

DOCKET: EXAMINER HEARING - THURSDAY – MARCH 2, 2017

8:15 A.M.
1220 South St. Francis Drive
Santa Fe, New Mexico
87505

Docket Nos. 11-17 and 12-17 are tentatively set for March 16, 2017 and March 30, 2017. 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 15600 - No. 18
Case 15601 - No. 19
Case 15602 - No. 20
Case 15606 - No. 2
Case 15621- No. 21
Case 15623 – No. 1
Case 15624 - No. 3
Case 15625 - No. 13
Case 15626 - No. 4
Case 15627 – No. 5
Case 15628 – No. 6
Case 15629 - No. 7
Case 15630 - No. 8
Case 15631 – No. 9
Case 15632 – No. 10
Case 15633 – No. 11
Case 15634 – No. 12
Case 15635 – No. 14
Case 15636 - No. 15
Case 15637 - No. 16
Case 15638 - No. 17

1. Case No. 15623: (Continued from the February 2, 2017 Examiner Hearing.)

Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against G. P. Sims, the Estate of, for a Well Operated in Lea County, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator G. P. Sims, the Estate of, (“Operator”) is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the well abandoned, and authorizing the OCD to plug the violating well in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

2. Case No. 15606: (Continued from the February 16, 2017 Examiner Hearing.)

Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against ICA Energy Operating, L.L.C. for its Well Operated in Roosevelt County, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau, (“Bureau”) hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, § 70-2-12 for a compliance order (1) determining

Examiner Hearing – March 2, 2017

Docket No. 10-17

Page 2 of 5

operator ICA Energy Operating, L.L.C. ("Operator") is out of compliance with 19.15.5.9 and 19.15.25.8 NMAC; (2) requiring Operator to return to compliance with 19.15.5.9 and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the well abandoned, and authorizing the OCD to plug the violating well in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

3. **Case No. 15624:** *(Continued from the February 16, 2017 Examiner Hearing.)*

Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against David H. Arrington, for Wells Operated in Lea, Eddy, Chaves, and San Juan County, New Mexico. The Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD" or "Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator David Arrington Oil & Gas, Inc. ("Operator") is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the wells abandoned, and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

4. **Case No. 15626:** *Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling,*

Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 160-acre spacing and proration unit comprised of the N/2 N/2 of Section 21, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Cedar Canyon 21 Federal Com No. 21H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 21. The completed interval for this 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 said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles east of Malaga, N.M.

5. **Case No. 15627:** *Application of OXY USA Inc. for compulsory pooling, Eddy County, New Mexico.*

Applicant in the above-styled cause seeks an order (1) creating a 320-acre spacing and proration unit comprised of the N/2 of Section 21, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said unit is to be dedicated to applicant's proposed **Cedar Canyon 21 Federal Com No. 31H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 21. The completed interval for this 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 said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles east of Malaga, N.M.

6. **Case No. 15628:** *Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*

Applicant seeks an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E/2 W/2 of Section 15 and the E/2 SW/4 of Section 10, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Duke Federal 10 #10H well** to be drilled at a location approximately 2470 feet from the south line and 1906 feet from the west line (surface) of Section 10 to 330 feet from the south line and 1546 feet from the west line (terminus) of Section 15. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 20 miles northwest of Jal, New Mexico.

7. **Case No. 15629:** *Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.*

Applicant seeks an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the W/2 E/2 of Section 15 and the W/2 SE/4 of Section 10, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Duke Federal 10 #18H well** to be drilled at a location approximately 2470 feet from the south line and 1840 feet from the east line (surface) of Section 10 to 330 feet from the south line and 1792 feet from the east line (terminus) of Section 15. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 20 miles northwest of Jal, New Mexico.

8. **Case No. 15630: Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.** Applicant seeks an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E/2 E/2 of Section 15 and the E/2 SE/4 of Section 10, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Duke Federal 10 #26H** well to be drilled at a location approximately 2442 feet from the south line and 461 feet from the east line (surface) of Section 10 to 330 feet from the south line and 461 feet from the east line (terminus) of Section 15. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 20 miles northwest of Jal, New Mexico.

9. **Case No. 15631: 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 **J.H. Day Well No. 1**, to be re-entered and deepened at an orthodox location 2310 feet from the south and west lines of Section 6. 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.

10. **Case No. 15632: 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 SE/4 NW/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 **J.H. Day Well No. 2**, to be re-entered and deepened at an orthodox location 1980 feet from the north and west lines of Section 6. 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.

11. **Case No. 15633: 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 SE/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 **J.H. Day Well No. 3**, to be re-entered and deepened at an orthodox location 330 feet from the south line and 2310 feet from the west line of Section 6. 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.

12. **Case No. 15634: Application of Devon Energy Production Company, L.P. for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Devon Energy Production Company, L.P. seeks an order approving a 320-acre, more or less, non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of Lot 4, SW/4 NW/4, and W/2 SW/4 (the W/2 W/2) of Section 1 and the W/2 W/2 of Section 12, Township 23 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit, for any formations and/or pools developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the **Tomb Raider 1-12 Fed. Well No. 61H**, a horizontal well to be drilled at a surface location 200 feet from the north line and 1310 feet from the west line of Section 1, with a terminus 330 feet from the south line and 660 feet from the west line of Section 12. The producing interval will be orthodox. 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 21 miles east-northeast of Malaga, New Mexico.

