

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

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

CASE NO. _____

APPLICATION

COG Operating LLC (“COG” or “Applicant”) (OGRID No. 229137), through its undersigned attorneys, files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (a) approving a non-standard 1280-acre, more or less, overlapping horizontal well spacing unit in an interval of the Bone Spring formation underlying Sections 20 and 29, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, and (b) pooling the uncommitted mineral owners in this acreage. In support of this application, COG states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. To address an ownership depth severance that exists in the Bone Spring formation underlying the subject acreage, Applicant seeks to form a spacing unit and pool the uncommitted interests in an interval of the Bone Spring formation defined as the top of the Second Bone Spring interval, at a stratigraphic equivalent of approximately 10,290’TVD, to the base of the Third Bone Spring interval, at a stratigraphic equivalent of approximately 11,631’ TVD as observed in the well log for the West Copperline 29 State Com 1H (API No. 30-025-41313).

3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the following proposed wells to be horizontally drilled from a surface location in the N2N2 of Section 20:

- **PowerCaster Federal Com 501H**, with a first take point in the NE4NE4 (Unit A) of Section 20 and a last take point in the SE4SE4 (Unit P) of Section 29;
- **PowerCaster Federal Com 502H**, with a first take point in the NW4NW4 (Unit D) of Section 20 and a last take point in the SW4SW4 (Unit M) of Section 29; and
- **PowerCaster Federal Com 602H**, with a first take point in the NE4NW4 (Unit C) of Section 20 and a last take point in the SE4SW4 (Unit N) of Section 29.

4. Due to the nature and configuration of the federal leases in the subject area, the Bureau of Land Management (“BLM”) will not approve the commingling of production at central facilities if the subject area is developed using standard horizontal well spacing units. See, e.g., 43 CFR 3173.14 (addressing authorized commingling). However, if the proposed non-standard spacing unit is approved by the Division, the BLM will issue a corresponding Communitization Agreement for the federal leases within the subject area to allow commingling and the corresponding reduction of the necessary surface facilities.

5. Approval of a non-standard unit will allow Applicant to efficiently locate surface facilities for the recovery of oil and gas underlying the subject lands, reduce surface disturbance, lower operating costs and allow for efficient well spacing.

6. This proposed horizontal well spacing unit will overlap the following existing or proposed spacing units in the Bone Spring formation (Antelope Ridge Bone Spring, West Pool (Cost 2209)):

- A 160-acre spacing unit comprised of the E2E2 of Section 20, dedicated to the Stratocaster 20 Federal 4H (API No. 30-025-27051), operated by COG Operating;
- A 160-acre spacing unit comprised of the W2E2 of Section 20, dedicated to the Stratocaster 20 Federal 3H (API No. 30-025-41447) operated by COG Operating;
- A 160-acre spacing unit comprised of the E2W2 of Section 20, dedicated to the Stratocaster 20 Federal 2H (API No. 30-025-41381), operated by COG Operating;
- A 160-acre spacing unit comprised of the W2W2 of Section 20, dedicated to the Stratocaster 20 Federal 1H (API No. 30-025-37295), operated by COG Operating;
- A 160-acre spacing unit comprised of the E2E2 of Section 29, dedicated to the Broadcaster 29 Federal 4H (API No. 30-025-42954) operated by COG Operating;
- A 160-acre spacing unit comprised of the W2E2 of Section 29, dedicated to the Broadcaster 29 Federal 3H (API No. 30-025-41909) operated by COG Operating;
- A 160-acre spacing unit comprised of the E2W2 of Section 29, dedicated to the West Copperline 29 Fed State Com 1H (API No. 30-025-41313) and West Copperline 29 Fed State Com 3H (API No. 30-025-41536), operated by Paloma Permian Asset Co, LLC;
- A 160-acre spacing unit comprised of the W2W2 of Section 29, dedicated to the West Copperline 29 Fed State Com 2H (API No. 30-025-41640) and West Copperline 29 Fed State Com 4H (API No. 30-025-41802), operated by Paloma Permian Asset Co, LLC; and

- A proposed 1280-acre spacing unit in a shallower interval of the Bone Spring formation underlying Sections 20 and 29 to be dedicated to Applicant's proposed PowerCaster Federal Com 301H, 302H, 303H, 401H, 402H, 403H, 404H wells targeting this shallower interval.

7. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the subject spacing unit.

8. Approval of this non-standard overlapping horizontal well spacing unit and the pooling of interests therein will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 10, 2025, and, after notice and hearing as required by law, the Division enter an order:

A. Approving the proposed non-standard overlapping horizontal well spacing unit and pooling the uncommitted mineral owners therein;

B. Designating Applicant as operator of this spacing unit and the horizontal wells to be drilled thereon;

C. Authorizing Applicant to recover its costs of drilling, completing, and equipping the wells;

D. 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

E. Imposing a 200% charge for the risk assumed by Applicant 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 _____: Application of COG Operating LLC for Approval of a Non-Standard Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (a) approving a non-standard 1280-acre, more or less, overlapping horizontal well spacing unit in an interval of the Bone Spring formation underlying Sections 20 and 29, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, and (b) pooling the uncommitted mineral owners in this acreage. To address an ownership depth severance in the Bone Spring, Applicant seeks to create a spacing unit and pool uncommitted interests in an interval of the Bone Spring formation defined as the top of the Second Bone Spring interval, at a stratigraphic equivalent of approximately 10,290' TVD, to the base of the Third Bone Spring interval, at a stratigraphic equivalent of approximately 11,631' TVD as observed in the well log for the West Copperline 29 State Com 1H (API No. 30-025-41313). Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the following proposed wells:

- PowerCaster Federal Com 501H, with a first take point in the NE4NE4 (Unit A) of Section 20 and a last take point in the SE4SE4 (Unit P) of Section 29;
- PowerCaster Federal Com 502H, with a first take point in the NW4NW4 (Unit D) of Section 20 and a last take point in the SW4SW4 (Unit M) of Section 29; and
- PowerCaster Federal Com 602H, with a first take point in the NE4NW4 (Unit C) of Section 20 and a last take point in the SE4SW4 (Unit N) of Section 29.

This proposed non-standard horizontal well spacing unit will overlap the following existing or proposed spacing units in the Bone Spring formation:

- A 160-acre spacing unit comprised of the E2E2 of Section 20, dedicated to the Stratocaster 20 Federal 4H (API No. 30-025-27051), operated by COG Operating;
- A 160-acre spacing unit comprised of the W2E2 of Section 20, dedicated to the Stratocaster 20 Federal 3H (API No. 30-025-41447) operated by COG Operating;
- A 160-acre spacing unit comprised of the E2W2 of Section 20, dedicated to the Stratocaster 20 Federal 2H (API No. 30-025-41381), operated by COG Operating;
- A 160-acre spacing unit comprised of the W2W2 of Section 20, dedicated to the Stratocaster 20 Federal 1H (API No. 30-025-37295), operated by COG Operating;
- A 160-acre spacing unit comprised of the E2E2 of Section 29, dedicated to the Broadcaster 29 Federal 4H (API No. 30-025-42954) operated by COG Operating;
- A 160-acre spacing unit comprised of the W2E2 of Section 29, dedicated to the Broadcaster 29 Federal 3H (API No. 30-025-41909) operated by COG Operating;

- A 160-acre spacing unit comprised of the E2W2 of Section 29, dedicated to the West Copperline 29 Fed State Com 1H (API No. 30-025-41313) and West Copperline 29 Fed State Com 3H (API No. 30-025-41536), operated by Paloma Permian Asset Co, LLC;
- A 160-acre spacing unit comprised of the W2W2 of Section 29, dedicated to the West Copperline 29 Fed State Com 2H (API No. 30-025-41640) and West Copperline 29 Fed State Com 4H (API No. 30-025-41802), operated by Paloma Permian Asset Co, LLC;
- A proposed non-standard 1280-acre spacing unit in a shallower interval of the Bone Spring formation underlying Sections 20 and 29 to be dedicated to Applicant's proposed PowerCaster Federal Com 301H, 302H, 303H, 401H, 402H, 403H, 404H wells targeting this shallower interval.

Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, actual operating costs and charges for supervision, designation of Applicant as operator of the wells, and a 200% charge for risk involved in drilling the wells. The subject area is located approximately 20 miles northeast of Jal, New Mexico.