proposed well's completed interval within the Bone Spring formation.

(5) Applicant proposes to dedicate the Unit to its now proposed Romeo Federal Com. Well No. 1H (the "proposed well"; API No. 30-025-pending), a horizontal well to be drilled from a surface location 400 feet from the North line and 600 feet from the West line (Unit D) of Section 22 to a first take point 330 feet from the North and West lines of said section, and thence to a terminus or bottom hole location 330 feet from the South line and 330 feet from the West line (Unit M) thereof. The completed interval will be orthodox. Applicant seeks pooling of all uncommitted interests in the Unit for the drilling of this newly proposed well.

(6) The proposed well has been placed within the Red Hills; Bone Spring, North Pool (Pool Code 96434). Spacing in this pool is governed by Division Rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries. The proposed Unit and project area consists of four (4) adjacent quarter-quarter sections.

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

- (a) The proposed surface and the bottom hole locations for the proposed well have changed.
- (b) The dedicated acreage in the Unit has not changed.
- (c) Applicant is seeking to change the first perforation to a location 330 feet from the North and West lines (Unit D), and the last perforation to a location 330 feet from the South and West lines (Unit M) of Section 22.
- (d) Applicant requested this change in the well location to allow for an effective "80-acre" infill drilling program in Section 22.
- (e) All quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation within the pool, so that the correlative rights will not be impaired.
- (f) Notice was provided to lessees or operators of surrounding tracts, as affected parties of the proposed non-standard spacing unit.

- (g) Notice was provided to all interest owners subject to pooling proceedings, as affected parties of the proposed compulsory pooling within the Unit in the Bone Spring formation.
- (8) No one entered an appearance or otherwise opposed this application.

The Division concludes as follows:

(9) The requested location change will enable Applicant to complete its horizontal well and possible infill wells on an effective "80-acre" spacing pattern that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(10) Accordingly, the Application should be granted pooling the Unit for the purpose of drilling the proposed well at the now proposed location, and amending Order No. R-14075 accordingly.

(11) The time for commencement of the proposed well should be extended to December 31, 2017.

(12) All other provisions of original Order No. R-14075 should remain in effect and continue to govern the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Order No. R-14075 created a 160-acre non-standard oil spacing and proration unit (the "Unit") for oil and gas production from the Bone Spring formation, Red Hills; Bone Spring, North Pool (Pool Code 96434), comprising the W/2 W/2 of Section 22, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Pursuant to the Application of GMT Exploration Company LLC, Order No. R-14075 is hereby amended to dedicate the Unit to Applicant's Romeo Federal Com. Well No. 1H (the "proposed well"; API No. 30-025-pending), a horizontal well to be drilled from a surface location 400 feet from the North line and 600 feet from the West line (Unit D) of Section 22 to a first take point 330 feet from the North and West lines of said section, and thence to a terminus 330 feet from the South line and West lines (Unit M) thereof. The location of the completed interval will be standard for oil production within the Unit.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit are hereby pooled for the drilling of the proposed well at the location described in Order Paragraph (1).

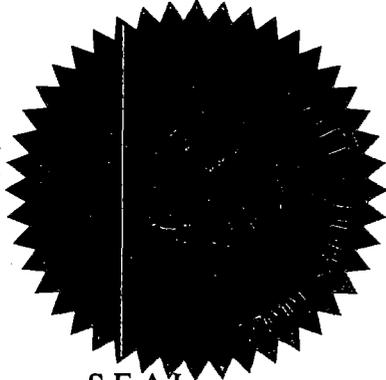
(3) The operator of the Unit shall commence drilling the proposed well on or before December 31, 2017, and shall thereafter continue drilling with due diligence to test the Bone Spring formation.

(4) In the event the operator does not commence drilling the proposed well on or before December 31, 2017, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(5) Except as amended hereby, all other provisions of Division Order No. R-14075 shall remain in full force and effect and continue to govern the Unit.

(6) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of David R. Catanach.

DAVID R. CATANACH
Director