

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF XTO ENERGY, INC.
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

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CASE NO. 15206

APPLICATION

XTO Energy, Inc., ("XTO") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 160-acre spacing and proration unit comprised of the W/2W/2 of Section 31, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation, WC-025 G-08 S203506D; Bone Spring Pool (Pool Code 97983), underlying this acreage. In support of its application, XTO states:

1. XTO Energy, Inc. (OGRID No. 5380) is a working interest owner in the W/2W/2 of Section 31 and has the right to drill thereon.

2. XTO proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Perla Verde 31 State 1H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Unit D) to a bottom hole location in the SW/4SW/4 (Unit M) of Section 31.

3. The Division's district office has placed this well in the WC-025 G-08 S203506D; Bone Spring Pool (Pool Code 97983), which is subject to the general statewide rules. The completed interval for this well will commence in the SW/4SW/4

(Unit M) of Section 31 and remain within the 330-foot standard offset as required by the general statewide rules set forth in 19.15.15 NMAC.

4. XTO has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit XTO to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and XTO Energy, Inc. should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, XTO requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 2, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit in the Bone Spring formation, WC-025 G-08 S203506D; Bone Spring Pool (Pool Code 97983), comprised of the W/2W/2 of Section 31, Township 19 South, Range 35 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating XTO Energy, Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;

- D. Authorizing XTO to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by XTO in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR XTO ENERGY, INC.

CASE 15206:

Application of XTO Energy, Inc. for a non-standard spacing and proration unit, and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre spacing and proration unit comprised of the W/2W/2 of Section 31, Township 19 South, Range 35 East, NMPM, Lea County, and (2) pooling all mineral interests in the Bone Spring formation, WC-025 G-08 S203506D; Bone Spring Pool (Pool Code 97983), underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Perla Verde 31 State 1H Well**, which will be horizontally drilled from a surface location in the SW/4SW/4 (Unit M) to a bottom hole location in the NW/4NW/4 (Unit D) of Section 31. The completed interval for this well will commence in the SW/4SW/4 (Unit M) of Section 31 and remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of XTO Energy, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 14 miles West of Monument, New Mexico.