

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 13, 2017

8:15 a.m. - 1220 South St. Francis, Santa Fe, New Mexico 87505

Docket Nos. 15-17 and 16-17 are tentatively set for April 27, 2017 and May 11, 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 15586 - No. 1******Case 15639 - No. 4******Case 15640 - No. 5******Case 15643 - No. 6******Case 15646 - No. 17******Case 15647 - No. 18******Case 15651 - No. 19******Case 15655 - No. 13******Case 15656 - No. 14******Case 15659 - No. 15******Case 15660 - No. 16******Case 15670 - No. 2******Case 15671 - No. 3******Case 15672 - No. 7******Case 15673 - No. 8******Case 15674 - No. 9******Case 15675 - No. 10******Case 15676 - No. 11******Case 15677 - No. 12***

1. **Case No. 15586:** *(Continued from the February 2, 2017 Examiner Hearing.) (This case will be dismissed.)*
Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order (i) creating a 160-acre, non-standard oil spacing and proration unit (project area) comprised of the E/2 W/2 of Section 32, Township 21 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 **Grenache "32" State Com. #1H** well, which will be horizontally drilled from a surface location in Unit N of Section 32, Township 21 South, Range 32 East to a bottom hole location in Unit C of Section 32, Township 21 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 applicant 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 twenty-five (25) miles southwest of Loving, New Mexico.

2. **Case No. 15670:** ***Amended Application of Steward Energy II, LLC for a non-standard oil spacing and proration unit, compulsory pooling, and unorthodox well location, Lea County, New Mexico.*** Applicant seeks an order (i) creating a 480-acre, non-standard oil spacing and proration unit (project area) comprised of the SW/4 of Section 3 and the W/2 of Section 10, Township 14 South, Range 38 East, NMPM, in Lea County, (ii) pooling all mineral interests in the San Andres formation underlying this acreage, and (iii) approving an unorthodox location for applicant's **Pollo Hermanos State #5H well**. The project area is to be dedicated to the Pollo Hermanos State #5H well, which will be horizontally drilled from a surface location in Unit N of Section 10, Township 14 South, Range 38 East to a bottom hole location in Unit K of Section 3, Township 14 South, Range 38 East. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Steward Energy II, 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 16.5 miles northwest of Tatum, New Mexico.

3. **Case No. 15671:** ***Application of Smith and Marrs Inc., for approval of lease pressure maintenance project, in Eddy County, New Mexico.*** Applicant seeks approval to institute a lease pressure maintenance project in its **Superior State Well #1**, located 1980' FNL and 660' FEL, Unit H, Section 8, Township 25 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

Examiner Hearing – April 13, 2017

Docket No. 14-17

Page 2 of 4

Applicant intends to inject produced water into the Delaware Sand formation at depths of 3736-3776 feet (perforated). The well is located approximately 10 miles south east of Malaga, New Mexico.

4. **Case No. 15639: Amended Application of COG Operating LLC 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, more or less, non-standard spacing and proration unit comprised of the W/2 E/2 of Section 29, Township 25 South, Range 27 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 **Populus Federal #2H Well**, which will be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 29 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 29. The completed interval for this well will remain within the 330-foot standard set back required by Division 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 COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling the well. Said area is located approximately 14 miles southwest of Loving, New Mexico.

5. **Case No. 15640: Amended Application of COG Operating LLC 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, more or less, non-standard spacing and proration unit comprised of the W/2 W/2 of Section 29, Township 25 South, Range 27 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 **Populus Federal #4H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 29 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 29. The completed interval for this well will remain within the 330-foot standard set back required by Division 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 COG Operating LLC as operator of the well and a 200% charge for risk involved in drilling the well. Said area is located approximately 14 miles southwest of Loving, New Mexico.

