

**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.**

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CASE NO. ~~15970~~

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 240-acre, more or less, non-standard spacing and proration unit comprised of the top of the Paddock member to the base of the Blinebry member of the Yeso formation underlying the S/2 S/2 of Section 4 and the S/2 SW/4 of Section 3, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests underlying the spacing unit. 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 unit 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 **Shovel Head Federal Com 18H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 5 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 3.

Case
15970

3. The completed interval for this well will be unorthodox because it is closer than 330-foot to the outer boundary of the project area as required by the Statewide rules for oil wells. COG will seek administrative approval of the unorthodox location.

4. This well is an offset well to the Sneed 9 Federal No. 11H within the same depth interval. The **Shovel Head Federal Com 18H Well** also contains a depth severance between the Blinebry and Tubb intervals. *See* R-14023-A, p. 5, ¶ 6.

5. COG will provide notice of this hearing to the vertical offset parties within the Yeso formation who are not subject to this pooling application.

6. 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.

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

8. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted 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 February 8, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 240-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 4 and the S/2 SW/4 of Section 3, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico;
- B. Pooling all uncommitted interests in the 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 15970:

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 240-acre, more or less, non-standard spacing and proration unit comprised of the top of the Paddock member to the base of the Blinbry member of the Yeso formation underlying the S/2 S/2 of Section 4 and the S/2 SW/4 of Section 3, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests underlying the spacing unit. Said non-standard unit is to be dedicated to applicant's proposed **Shovel Head Federal Com No. 18H Well**, which will be horizontally drilled from a surface location in the in the SE/4 SE/4 (Unit P) of Section 5 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 3. The completed interval for this well will be unorthodox because it is closer than 330-foot to the outer boundary of the project area as required by the Statewide rules for oil wells. COG will seek administrative approval of the unorthodox location. 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 south of Maljamar, New Mexico.