

**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. 15105 (Reopened)
ORDER NO R-13823-A**

**APPLICATION OF COG OPERATING LLC FOR A NON-STANDARD
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 March 5 and May 14, 2015, at Santa Fe, New Mexico, before Examiners William V. Jones and Michael E. McMillan.

NOW, on this 22nd day of June, 2015, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

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

(2) COG Operating LLC ("COG" or "Applicant"), seeks to amend Division Order No. R-13823 to limit the pooled formation to the Third Bone Spring Sand and to include the pooling of additional interests in the Scharb-Bone Spring Pool (55610) underlying the 240-acre oil spacing and proration unit (the "Unit") created under Division Order No. R-13823.

(3) Order No. R-13823 pooled the mineral interests in the Bone Spring formation underlying the E/2 SE/4 of Section 6 and the E/2 E/2 of Section 7, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico. The Unit is dedicated to the Airstrip Fee Com Well No. 1H ("subject well"; API No. 30-025-41152) which has been drilled and completed.

(4) Since the entry of Order No. R-13823, additional interest owners have been identified within the depths of the Third Bone Spring Sand within this Unit.

(5) Applicant appeared through counsel and presented affidavits indicating that:

- (a) The subject well has been drilled and completed within the Third Bone Spring Sand, which in this area lies vertically between depths of 10,560 feet to 10,790 feet.
- (b) The Bone Spring formation in the Unit is subject to various ownership depth severances. Additional mineral interest owners have been identified in this Unit whose leases do not contain pooling provisions.
- (c) The mineral interest owners who have not agreed to participate or accept an amended lease with a pooling clause were identified and were provided notice of this hearing.
- (d) Laterally (surrounding) offsetting operators and lessees have been identified and noticed of the proposal.
- (e) The interest owners who could not be located were identified by name in a publication notice placed in a newspaper of general circulation in the county in which the property is located.
- (f) Applicant requested the record of Case No. 15105 be incorporated into this reopened case.
- (g) At the request of the Division, Applicant identified and provided notice to all owners in this Unit within the vertical depths of the Bone Spring formation that were not owners of this well within the Third Bone Spring Sand.
- (h) At the request of the Division, Applicant's geologist discussed the separation between the Second and Third Bone Spring Sands. This signed and notarized discussion was admitted as Exhibit No. 11.

The Division concludes that:

(6) Applicant in this case has asked to dedicate this well to a vertical subset of the Scharb-Bone Spring Pool and to ask only those owners within the Third Bone Spring Sand to pay for, and benefit from, this well.

(7) The Division has defined the Scharb-Bone Spring Pool as a single common source of supply with vertical depths from the top to bottom of the Bone Spring formation. The Division has Rule 19.15.15.11B. NMAC allowing approval of non-standard spacing units which consist of a horizontal subdivision, or contraction of a standard Spacing Unit but there is no Division rule allowing the vertical subdivision or contraction of a Spacing Unit.

(8) This application should be denied without prejudice. The case may be reopened to allow the Applicant to seek compulsory pooling approval of unsigned owners within the entire vertical limits of the Scharb-Bone Spring Pool.

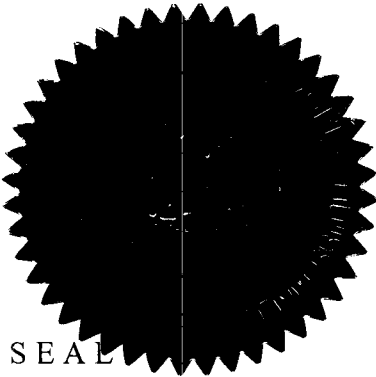
IT IS THEREFORE ORDERED THAT:

(1) This proposal by COG Operating LLC to amend the existing pooling Order No. R-13823, in order to pool the unsigned owners listed on Exhibit No. 1 but only within the limited depths developed by this well, is hereby denied without prejudice.

(2) Division Order No. R-13823 shall remain in full force and effect.

(3) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director