

**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. 16157
ORDER NO. R-14753**

**APPLICATION OF PERCUSSION PETROLEUM OPERATING, LLC FOR A
NON-STANDARD SPACING AND PRORATION UNIT, UNORTHODOX WELL
LOCATION, 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 June 14, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 27th day of June, 2018, the Division Director, having considered the testimony, the record and the recommendations of Examiner,

FINDS THAT:

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

(2) Percussion Petroleum Operating, LLC ("Applicant or "Percussion") seeks approval of a 160-acre, non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Yeso formation, Red Lake; Glorieta-Yeso Pool (Pool code 51120), comprising the S/2 S/2 of Section 32, Township 17 South, Range 27 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Yeso formation.

(3) The Unit will be dedicated to Applicant's Red Lake 32 State Well No. 2H (the "proposed well"; API No. 30-015-44948), a horizontal well to be drilled from a surface location 292 feet from the South line and 155 feet from the East line (Unit P), to a bottom-hole location 360 feet from the South line and 100 feet from the West line (Unit M) of Section 29, Township 17 South, Range 27 East, NMPM. The location of the completed interval will be unorthodox for oil production within the Unit.

(4) The proposed oil well will be within the Red Lake; Glorieta-Yeso Pool (pool code 51120) and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four (4) adjacent quarter-quarter sections oriented east to west.

(5) Applicant appeared through counsel and presented the following land, engineering, and geologic evidence:

- (a) The Yeso formation in this area is suitable for development by horizontal drilling;
 - (b) Applicant requested that the compulsory pooling portion of the application be vacated, because Applicant reached voluntary agreement with the affected parties;
 - (c) The penetration point of the proposed well will be located 360 feet from the South line and 600 feet from the East line (Unit P), and the final perforation shall be located 360 feet from the South line and 100 feet from the West line (Unit M) of Section 29;
 - (d) The non-standard location was requested for engineering reasons in order to permit the Applicant the opportunity to produce its just and equitable share of production from the pool and the project area which would otherwise remain unproduced. Further the non-standard location will allow the Applicant to achieve its preferred well-spacing and efficient and economic drainage of the project area.;
 - (e) notice was provided to all affected parties for the non-standard location of the application.
- (6) No other party entered an appearance or otherwise opposed this application.

The Division concludes as follows:

(7) The non-standard location portion of the application should be approved. It was properly noticed per Division Rule 19.15.4.12 A (2) NMAC. Applicant provided a reasonable explanation for the non-standard location.

IT IS THEREFORE ORDERED THAT:

(1) The Applicant's Red Lake 32 State Well No. 2H (the "proposed well"; API No. 30-015-44948), a horizontal well to be drilled from a surface location 292 feet from the South line and 155 feet from the East line (Unit A), to a bottom-hole location 360 feet

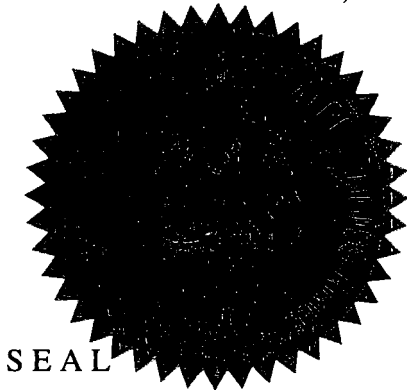
from the South line and 1000 feet from the West line (Unit A) of Section 32, Township 17 South, Range 27 East, NMPM, is hereby approved.

(2) The Applicant's request for a non-standard spacing and proration unit is **hereby dismissed**.

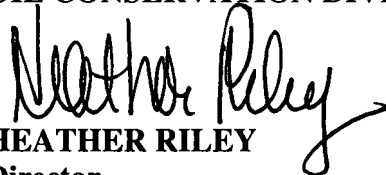
(3) The Applicant's non-standard location is **hereby approved**. The surface location of the proposed well is to be located 292 feet from the South line and 155 feet from the East line (Unit P), to a bottom-hole location 360 feet from the South line and 100 feet from the West line (Unit M) of Section 32, Township 17 South, Range 27 East, NMPM. The completed interval of the proposed well shall be no closer than 360 feet from the South Line and 600 feet from the East line (Unit P), and the last perf shall be no closer than 100 feet from the South line and 100 feet from the West line (Unit M), both in Section 29, Township 17 South, Range 27 East.

(4) The Applicant's request for compulsory pooling is **hereby dismissed**.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


HEATHER RILEY
Director