

DOCKET: EXAMINER HEARING - THURSDAY - MAY 12, 20168:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 20-16 and 21-16 are tentatively set for May 26, 2016 and June 9, 2016. Applications for hearing must be filed at least 30 days in advance of hearing date. OCD Rule Subsection B of 19.15.4.13 NMAC requires parties who intend to present evidence at an adjudicatory hearing to file a pre-hearing statement no later than the Thursday before the hearing, and serve a copy on opposing counsel of record. If the OCD does not receive a pre-hearing statement from the applicant by the close of business on the Thursday before the hearing, the hearing may be continued. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the party must provide its own laptop computer. The following cases will be heard by an Examiner.

Locator Key for Cases***Case 15185 - No. 6******Case 15446 - No. 1******Case 15452 - No. 10******Case 15453 - No. 11******Case 15454 - No. 12******Case 15455 - No. 13******Case 15463 - No. 8******Case 15464 - No. 9******Case 15471 - No. 7******Case 15473 - No. 14******Case 15475 - No. 2******Case 15485 - No. 5******Case 15488 - No. 3******Case 15489 - No. 4******1. Case No. 15446: (Continued from the April 28, 2016 Examiner Hearing.)***

Application Of The New Mexico Oil Conservation Division Compliance And Enforcement Bureau for a Compliance Order against Lanexco, Inc., for Wells Operated in Chaves, Eddy, and Lea Counties, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator Lanexco, Inc. ("Operator") is out of compliance with OCD rules. 19.15.5.9, 19.15.7.24, 19.15.8.9, and 19.15.25.8; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by § 70-2-14(E), NMSA 1978.

2. Case No. 15475: (Continued from the April 28, 2016 Examiner Hearing.)

Application Of The New Mexico Oil Conservation Division Compliance And Enforcement Bureau for a Compliance Order against Siana Operating, LLC, for Wells Operated in Lea County, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator Siana Operating, LLC ("Operator") is out of compliance with OCD rules 19.15.7.24 NMAC (reporting violations), 19.15.20 NMAC (transporting without an allowable), 19.15.25.8 NMAC (failure to properly plug and abandon wells), 19.15.26 NMAC (injecting without authority), 19.15.29 NMAC (release notification violations), and NMSA 1978 § 70-2-32 for sale of illegal oil; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned, and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

3. Case No. 15488: (This case will be dismissed.)

Application of Mewbourne Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, to form a standard 320 acre gas spacing and proration unit in the Wolfcamp formation. The unit is to be dedicated to the **Owl Draw 27 W2NC Fed. Com. Well No. 2H**, a horizontal well with a surface location 170 feet from the south line and 2230 feet from the west line, and a terminus 330 feet from the north line and 2310 feet from the west

line, of Section 27. The beginning and end of the producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 13-1/2 miles south-southeast of Black River Village, New Mexico.

4. **Case No. 15489:** *Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy 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 N/2 S/2 of Section 21, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Cedar Canyon 21 Federal Com No. 5H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 22 to a standard bottom hole location in NW/4 SW/4 (Unit L) of Section 21. The completed interval for this well will remain within the 330-foot standard offset required by the Division's 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 OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8 miles southwest of Malaga, N.M.

5. **Case No. 15485:** *(Continued from the April 28, 2016 Examiner Hearing.)*
Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order (i) creating a 160-acre non-standard oil spacing and proration unit (project area) comprised of the W/2 W/2 of Section 21, Township 25 South, Range 35E, NMPM, in Lea County, and (ii) pooling all mineral interests in the Delaware formation underlying this acreage. The project area is to be dedicated to applicant's **Coachman Fee Com #14H well**, which will be horizontally drilled from a surface location in Unit D of Section 21, Township 25 South, Range 35 East to a bottom hole location in Unit M of Section 21, Township 25 South, Range 35 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of COG Operating LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately six miles southeast of Ochoa, New Mexico.

6. **Case No. 15185 (re-opened):** *(This case will be continued to the June 9, 2016 Examiner Hearing.)*
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.

7. **Case No. 15471:** *(Continued from the April 14, 2016 Examiner Hearing.)*
Application Of Encana Oil & Gas (USA) Inc. For Approval Of The Ponderosa Unit, Creation Of A New Pool For Horizontal Development Within The Unit Area, And For Allowance Of 330 Foot Setbacks From The Exterior Of The Proposed Unit, San Juan County, New Mexico. Applicant seeks approval of its Ponderosa Unit consisting of 19,839 acres, more or less, of Federal, State, and Indian Allotted lands situated in all or parts of Sections 5-8 of Township 23 North, Range 9 West, N.M.P.M., all or parts of Sections 1-14 and 17-20 of Township 23 North, Range 10 West, all or parts of Sections 1, Section 11-15, and Section 22-24 of Township 23 North, Range 11 West, N.M.P.M., all or parts of Section 31, Township 24 North, Range 9 West, N.M.P.M., and all of Section 36, Township 24 North, Range 11 West, N.M.P.M., San Juan County, New Mexico. The unitized interval is the stratigraphic equivalent of the interval described as the Mancos Shale Group, including the genetically related rocks from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) to the to the stratigraphic equivalent of the base of the Greenhorn Limestone (top of the Graneros Shale) as shown in the **Kinbeto R G-Federal 1 well** (API # 3004525087) well in Section 8, Township 23, North, Range 10 West, N.M.P.M., extending from 3,450' to 5,155' (measured depth). In addition, Applicant seeks an order creating a new pool for the unitized interval underlying the proposed Unit Area that will allow for 330 foot setbacks from the exterior of the proposed Unit. The subject acreage is located approximately 10 miles west of Nageezi, New Mexico.

8. **Case No. 15463:** *(Continued from the April 14, 2016 Examiner Hearing.)*
Application of Mesquite SWD, Inc. for approval of a salt water disposal well, Lea County, New Mexico. Applicant seeks an order approving disposal of produced water into the Cherry Canyon Member of the Delaware Mountain Group at depths of 6390-7660 feet subsurface in the proposed **Lobo SWD Well No. 1**, to be located 651 feet from the south line and 2506 feet from the east line of Section 18, Township 24 South, Range 34 East, NMPM. The well is located approximately 19-1/2 miles west-northwest of Jal, New Mexico.

9. **Case No. 15464:** *(Continued from the April 14, 2016 Examiner Hearing.)*
Application of Mesquite SWD, Inc. for approval of a salt water disposal well, Lea County, New Mexico. Applicant seeks an order approving disposal of produced water into the Cherry Canyon Member of the Delaware Mountain Group at depths of 6450-7464 feet