

**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.**

RECORDED
2016 SEP 27 9 19 AM
CASE NO. 15568

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 240-acre, more or less, non-standard spacing and proration unit comprised of the E/2 W/2 of Section 10 and the E/2 NW/4 of Section 15, Township 17 South, Range 32 East, Lea County, New Mexico; and (2) pooling all mineral interests in the Yeso formation (Maljamar; Yeso West Pool (44500)). In support of its application, COG states:

1. COG Operating LLC (OGRID No. 229137) is a working interest owner in the proposed non-standard spacing and proration unit and has the right to drill thereon.
2. COG seeks to dedicate the above-referenced non-standard spacing and proration unit as the project area for its proposed **Nelson Federal Com 13H Well**, which will be horizontally drilled from a surface location in the NE/4 SW/4 (Unit K) of Section 15 to a standard bottom hole location in the NE/4 NW/4 (Unit C) of Section 10, Township 17 South, Range 32 East, NMPM, in Eddy County, New Mexico.

3. This project area is located within the Maljamar; Yeso, West Pool (44500) 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.

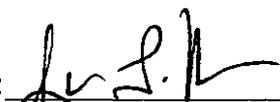
WHEREFORE, COG requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 27, 2016, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 240-acre, more or less, non-standard spacing and proration unit in the Bone Spring formation comprised of the comprised of the E/2 W/2 of Section 10 and the E/2 NW/4 of Section 15, Township 17 South, Range 32 East, Lea 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 and proration 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 15568

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 240-acre, more or less, non-standard spacing and proration unit comprised of the E/2 W/2 of Section 10 and the E/2 NW/4 of Section 15, Township 17 South, Range 32 East, Lea County, New Mexico; and (2) pooling all mineral interests in the Yeso formation (Maljamar; Yeso West Pool (44500)) underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Nelson Federal Com 13H Well**, which will be horizontally drilled from a surface location in the NE/4 SW/4 (Unit K) of Section 15 to a standard bottom hole location in the NE/4 NW/4 (Unit C) of Section 10. 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 1.5 miles South of Maljamar, New Mexico.