13. **Case No 15625: (Continued from the February 16, 2017 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 the E/2 of Section 21, Township 23 South, Range 28 East, NMPM, for all pools developed on 320 acre spacing within that vertical extent. The unit is to be dedicated to the **Loving Townsite 21 W2PA Fee Well No. 1H**, a horizontal well with a surface location 220 feet from the north line and 450 feet from the east line of adjoining Section 28, with the first take point approximately 330 feet from the south line and 450 feet from the east line and a terminus 330 feet from the north line and 450 feet from the east line of Section 21. 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 1 mile east of beautiful, downtown Loving, New Mexico.

14. Case No. 15635: *Application of Mewbourne Oil Company for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.* Mewbourne Oil Company seeks an order approving a 320-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2 E/2 of Section 2 and the W/2 E/2 of Section 11, Township 25 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to the **Hoss 2/11 B2BO Fed. Com. Well No. 2H**, a horizontal well with a surface location 185 feet from the north line and 1650 feet from the east line of Section 2, and a terminus 330 feet from the south line and 1650 feet from the east line of Section 11. 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 4-1/2 miles south-southeast of Malaga, New Mexico.

15. Case No. 15636: *Application of Mewbourne Oil Company for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.* Mewbourne Oil Company seeks an order approving a 640-acre non-standard spacing and proration unit (project area) in the Wolfcamp formation comprised of the E/2 of Section 2 and the E/2 of Section 11, Township 25 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the **Hoss 2/11 W2BO Fed. Com. Well No. 1H**, a horizontal well with a surface location 185 feet from the north line and 1700 feet from the east line of Section 2, and a terminus 330 feet from the south line and 1650 feet from the east line of Section 11. 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 4-1/2 miles south-southeast of Malaga, New Mexico.

16. Case No. 15637: *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 1, 2, S/2 NE/4, and SE/4 (the E/2) of Section 3, Township 24 South, Range 28 East, NMPM, to form a standard 320.25 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 W0AP Fee Well No. 2H**, a horizontal well with a surface location 185 feet from the north line and 450 feet from the east line, and a terminus 330 feet from the south line and 450 feet from the east line, of Section 3. The beginning and end of the producing interval are orthodox. 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 1-1/2 miles north of Malaga, New Mexico.

17. Case No. 15638: *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 1, 2, S/2 NE/4, and SE/4 (the E/2) of Section 3, Township 24 South, Range 28 East, NMPM, to form a standard 320.25 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 W2AP Fee Well No. 1H**, a horizontal well with a surface location 185 feet from the north line and 400 feet from the east line, and a terminus 330 feet from the south line and 400 feet from the east line, of Section 3. The beginning and end of the producing interval are orthodox. 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 1-1/2 miles north of Malaga, New Mexico.

18. Case No. 15600: *(Continued from the January 5, 2017 Examiner Hearing.)*
Application of Mewbourne Oil Company for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Mewbourne Oil Company seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2E/2 of Section 15, Township 23 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the E/2E/2 of Section 15. The unit will be dedicated to the **Pronghorn 15 B3AP Fed. Com. Well No. 1H**, a horizontal well with a surface location in the NE/4NE/4, and a terminus in the SE/4SE/4, of Section 15. 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 17-1/2 miles southwest of Oil Center, New Mexico.**15.**

19. Case No. 15601: *(Continued from the January 5, 2017 Examiner Hearing.)*
Application of Mewbourne Oil Company for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Mewbourne Oil Company seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2E/2 of Section 15, Township 23 South, Range 34 East, NMPM.

Examiner Hearing – March 2, 2017

Docket No. 10-17

Page 5 of 5

Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the W/2E/2 of Section 15. The unit will be dedicated to the **Pronghorn 15 B3BO Fed. Com. Well No. 1H**, a horizontal well with a surface location in the NW/4NE/4, and a terminus in the SW/4SE/4, of Section 15. 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 17-1/2 miles southwest of Oil Center, New Mexico.

20. *Case No. 15602:* (Continued from the January 5, 2017 Examiner Hearing.)

Application of Mewbourne Oil Company for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Mewbourne Oil Company seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2W/2 of Section 15, Township 23 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the E/2W/2 of Section 15. The unit will be dedicated to the **Pronghorn 15 B3CN Fed. Com. Well No. 1H**, a horizontal well with a surface location in the NE/4NW/4, and a terminus in the SE/4SW/4, of Section 15. 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 18 miles southwest of Oil Center, New Mexico.

21. *Case No. 15621:* (Continued from the January 19, 2017 Examiner Hearing.)

Application of Opal Resources Operating Co., LLC & Opal Resources II, LLC for a Non-Standard Spacing and Proration Unit, a Non-Standard Project Area, and Compulsory Pooling, Lea County, New Mexico. Applicant in the above styled cause seeks an order (1) creating a non-standard, 200-acre, more or less, spacing and proration unit comprised of W/2W/2 Section 29 and NW/4NW/4 Section 32, Township 19 South, 39 East, NMPM, Lea County, New Mexico; (2) approving a non-standard project area; and (3) pooling all mineral interests in the Nadine/Abo Formation underlying said acreage. Said non-standard unit is to be dedicated to Applicant's **Jade 19S-39E-S29 No. 1H Well**, to be vertically drilled from the surface location in NW/4NW/4 (Unit D) of Section 29 to the Nadine/Abo Formation to the bottom hole location of in NW/4NW/4 (Unit D) of Section 32. The completed interval for this well will remain within the 330-foot standard offset required by the Rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of Opal Resources Operating Co., LLC as operator of the well, and a 200% penalty for risk involved in the drilling the well.