

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

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**APPLICATION OF ARD ENERGY, LLC TO REOPEN CASE NO. 15185
PURSUANT TO THE PROVISIONS OF ORDER NO. R-13913 FOR THE
PURPOSE OF DETERMINING REASONABLE WELL
COSTS, LEA COUNTY, NEW MEXICO.**

CASE NO. 15185 (REOPENED)

APPLICATION

ARD ENERGY, LLC, through its attorney Ernest L. Padilla, Padilla Law Firm, P.A., pursuant to NMAC 19.15.13.13 and the provisions of Order R-13913, for a determination of reasonable well costs. In support of this application, Ard Energy, LLC states:

1. By application for compulsory pooling in OCD Case No. 15185, COG Operating LLC sought an order pooling all uncommitted interests in the W/2W/2 of Section 15, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, within the West Marjamar-Yeso Pool (Pool Code 44500).
2. Order R-13913 was issued by the Division on October 21, 2014 granting COG Operating's application, and amended by Order R-13913-A on May 26, 2015 to change the surface location and the name of the well, to the Ivar The Boneless Federal Well No. 11H.
3. At the time of the hearing Applicant was an uncommitted working interest owner underlying the pooled unit, and therefore, fell within the provisions of Order R-13913.
4. Applicant elected to participate in the drilling of well under the provisions of

Order R-13913, and on August 11, 2015 transmitted its share of estimated drilling costs in an amount of \$180,784.38 based on the AFE submitted to Applicant, the receipt of which was acknowledged by COG Operating.

5. By letter dated January 28, 2016, Applicant requested an itemized schedule of actual well costs from COG Operating.

6. The schedule of actual well costs submitted by COG Operating to Applicant exceeded estimated well costs submitted by COG Operating to Applicant by an amount of \$1,169,604.19, which is equal to a 38.97% increase in drilling costs.

7. To make up the difference between estimated well costs and actual well costs as to Applicant's interest, COG Operating has paid itself out of production revenue proceeds out of Applicant's proportionate share of production.

8. In addition to the increase in drilling costs, COG Operating has further withheld and suspended an amount of approximately \$92,038.84 attributable Applicant's interest due to its own division order errors.

WHEREFORE, Applicant requests that the Division reopen Case No. 15185 and set a hearing, after notice, to determine reasonable well costs for drilling the Ivar The Boneless Federal Well No. 11H.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

/s/ ERNEST L. PADILLA

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NMOCD Case No. 15185 (Reopened)

Application of Ard Energy, LLC to reopen Case No. 15185 pursuant to NMAC 19.15.13.13 and the provisions of Order No. R-13913 to determine reasonable well costs for drilling of the Ivar The Boneless Federal Well No. 11H, dedicated to a Unit, comprised of W/2 W/2 of Section 15, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico, (The Unit). The Ivar The Boneless Federal Well No. 11H, API No. 30-025-42514, a horizontal well was drilled from a surface location 75 feet from the North line and 330 feet from the West line (Unit letter D) of Section 22, to a standard terminus 330 feet from the North line and 330 feet from the West line (Unit letter D) of Section 15. The completed interval of the well is in the Yeso formation.