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March 13, 2012

**VIA HAND DELIVERY**

Jami Bailey  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Case 14818<sup>2</sup>

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**Re: Applications of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico**

Dear Ms. Bailey:

Enclosed with this letter please find two Applications for Non-Standard Spacing and Proration Unit and Compulsory Pooling by COG Operating LLC ("Concho"), as well as a copy of the legal advertisements. Applicant requests that these matters be placed on the April 12, 2012, Examiner hearing docket.

Sincerely,

Adam G. Rankin  
ATTORNEYS FOR COG OPERATING LLC

AGR  
Enclosure

**Holland & Hart LLP**

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**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF COG OPERATING LLC FOR A NON-  
STANDARD OIL SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.**

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CASE NO. 14813 2

**APPLICATION**

COG Operating LLC ("Concho") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a non-standard 160-acre, more or less, oil spacing and proration unit in the Yeso formation, comprised of the E/2 W/2 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the Arabian 6 Fee No. 2H well, to be horizontally drilled from a surface location 150 feet from the South line and 1700 feet from the West line of said Section 6 (Unit N) to a bottom-hole terminus at a location 330 feet from the North line and 1700 feet from the West line of said Section 6 (Unit C). The completed interval for this well will be within the 330-foot standard offset required by the rules. In support of this application Concho states:

1. Concho is an interest owner in the subject lands and has the right to drill a well thereon.

2. Concho proposes to drill its Arabian 6 Fee No. 2H well to a depth sufficient to test the Yeso formation.

3. Concho seeks to dedicate the E/2 W/2 of said Section 6 to the proposed well to form a non-standard 160-acre, more or less, oil spacing and proration unit (the "project area").

4. Concho has sought but been unable to obtain a voluntary agreement from all mineral interest owners in the Yeso formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.

5. Approval of the non-standard unit and the pooling of all mineral interests in the Yeso formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Concho requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 12, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard oil spacing and proration unit ("project area") in the Yeso formation comprised of the E/2 W/2 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico;
- B. Pooling all mineral interests in the Yeso formation underlying this non-standard spacing and proration unit;
- C. Designating Concho as operator of this unit and the well to be drilled thereon;

- D. Authorizing Concho to recover its costs of drilling, equipping and completing the well;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

HOLLAND & HART LLP

By  \_\_\_\_\_

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**ATTORNEYS FOR COG OPERATING LLC**

CASE

14812<sup>2</sup>

**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 non-standard 160-acre, more or less, oil spacing and proration unit in the Yeso formation, comprised of the E/2 W/2 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the Arabian 6 Fee No. 2H well, to be horizontally drilled from a surface location 150 feet from the South line and 1700 feet from the West line of said Section 6 (Unit N) to a bottom-hole terminus at a location 330 feet from the North line and 1700 feet from the West line of said Section 6 (Unit C). The completed interval for this well will be within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the 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 said well. Said area is located approximately 3 miles northwest of Lakewood, New Mexico.