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

**IN THE MATTER OF THE APPLICATION
OF SOUTHLAND ROYALTY COMPANY LLC FOR
DESIGNATION OF A NON-STANDARD SPACING AND PRORATION UNIT AND
PROJECT AREA, AND FOR EXCEPTION TO THE WELL LOCATION
PROVISIONS OF THE SPECIAL RULES AND REGULATIONS FOR THE BASIN-
MANCOS GAS POOL AND THE BASIN-DAKOTA POOL,
RIO ARriba COUNTY, NEW MEXICO**

CASE NO. 15919

AMENDED APPLICATION

SOUTHLAND ROYALTY COMPANY LLC, ("Southland"), by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rules 19.15.16.15 NMAC of the Division's Rules and regulations for an order providing as follows:

A. Designating an 800-acre+/- non-standard spacing and proration unit or units in the Mancos and Dakota formations, Basin-Mancos Gas Pool (97232) and Basin-Dakota pool (71599) for Applicant's communitized horizontal drilling project area described in paragraph 1, below; and

B. Providing for a blanket exception to the well setback location provisions of the Special Pool Rules for the Basin Mancos Gas Pool (Order No. R-12984) and the Basin-Dakota Pool (Order No. R-10987-B[2]) authorizing well locations within 330 feet of the outer boundaries of the project area.

In support, Applicant states:

1. Southland's proposed communitized project area is comprised of the following lands in Township 32 North, Range 5 West, NMPM: Section 27: SE/4, Section 26: S/2, Section

25: S/2. Applicant owns certain working interests in and under the proposed project area in Sections 27, 26 and 25, and has the right to drill thereon.

2. Southland proposes to locate one or more horizontal wells within the communitized project area to be drilled and completed within 330 feet of the boundaries of the unit. Southland plans to drill and complete wells with laterals extending into both the Mancos and Dakota formations. These formations are pre-approved for down-hole commingling pursuant to the provisions of area-wide Order No. R-12984-B.

3. The proposed unit is located within the Carson National Forest with mountainous terrain and limited surface access. The first two wells to be drilled within the unit will be drilled from a common pad at the following locations:

Carracas 101H

Surface Hole Location: NAD83 36.949357N 107.344408W
1,933' FSL & 1,077' of Section 27
Bottom Hole Location: 1,650' FSL & 350' FEL of Section 25

Carracas 102H

Surface Hole Location: NAD83 36.949369N 107.344439W
1,938' FSL & 1,086' FEL Section 27
Bottom Hole Location: 990' FSL & 350' FEL of Section 25

4. The project area lands are located within the boundary areas of the Basin Mancos Gas Pool and the Basin-Dakota Pool. The Special Pool Rules and Regulations for each of the pools provide for 320-acre \pm standard spacing and proration units, and well locations no nearer than 660 feet to the outer boundary of the proration unit or to any governmental quarter-quarter section line.

5. Southland seeks blanket authorization to drill horizontal wells within the interior boundaries of the communitized project area so as to permit locations as close as 330 feet to the


outer boundary of a proration unit. Southland does not seek exception for any locations closer than a 330 foot setback.

6. Designation of the non-standard spacing and proration unit and the exceptions to the well locational requirements of the Special Pool Rules for the Basin Mancos Gas Pool and the Basin-Dakota Pool will afford the Applicant flexibility in the placement and operation of wells, will conserve surface resources, will increase the ultimate recovery of hydrocarbon reserves and will not impair correlative rights.

7. WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed hearing examiner of the Oil Conservation Division on December 21, 2017 and that after notice and hearing as required by law, the Division enter its Order granting this Application and providing such further relief as the Division deems appropriate.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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