

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

**APPLICATION OF COG OPERATING,
LLC FOR CREATION OF A NON-STANDARD
SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND APPROVAL
OF A NON-STANDARD PROJECT AREA,
EDDY COUNTY, NEW MEXICO.**

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CASE NO. 15237

APPLICATION

COG Operating LLC, (“COG”) through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 120-acre spacing and proration unit comprised of the S/2SW/4 and the SW/4SE/4 of Section 15, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico; (2) pooling all mineral interests in the Yeso formation underlying this acreage; and (3) approving a non-standard 120-acre project area. In support of its application, COG states:

1. COG Operating LLC (OGRID No. 229137) is a working interest owner in the S/2SW/4 and the SW/4SE/4 of Section 15 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 **Pilum 15 Fee 2H Well**, which will be horizontally drilled from a surface location in the SE/4SE/4 (Unit P) of Section 16, Township 18 South, Range 26 East to a standard bottom hole location in SW/4SE/4 (Unit O) of Section 15. The completed interval for this well will commence in SW/4SW/4 (Unit M)

of Section 15 and remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

3. COG requests approval of a 120-acre non-standard project area pursuant to 19.15.16.15.E NMAC and will send notice to the affected parties.

4. 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.

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

6. 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.

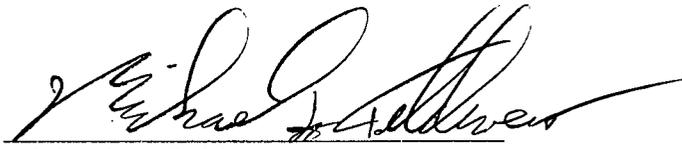
WHEREFORE, COG requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 20, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 120-acre non-standard spacing and proration unit in the Yeso formation, comprised of the S/2SW/4 and the SW/4SE/4 of Section 15, Township 18 South, Range 26 East, NMPM;
- B. Approving a non-standard 120-acre project area;
- C. Pooling all mineral interests in the non-standard 120-acre spacing and proration unit;

- D. Designating COG Operating, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- E. Authorizing COG to recover its costs of drilling, equipping and completing the well;
- F. 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
- G. Imposing a 200% penalty for the risk assumed by COG 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 15297:

Application Of COG Operating LLC For Creation Of A Non-Standard Spacing And Proration Unit, Compulsory Pooling, And Approval Of A Non-Standard Project Area, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 120-acre spacing and proration unit comprised of the S/2SW/4 and the SW/4SE/4 of Section 15, Township 18 South, Range 26 East, NMPM, Eddy County; (2) pooling all mineral interests in the Yeso formation underlying this acreage; and (3) approving a non-standard 120-acre project area. Said non-standard unit is to be dedicated to applicant's proposed **Pilum 15 Fee 2H Well**, which will be horizontally drilled from a surface location in the SE/4SE/4 (Unit P) of Section 16, Township 18 South, Range 26 East to a standard bottom hole location in SW/4SE/4 (Unit O) of Section 15. The completed interval for this well will commence in SW/4SW/4 (Unit M) of Section 15 and remain 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 1 mile Northeast of Dayton, New Mexico.