



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Daniel Sanchez
Acting Division Director
Oil Conservation Division

Harrison H. Schmitt
Cabinet Secretary-Designate



February 1, 2011

COG Operating, LLC
Attn: Kelly J. Holly
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

Administrative Order NSL-6325

Re: Burch Keely Unit Well No. 696
API No. 30-015
1133 feet FNL & 1476 feet FWL
Unit C, Section 25-17S-29E
Eddy County, New Mexico

Dear Ms. Holly:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-01962737**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 19, 2011, and

(b) the Division's records pertinent to this request.

COG Operating, LLC [OGRID 229137] (COG) has requested to drill the above-referenced well as a directional well. The well will be drilled from the surface location described in the caption of this letter to an unorthodox bottom hole location in the Grayburg-Jackson; Seven Rivers-Queen-Grayburg-Sand Andres Pool, 1320 feet from the North line and 1320 feet from the West line (Unit C) of Section 25, Township 17 South, Range 29 East, in Eddy County, New Mexico. The NE/4 NW/4 of Section 25 will be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing and proration unit in the Grayburg-Jackson; Seven Rivers-Queen-Grayburg-Sand Andres Pool (28509).

Spacing in this pool is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. The proposed bottom hole location for this

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well is less than 330 feet from the southern and western unit boundaries. Although this well is located in an active secondary recovery unit, and thus would not ordinarily require non-standard location approval pursuant to Rule 15.13.A, such approval is required for this well because the bottom hole location is less than 10 feet from quarter quarter section lines.

Your application has been duly filed under the provisions of Division Rules 15.13.C and 4.12.A(2).

It is our understanding that you are seeking this location to avoid interference with existing surface improvements.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Daniel Sanchez', with a long horizontal flourish extending to the right.

Daniel Sanchez
Acting Director

DS/db

cc: New Mexico Oil Conservation Division – Artesia
United States Bureau of Land Management