6. **Case No. 15643: (Continued from the March 30, 2017 Examiner Hearing.)**

Application of COG Operating LLC for a non-standard spacing and proration unit and/or unorthodox location, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 320-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the E/2 of Section 36, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico; and/or (2) approving an unorthodox location for the Bultaco State No. 3H Well. The non-standard spacing unit will be dedicated to the **Bultaco State No. 1H Well, the Bultaco State No. 2H Well, and the Bultaco State No. 3H Well**. The first perforation for the Bultaco State No. 3H Well is located approximately 330 feet from the South line and 1,295 feet from the East line (Unit P). The last perforation is located 100 feet from the North line and 1,295 feet from the East line (Unit A). For this reason, the producing interval is encroaching on the spacing and proration units to the North, Northwest, West, and Southwest of the subject well. Said area is located approximately 22 miles northeast of Malaga, New Mexico.

7. **Case No. 15672: 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 1-4 and the E/2 W/2 (the W/2 equivalent) of Section 18, Township 23 South, Range 27 East, NMPM, to form a 315.12 acre well unit. The unit is to be dedicated to the **Slider 18 W2MD Fed. Com. Well No. 1H**, a horizontal well with a surface location in Lot 4, and a terminus in Lot 1, of Section 18. 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 miles south of Carlsbad, New Mexico.

8. **Case No. 15673: Application of Mewbourne Oil Company for a nonstandard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Mewbourne Oil Company seeks an order approving a 480 acre non-standard spacing and proration unit in the Wolfcamp formation underlying the E/2 of Section 12 and the SE/4 of Section 1, Township 25 South, Range 27 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to the **Devon 12/1 W2PI Fee Com. Well No. 1H**, a horizontal well with a surface location in the NE/4 NE/4 of adjoining Section 13, and a terminus in the NE/4 SE/4, of Section 1. 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 7 miles southwest of Malaga, New Mexico.

9. **Case No. 15674: Application of Mewbourne Oil Company for a nonstandard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Mewbourne Oil Company seeks an order approving a 478.39 acre non-standard spacing and proration unit in the Wolfcamp formation underlying Lots 3-7, SE/4 NW/4, and E/2 SW/4 (the E/2) of Section 6 and Lots 1, 2, and E/2 NW/4 (the NW/4) of Section 7, Township 24 South, Range 28 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to the **Motley 6/7 W2DE Fee Com. Well No. 1H**, a horizontal well with a surface location in Lot 4 of Section 6, and a terminus in Lot 2 of Section

7. 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 4 miles west-northwest of Malaga, New Mexico.

10. Case No. 15675: 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 W/2 of Section 27, Township 24 South, Range 28 East, NMPM, to form a 320 acre well unit. The unit is to be dedicated to the **Rock Spur State Com. Well No. 1H**, a horizontal well with a surface location in the NE/4 NW/4, and a terminus in the SE/4 SW/4, of Section 27. 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 2-1/2 miles south of Malaga, New Mexico.

11. Case No. 15676: Application Of Dakota Resources, Inc. To Reinstate The Injection Authorized By Order SWD-802, Eddy County, New Mexico. Applicant seeks an order re-approving injection authority pursuant to Administrative Order SWD-802 issued in 2001. Order SWD-802 authorized the disposal of produced water into the Bell Canyon member of the Delaware formation from approximately 2,926 feet to 3,315 feet through the **Trigg Federal Well No. 1** (API No. 30-015-25006), located in the NW/4 SW/4 (Unit L) of Section 7, Township 21 South, Range 28 East, in Eddy County, New Mexico. That authority expired on July 15, 2016, due to inactivity associated with remediation efforts at the well site, which are now completed. This area is located 9 miles northeast of Carlsbad, New Mexico.

12. Case No. 15677: Application Of Chevron USA Inc. For Approval Of The Polvadera Unit, Lea County, New Mexico. Applicant seeks approval of its Polvadera Unit consisting of approximately 1,920.00 acres of the following Federal lands situated in Lea County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 32 EAST, N.M.P.M.

