

DOCKET: EXAMINER HEARING - THURSDAY - SEPTEMBER 1, 2016

8:15 A.M. - 1220 South St. Francis
Santa Fe, New Mexico

Docket Nos. 37-16 and 38-16 are tentatively set for September 15, 2016 and September 29, 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 15277 - No. 1
Case 15490 - No. 8
Case 15491 - No. 18
Case 15498 - No. 19
Case 15507 - No. 9
Case 15508 - No. 10
Case 15510 - No. 11
Case 15511 - No. 12
Case 15512 - No. 13
Case 15513 - No. 14
Case 15515 - No. 15
Case 15516 - No. 16
Case 15519 - No. 17
Case 15521 - No. 6
Case 15531 - No. 7
Case 15537 - No. 2
Case 15538 - No. 3
Case 15539 - No. 4
Case 15540 - No. 5

1. Case No. 15277 (re-opened): *(Continued from the August 4, 2016 Examiner Hearing.)*

Application of Blue Sky Company, Inc. to reopen Case No. 15277 to ask for an extension of the deadlines in compliance Order No. R-14155 dated April 25, 2016, Chaves County, New Mexico. The purpose of the extension is such that Blue Sky can present a successor operator who can provide additional resources for bonding and other compliance issues, as well as other additional resources to re-establish injection authority, which will allow production on the Twin Lakes Unit in Chaves County, New Mexico.

2. Case No. 15537: 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 240-acre non-standard oil spacing and proration unit (project area) comprised of the E/2 W/2 of Section 8, Township 19 South, Range 32 East and the E/2 SW/4 of Section 5, Township 19 South, Range 32 East, NMPM, in Lea County, and (ii) pooling all mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's **King Air 8 Fed Com #3H well**, which will be horizontally drilled from a surface location in Unit C of Section 17, Township 19 South, Range 32 East to a bottom hole location in Unit K of Section 5, Township 19 South, Range 32 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 14 miles southeast of Loco Hills, New Mexico.

3. Case No. 15538: Application of BC Operating, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an pooling all uncommitted interests in the Wolfcamp formation (WC; Salt Draw; Wolfcamp, (Gas) (97721)) underlying the 320-acre, more or less, spacing and proration unit comprised of the E/2 of Section 34, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. Said unit is to be dedicated to applicant's proposed **Kyle 34 Federal Com No. 5H Well**, which will be drilled horizontally from the SE/4 SE/4 (Unit P) to a non-standard bottomhole location in the NE/4

NE/4 (Unit A) of Section 34. 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 BC Operating, Inc., as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 3 miles south of Malaga, New Mexico.

4. **Case No. 15539:** *Application Of Encana Oil & Gas (USA) Inc. To Contract The Horizontal Limits Of The Nageezi-Gallup Pool (47540) In The Mancos Formation By Excluding The W/2 Of Section 10, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico.* Applicant seeks an order removing the W/2 of Section 10, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, from the horizontal limits of the Nageezi-Gallup Pool (47540). The E/2 of Section 10 is currently within the Basin Mancos Gas Pool, which allows for 320-acre spacing, while the W/2 of Section 10 is in the Nageezi Gallup Pool which allows for 40-acre spacing. The subject area is located approximately 1 mile south of Highway 550 and four miles east of Nageezi, New Mexico.

5. **Case No. 15540:** *Application OXY USA Inc. For Approval of Surface Pool-Lease Commingling, Off-Lease Storage, and Off-Lease Measurement, Eddy County, New Mexico.* Applicant seeks an order authorizing 1) pool-lease commingling from all existing and future wells drilled on leases and associated spacing units in Sections 22, 23, and 24 of Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico; 2) off-lease storage; and 3) off-lease measurement. OXY seeks to commingle production from the Pierce Crossing; Bone Spring East Pool (96473) and the Corral Draw Bone Spring Pool (96238) from all existing and future wells and leases located in Sections 22, 23, and 24 at the Cedar Canyon 23-3H satellite facility, located at the **Cedar Canyon 23 Federal No 3H well** pad. This will be an off-lease location for all spacing units, excluding leases in the N/2 S/2 of Section 22. Oxy intends to allocate production to the spacing units using the well test method. Said area is approximately six miles east of Malaga, New Mexico.

6. **Case No. 15521:** *(Continued from the August 18, 2016 Examiner Hearing.)*
Application of Chi Operating, Inc. for compulsory pooling, Eddy County, New Mexico. Chi Operating, Inc. seeks an order pooling all mineral interests from the surface to 5000 feet subsurface underlying the SW/4 SE/4 of Section 13, Township 18 South, Range 30 East, NMPM, to form a standard 40 acre oil spacing and proration unit for all pools or formations developed on 40 acre spacing within that vertical extent. The unit is dedicated to the **Shugart West 13 Fed. Well No. 1**, located at an orthodox location in the SW/4 SE/4 of Section 13. Also to be considered will be the cost of drilling and completing, or recompleting, the well and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of applicant as operator of the well, and setting a 200% charge for the risk involved in drilling and completing, or recompleting, the well. The unit is located approximately 6 miles south-southeast of Loco Hills, New Mexico.

7. **Case No. 15531:** *(Continued from the August 18, 2016 Examiner Hearing.)*
Application of M & M Energy, LLC for compulsory pooling, Lea County, New Mexico. M & M Energy, LLC seeks an order pooling all mineral interests from the surface to the base of the San Andres formation underlying the NE/4 SW/4 of Section 6, Township 22 South, Range 36 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the **Day Well No. 9**, to be drilled at an orthodox location. 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 8-1/2 mile west-southwest of Eunice, New Mexico.

8. **Case No. 15490:** *(Continued from the June 23, 2016 Examiner Hearing.)*
Application of Mewbourne Oil Company for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. Mewbourne Oil Company seeks an order approving a 640 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the W/2 of Section 22 and the W/2 of Section 27, Township 26 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the **Owl Draw 27/22 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 of Section 27, and a terminus 330 feet from the north line and 2310 feet from the west line of Section 22. 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.

9. **Case No. 15507:** *(Continued from the August 4, 2016 Examiner Hearing.)*
Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Mewbourne Oil Company seeks an order pooling all mineral interests in the Wolfcamp formation underlying Lots 3, 4, S/2 NW/4, and SW/4 (the W/2) of Section 3, Township 24 South, Range 28 East, NMPM, to form a standard 319.21-acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent. The unit will be dedicated to the **Yardbirds 3 W2DM Fee Well No. 1H**, a horizontal well with a surface location 175 feet from the north line and 1070 feet from the west line, and a terminus