

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION TO CONSIDER:**

**CASE NO. 16176  
ORDER NO. R-14824**

**APPLICATION OF DGP ENERGY, LLC FOR APPROVAL OF A UNIT  
AGREEMENT, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing May 31, 2018 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 13<sup>th</sup> day of August 2018, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT**

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The Applicant, DGP Energy, LLC (OGRID 372583) seeks approval of its Gold Cougar Exploratory Unit for oil and gas underlying the following described 1,280 acres of State and fee lands located in Lea County, New Mexico:

**Township 15 South, Range 36 East, NMPM**

Section 11:	All
Section 13:	W/2 NW/4
Section 14:	N/2, N/2 SW/4, and SE/4

(3) The unitized interval extends to all depths within the Unit Area.

(4) The Applicant appeared at the hearing through legal counsel and presented testimony as follows:

(a) The proposed Gold Cougar State/Fee Unit comprises eight separately owned tracts. Three of those tracts (720 acres), are in the State Trust and are

administered by the Commissioner of Public Lands of the State of New Mexico ("State Land Office" or "SLO"). All SLO leases are held by DGP Energy, LLC as are all but one of the fee leases. One fee tract is held by Continental Resources Inc.

- (b) The Commissioner of Public Lands has given preliminary approval and the Unit Agreement will be effective upon final approval of the Commissioner.
- (c) The oil prospective Permo-Penn formation(s) are expected to be laterally continuous and present throughout the proposed Unit and may be drilled vertically or horizontally from South to North or North to South. There are prospective pay intervals above the main target interval in this portion of the Northwest Shelf.
- (d) The presence of unleased acreage in part governed the outline of the Unit. The W/2 NW/4 of Section 13 was included in the Unit and could be drilled horizontally if the well or wells extend partially into and partially out of the Unit.
- (e) Pursuant to the Unit Agreement, the initial well within the Unit must be commenced within 60 days of the effective date of the Unit Agreement.

The Division concludes that

- (5) No other party appeared at the hearing or otherwise opposed this application.
- (6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formation under the concept proposed by the Applicant.
- (7) The proposed Unit will and should be approved to prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT**

- (1) The Gold Cougar Exploratory Unit Agreement executed by DGP Energy, LLC is hereby approved for oil and gas underlying the following described 1,280 acres of State and fee lands located in Lea County, New Mexico:

**Township 15 South, Range 36 East, NMPM**

Section 11:	All
Section 13:	W/2 NW/4
Section 14:	N/2, N/2 SW/4, and SE/4

- (2) The unitized interval extends to all depths within the Unit Area.

(3) The plan contained in the Gold Cougar Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) Copies of all expansions or contractions of the unit area shall be submitted to the Division Director.

(6) This order shall become effective upon the final approval of the unit agreement by the Commissioner of Public Lands. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(7) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
HEATHER RILEY

Director