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June 20, 2016

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VIA HAND DELIVERY

Florene Davidson
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 15295 (re-opened)

Dear Florene:

Enclosed for filing is an application by COG Operating LLC requesting the re-opening of Case No. 15295 for purposes of amending Order No. 15295 by approving a 240-acre non-standard spacing and proration unit and compulsory pooling for COG's Skull Cap Fed Com #22H well. Also enclosed is a proposed hearing notice, which I will email to you in Word format.

As stated in the application, COG requests that the application be placed on the Division's July 21, 2016 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:rc
Enclosure

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

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**APPLICATION OF COG OPERATING
LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

**Case No. 15295
(re-opened)**

APPLICATION

Pursuant to NMSA § 70-2-17, COG Operating LLC ("COG") applies to re-open Case No. 15295 to amend Order No. R-14003 by: (1) expanding the non-standard oil spacing and proration unit ("project area") to include the SW/4 SE/4 of Section 5, Township 25 South, Range 35 East; (2) reflecting the Division's revised pool designation; and (3) pooling all uncommitted interest owners within the WC-025 G-09 S243532M; Wolfbone Pool (pool code 98098). In support of its Application, COG states:

1. In Order No. R-14003, the Division created a 200.72-acre, more or less, project area in the Bone Spring formation (WC-025 G-09 S2533509D; Bone Spring Pool (pool code 97088)) consisting of the W/2 SE/4 of Section 32, Township 24 South, Range 35 East and the W/2 NE/4 and NW/4 SE/4 of Section 5, Township 25 South, Range 35 East, NMPM, in Lea County.

2. Order No. R-14003 provides that the project area is to be dedicated to COG's Skull Cap State Com #2H well (API No. 30-025-42523), a horizontal well to be drilled from a surface location 2,590 feet from the South line and 1,980 feet from the East line (Unit J) of Section 32, Township 24 South, Range 35 East to a standard terminus 1,650 feet from the South line and 1,980 feet from the East line (Unit J) of Section 5, Township 25 South, Range 35 East.

3. After it entered Order No. R-14003, the Division changed the designated pool for the Skull Cap State Com # 2H well from the WC-025 G-09 S2533509D; Bone Spring Pool (pool code 97088) to the WC-025 6-09 S243532M; Wolfbone Pool (pool code 98098).

4. COG proposes to drill the Skull Cap Fed Com #22H well, which will be horizontally drilled from a surface location in Unit J of Section 32, Township 24 South, Range 35 East to a bottom hole location in Unit O of Section 5, Township 25 South, Range 35 East.

5. The new project area for the Skull Cap Fed Com #22H well consists of the W/2 E/2 of Section 5, Township 25 South, Range 35 East and W/2 SE/4 of Section 32, Township 24 South, Range 35 East.

6. COG has undertaken diligent, good-faith efforts to obtain voluntary agreements from all interest owners in the proposed project area to participate in the drilling of the well, but has been unable to obtain voluntary agreements from all of the interest owners.

7. The pooling of those uncommitted interest owners will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. In order to allow COG to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interest owners in the proposed project area should be pooled and COG should be designated the operator of the proposed Skull Cap Fed Com #22H well and the project area.

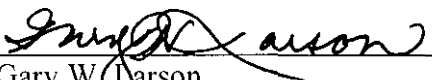
WHEREFORE, COG requests that the Division re-open the case, set this Application for hearing on July 21, 2016 and, after notice and hearing, enter an order:

A. Approving a 240-acre project area in the WC-025 G-09 S243532M; Wolfbone Pool (pool code 98098) consisting of the W/2 E/2 of Section 5, Township 25 South, Range 35

East and the W/2 SE/4 of Section 32, Township 24 South, Range 35 East, N.M.P.M., in Lea County;

- B. Pooling all uncommitted interests in the proposed project area;
- C. Designating COG as the operator of the Skull Cap Fed Com #22H well and the project area;
- D. Authorizing COG to recover its costs of drilling, equipping, and completing the well and the project area;
- E. Considering the cost of drilling and completing the Skull Cap Fed Com #22H well and allocating the cost among the uncommitted interest owners;
- F. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Imposing a 200% penalty for the risk assumed by COG in drilling and completing the Skull Cap Fed Com #22H well against any interest owner who does not voluntarily participate in the drilling of the well.

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Counsel for COG Operating LLC

PROPOSED NOTICE

Case No. 15295 (re-opened): Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant requests the re-opening of Case No. 15295 for purposes of amending Order No. R-14003 by: (i) expanding the previously-approved non-standard oil spacing and proration unit (project area), (ii) creating a 240-acre project area comprised of the W/2 E/2 of Section 5, Township 25 South, Range 35E and the W/2 SE/4 of Section 32, Township 24 South, Range 35 East, NMPM, in Lea County, and (iii) pooling all mineral interests in the WC-025 6-09 5243532M; Wolfbone Pool (pool code 98098) underlying this acreage. The project area is to be dedicated to applicant's Skull Cap Fed Com #22H well, which will be horizontally drilled from a surface location in Unit J of Section 32, Township 24 South, Range 35 East to a bottom hole location in Unit O of Section 5, Township 25 South, Range 35 East. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of COG Operating 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 five miles west of Ochoa, New Mexico.

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