



# New Mexico Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**John H. Bemis**  
Cabinet Secretary-Designate

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey**  
Division Director  
Oil Conservation Division



June 21, 2011

COG Operating, LLC  
Attn: Ms. Netha Aaron  
Fasken Center, Tower II  
550 West Texas Ave., Suite 100  
Midland, TX 79701

## Administrative Order OLM-53

**Re: Hercules Federal Com Well No. 1**  
**API No. 30-005-27999**  
**1980 feet FNL & 330 feet FWL**  
**Unit E, Section 15-15S-31E**  
**Chaves County, New Mexico**

Dear Ms. Aaron:

Your application (**Administrative Application Reference No. pTGW11-14457977**) is hereby **denied** without prejudice to your implementing the proposed operation as a Lease Commingle by filing Form C-103 with the Division's Artesia district office, pursuant to Rule 12.10.B [19.15.12.10.B NMAC].

Your application cannot be granted pursuant to Rule 23.9 [19.15.23.9 NMAC] (Off-Lease Transportation or Storage Prior to Measurement). This is because, as provided in Rule 23.9.A(3) and (4) approval for off-lease measurement or storage can be granted under that rule only if:

- (3) commingling of production from different leases will not result; [and]
- (4) there will be no intercommunication of the handling, separating, treating or storage facilities designated to each lease[.]

The schematic filed with your application indicates that these requirements will not be met.



The operation described in your application involves commingling of production between two communitized units. As "lease" is defined in Rule 12.7.C [19.15.12.7.C NMAC], each communitized unit is a separate "lease." You have attached a statement attesting that ownership of all interests in these two communitized units is identical. That being the case, the appropriate course for you to pursue is to file a Form C-103 proposing lease commingling between leases involving identical ownership. Where production from different leases is comingled in accordance with Rule 12.10, and measurement and storage occurs on one of the comingled leases, separate off-lease storage or measurement approval is not required.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jami Bailey  
Director

JB/db

cc: New Mexico Oil Conservation Division – Artesia  
New Mexico State Land Office  
United States Bureau of Land Management