

**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. 15023 Re-Opened
ORDER NO. R-20681
Amending Order R-13757-A**

**APPLICATION OF COG OPERATING, LLC TO RE-OPEN CASE NO. 15023 TO POOL
THE INTERESTS OF ADDITIONAL MINERAL OWNERS UNDER THE TERMS OF
COMPULSORY POOLING ORDER NO. R-13757, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 9, 2018, at Santa Fe, New Mexico, before Examiner Scott A. Dawson.

NOW, on this 27th day of June 2019, 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 the subject matter.

(2) The Applicant, COG Operating, LLC, seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit ("the Unit") described as follows:

A Horizontal Oil Spacing Unit comprising 159.67 acres (more or less) within the Penasco Draw-San Andres-Yeso (Associated) Pool (Pool Code 50270) and all other pools hereafter defined within the San Andres-Yeso formations in the E/2 W/2 of Section 6, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico.

(3) The Unit is dedicated to the following well(s):

Arabian 6 Fee Well No. 6H, API No. 30-015-39625

SHL: 183 feet from the South line and 2267 feet from the West line,
(Unit N) of Section 6, Township 19 South, Range 26 East, NMPM.

BHL: 330 feet from the North line and 2177 feet from the West line,

(Unit C/Lot 3) of Section 6, Township 19 South, Range 26 East, NMPM.

(4) Oil production from the Penasco Draw-San Andres-Yeso (Associated) Pool is governed by Division Rule 19.15.15.9(A) NMAC, which specifies 40-acre spacing and proration units [vertical wells], each comprising a governmental quarter-quarter section.

(5) The allowed setback footage distance for the proposed horizontal Oil well(s) is specified in Paragraph (1) of Subsection C of 19.15.16.15 NMAC effective June 26, 2018. Said rules allow the first or last take points to be no closer than 100 feet to the nearest unit boundary, and the setbacks measured perpendicular to the well path to be a minimum of 330 feet from the outer boundary of the horizontal spacing unit.

(6) No other party entered an appearance in this case or otherwise opposed this application.

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

- (a) Production ceased on the subject well after the entry of Order No. R-13757-A; therefore, the voluntary agreement of two working interest owners is no longer in effect and two parties have become unleased.
- (b) The four parties have reached a verbal agreement, but have not to date, reached joinder in the further capital expenditure or operation of the subject well.
- (c) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.

The Division finds and concludes that

(8) COG Operating, LLC (OGRID 229137) should remain designated as the operator of the Well(s) and of the Unit.

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(10) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill or workover the Well(s) to a common source of supply

within the Unit at the described depths and location(s). Applicant should be allowed a one-year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(11) There are interest owners in the Unit that have not agreed to pool their interests.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the depths to be pooled within the Unit.

(13) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(14) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(15) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$5450 per month, per well, while drilling and \$545 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations*."

IT IS THEREFORE ORDERED THAT

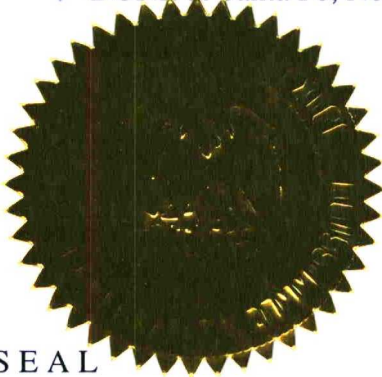
(1) Pursuant to the application of COG Operating, LLC, Order Nos. R-13757 and R-13757-A, issued in this case on October 4, 2013 and October 5, 2016 respectively, are hereby amended to compulsory pool all uncommitted interests, whatever they may be, of the working interests or owners of unleased minerals in the Unit, and their heirs, devisees, personal representatives, successors and assigns ("Uncommitted Owners"), who succeeded to such ownership or became uncommitted after October 5, 2016.

(2) The Unit shall remain as described in Finding Paragraph (2) and dedicated to the Arabian 6 Fee Well No. 6H (API No. 30-015-39625 – "the subject well") as described in Finding Paragraph (3).

(3) Except as herein otherwise provided, Order Nos. R-13757 and R-13757-A shall continue in full force and effect, and the interests of the Uncommitted Owners pooled hereby shall be subject thereto.

(4) 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

ADRIENNE SANDOVAL
Director