

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,  
EDDY COUNTY, NEW MEXICO.

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CASE NO. 15944

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 non-standard 160-acre, more or less, spacing and proration unit comprised of the E/2 E/2 of Section 36, Township 18 South, Range 31 East, Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation (Nervous-Watkins; Bone Spring Pool (63345)). In support of its application, COG states:

1. COG Operating LLC (OGRID No. 229137) is a working interest owner in the proposed non-standard unit and has the right to drill thereon.

2. COG seeks to dedicate the above-referenced non-standard unit as the project area for its proposed **Nervous Purvis State Com No. 9H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) and a standard bottom hole location in the NE/4 NE/4 of Section 36, Township 18 South, Range 31, NMPM, in Eddy County, New Mexico.

3. This project area is located within the Nervous-Watkins; Bone Spring Pool (63345) and the completed interval for this well will remain within the 330-foot standard offset required by the Division's Statewide Rules.

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 proposed non-standard unit.

5. The pooling of interests in the proposed non-standard unit 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 unit should be pooled and COG Operating LLC should be designated the operator.

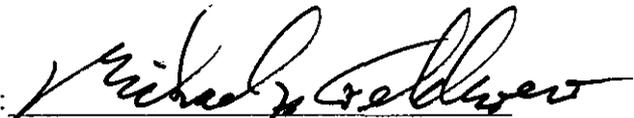
WHEREFORE, COG requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 15, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre, more or less, non-standard spacing and proration unit in the Bone Spring formations (Nervous-Watkins; Bone Spring Pool (63345)) comprised of the E/2 E/2 of Section 36, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying this proposed 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 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 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 15844

**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, spacing and proration unit comprised of the E/2 E/2 of Section 36, Township 18 South, Range 31 East, Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation (Nervous-Watkins; Bone Spring Pool (63345)) underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Nervous Purvis State Com No. 9H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) and a standard bottom hole location in the NE/4 NE/4 of Section 36. The completed interval for this well will remain within the 330-foot standard offset required by the Division's statewide 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 12 miles Southeast of Loco Hills, New Mexico.