

**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 FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15282
ORDER NO. R-14005**

**APPLICATION OF COG OPERATING, LLC FOR A NON-STANDARD OIL
SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 2, 2015 at Santa Fe, New Mexico, before Examiner Michael McMillan and on May 14, 2015, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 14th day of July, 2015, the Division Director, having considered the testimony, the record and the recommendations of Examiner McMillan,

FINDS THAT:

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

(2) Case Nos. 15282 and 15283 were consolidated at the hearing for the purpose of testimony; however, separate orders should be issued for each case.

(3) In Case No. 15282, COG Operating, LLC ("COG" or "Applicant") seeks approval of a non-standard 160-acre oil spacing and proration unit ("the Unit") in the Yeso formation, Red Lake; Glorieta-Yeso, Northeast Pool (pool code 96836), comprised of the S/2 of the S/2 of Section 27, Township 17 South, Range 28 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit.

(4) The Unit will be dedicated to the Applicant's Halberd 27 State Com. Well No. 1H (the "proposed well"); (API No. 30-015-42967), a horizontal well drilled from a surface location 1003 feet from the South line and 65 feet from the West line (Unit M) of

Section 26, to a standard terminus 976 feet from the South line and 330 feet from the West line (Unit M) of Section 27. The completed interval of the subject well in the Yeso formation is orthodox in the S/2 of the S/2 of Section 27.

(5) The proposed well is within the Red Lake; Glorieta-Yeso, Northeast Pool (pool code 96836). Spacing in this pool is governed by statewide Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four adjacent quarter-quarter sections.

(6) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

- (a) The Yeso formation in this area is suitable for development by horizontal drilling;
- (b) Applicant is requesting to compulsory pool from the top of the Yeso formation to 4000 feet subsurface.
- (c) The Yeso formation within the Unit is subject to various ownership depth severances.
- (d) The proposed orientation of the horizontal well East to West or West to East is appropriate for the proposed Unit.
- (e) The top of the Paddock formation is the top of the Yeso formation as depicted in Exhibit 11.
- (f) All quarter-quarter sections to be included in the Unit are expected to be productive in the Yeso formation, so that formation of the Unit as requested will not impair correlative rights.
- (g) At the request of the Division, Applicant identified and provided notice to all owners in this Unit within the vertical depths of the Yeso formation that were not owners of this well from the top of the Yeso formation to 4000 feet subsurface.
- (h) Applicant provided notice of publication before hearing in a newspaper of general circulation in Eddy County, New Mexico, the county in which the property is located for the unlocatable interests.

(7) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(8) Applicant in this case has asked to dedicate this well to a vertical subset of the Red Lake; Glorieta-Yeso, Northeast Pool and to ask only those owners from the top of the Yeso formation to 4000 feet subsurface to pay for, and benefit from, this well.

(9) The Division has defined the Red Lake; Glorieta-Yeso, Northeast Pool as a single common source of supply with vertical depths from the top of the Glorieta formation to the bottom of the Yeso formation. The Division has Rule 19.15.15.11B NMAC allowing approval of non-standard spacing units which consist of a horizontal subdivision, or contraction of a standard sized Spacing Unit but there is no Division Rule allowing the vertical subdivision or contraction of a Spacing Unit.

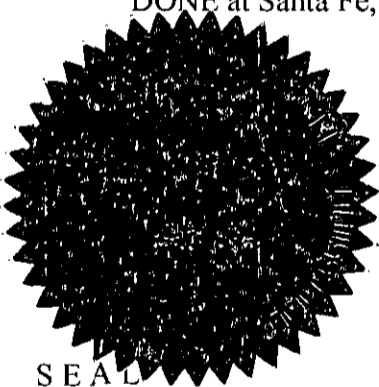
(10) This application should be denied without prejudice to the case being re-opened once again to list and ask for compulsory pooling of unsigned owners within the entire vertical limits of the Red Lake; Glorieta-Yeso, Northeast Pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of COG Operating, LLC for approval of a non-standard 160-acre, more or less, oil spacing and proration Unit in the Yeso formation from the top of the Yeso formation to 4,000 feet below surface, Red Lake; Glorieta-Yeso, Northeast Pool (pool code 96836) comprising the S/2 of the S/2 of Section 27, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico, said unit to be dedicated to applicant's Halberd 27 State Com. Well No. 1H to be drilled from a surface location 1003 feet from the South line and 65 feet from the West line (Unit M) of Section 26, to a standard terminus 976 feet from the South line and 330 feet from the West line (Unit M) of Section 27, and for the compulsory pooling of all uncommitted interests in the Unit is hereby denied without prejudice.

(2) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "David R. Catanach".

DAVID R. CATANACH
Director