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May 23, 2016

VIA HAND DELIVERY

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

Case 15520

Re: COG Operating LLC Application

Dear Florene:

Enclosed please find: (i) for filing, the original and one (1) copy of an application by COG Operating LLC for approval of a 160-acre non-standard oil spacing and proration unit to be dedicated to COG's Banter State #4H well; and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, COG requests that the application be placed on the Division's August 4, 2016 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:rc
Enclosures

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2016 JUN 31 P 3:29

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

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

Case No. 15520

RECEIVED OGD
2016 JUN 31 P 29

APPLICATION

Pursuant to NMSA § 70-2-17, COG Operating LLC (“COG”) applies for an order (i) approving a 160-acre non-standard spacing and proration unit in the W/2 W/2 of Section 13, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all *uncommitted mineral interests in the Bone Spring formation*. In support of its Application, COG states:

1. COG (OGRID No. 229137) is a working interest owner in the W/2 W/2 of Section 13 and has the right to drill a well thereon.
2. COG proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for its Banter State #4H well (API 30-025-42519), which has been horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 13, Township 23 South, Range 34 East.
3. The completed interval for the Banter State #4H well is within the 330-foot standard offset required by 19.15.15.9(A) NMAC.
4. COG has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral 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 mineral interest owners.

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

6. In order to allow COG to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interest owners in the non-standard spacing and proration unit should be pooled and COG should be designated the operator of the proposed horizontal well and project area.

WHEREFORE, COG requests that this application be set for hearing on August 4, 2016 and that, after notice and hearing, the Division enter an order:

A. Approving a 160-acre non-standard spacing and proration unit (project area) in the Bone Spring formation in the W/2 W/2 of Section 13, Township 23 South, Range 34 East;

B. Pooling all uncommitted mineral interests in the proposed project area;

C. Designating COG as the operator of the project area and the Banter State #4H well;

D. Authorizing COG to recover its costs of drilling, equipping, and completing the well;

E. Considering the cost of drilling and completing the Banter State #4H well and allocating the cost among the uncommitted mineral 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 Banter State #4H well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

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