Section 14: All

Section 15: All

Section 23: All

The unitized interval is the stratigraphic equivalent of the top of the Bone Spring Formation encountered at a true vertical depth of 8,800 feet down to the stratigraphic equivalent of the base of the Bone Spring formation at a true vertical depth of 11,950 feet as encountered in the **Salado Draw SWD 13-1 Well** (API #30-025-42354), Section 13, Township 26 South, Range 32 East, N.M.P.M., Lea County, New Mexico. The subject acreage is located approximately 33 miles west of Jal, New Mexico.

13. Case No. 15655: (Continued from the March 30, 2017 Examiner Hearing.)

Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit, Compulsory Pooling, and an Unorthodox Well Location, 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 SW/4 of Section 35, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico and the W/2 W/2 of Section 2, Township 22 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 **Gramma Ridge State Com 1H well** to be drilled at an unorthodox location approximately 144.3 feet from the south line and 911 feet from the west line (surface) of Section 2, Township 22 South, Range 34 East, to 2371 feet from the south line and 330 feet from the west line (terminus) of Section 35, Township 21 South, Range 34 East. 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 17 miles west of Eunice, New Mexico.

14. Case No. 15656: (Continued from the March 30, 2017 Examiner Hearing.)

Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit, Compulsory Pooling, and an Unorthodox Well Location, 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 SW/4 of Section 35, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico and the E/2 W/2 of Section 2, Township 22 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 **Gramma Ridge State Com 3H well** to be drilled at an unorthodox location approximately 144.3 feet from the south line and 971 feet from the east line (surface) of Section 2, Township 22 South, Range 34 East, to 2387 feet from the south line and 1707.7 feet from the east line (terminus) of Section 35, Township 21 South, Range 34 East. 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 17 miles west of Eunice, New Mexico.

15. Case No. 15659: (Continued from the March 30, 2017 Examiner Hearing.)

Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. GMT Exploration Company LLC 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/2 W/2 of Section 2, Township 22 South, Range 34

Examiner Hearing – April 13, 2017

Docket No. 14-17

Page 4 of 4

East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit (project area). The unit will be dedicated to the **Pucker Rapid State Com. Well No. 1H**, a horizontal well with a surface location in the SW/4 SW/4, and a terminus in the NW/4 NW/4, of Section 2. The beginning and end of the productive 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 12 miles west-southwest of Oil Center, New Mexico.

16. Case No. 15660: *(Continued from the March 30, 2017 Examiner Hearing.)*

Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. GMT Exploration Company LLC 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/2 W/2 of Section 2, Township 22 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit (project area). The unit will be dedicated to the **Squeeze State Com. Well No. 1H**, a horizontal well with a surface location in the SE/4 SW/4, and a terminus in the NE/4 NW/4, of Section 2. The beginning and end of the productive 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 12 miles west-southwest of Oil Center, New Mexico.

17. Case No. 15646: *(Continued from the March 30, 2017 Examiner Hearing.)*

Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Cano Petro of New Mexico, Inc., for Wells Operated in Chaves 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 Cano Petro of New Mexico, Inc. (“Operator”) is out of compliance with 19.15.8 NMAC and NMSA 1978, §§ 70-2-12(B)(1) and 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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 acceptable financial assurance.

18. Case No. 15647: *(Continued from the March 30, 2017 Examiner Hearing.)*

Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Colfax Land & Cattle Company, LLC, for Wells Operated in Colfax 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 Colfax Land & Cattle Company, LLC (“Operator”) is out of compliance with 19.15.8 NMAC and NMSA 1978, §§ 70-2-12(B)(1) and 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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 acceptable financial assurance.

19. Case No. 15651: *(Continued from the March 30, 2017 Examiner Hearing.)*

Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against M E W Enterprise, for a Well Operated in Chaves 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 M E W Enterprise (“Operator”) is out of compliance with 19.15.8 NMAC and NMSA 1978, §§ 70-2-12(B)(1) and 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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 acceptable financial assurance.