

**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 SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

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CASE NO. 14945

APPLICATION

COG OPERATING LLC, ("COG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the N/2 N/2 of Section 3, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. In support of its application, COG states:

1. COG (OGRID No. 229137) is a working interest owner in the N/2 N/2 of Section 3 and has the right to drill thereon.
2. COG proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Warhawk 3 Federal Com #1H well (API #30-025-40635), to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a standard bottom hole location in the NE/4 NE/4 (Unit A) of Section 3. The completed interval for this well will be within the 330-foot standard offset required by the rules.

3. COG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and COG Operating LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, COG Operating LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 24, 2013, and, after notice and hearing as required by law, the Division enter its order:

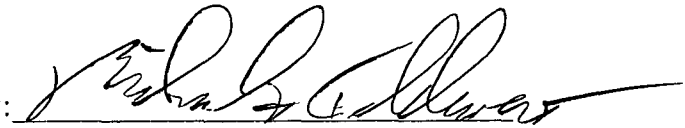
- A. Creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the N/2 N/2 of Section 3, Township 19 South, Range 32 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating COG Operating LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing COG Operating LLC to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by COG Operating LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR COG OPERATING LLC

CASE 14945:

Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre spacing and proration unit comprised of the N/2 N/2 of Section 3, Township 19 South, Range 32 East, NMPM, Lea County, and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Warhawk 3 Federal Com #1H (API #30-025-40635) well to be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a standard bottom hole location in the NE/4 NE/4 (Unit A) of Section 3. 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 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 said well. Said area is located approximately 16 miles southeast of Loco Hills, New Mexico.