

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

**APPLICATION OF COG OPERATING LLC  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 23303**

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

**CASE NO. 23304**

**CONSOLIDATED PRE-HEARING STATEMENT**

COG Operating LLC (“COG” or “Applicant”) submits its Consolidated Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

**APPLICANT**  
COG Operating LLC

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**OPPOSING PARTY**  
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**STATEMENT OF THE CASE**

In these cases, COG proposes a comprehensive development plan that fully develops two formations underlying three sections of land. As demonstrated below and by COG's evidence, COG's proposal will best protect correlative rights, prevent waste, and prevent the drilling of unnecessary wells. In contrast, Chevron U.S.A. Inc. ("Chevron") has protested COG's applications but proposes no alternative development plan. Further, Chevron owns less than a 1.5% interest in COG's proposed units, while COG controls over 98% of the interest. Chevron's protest should be rejected and COG's applications should be approved.

In **Case No. 23303**, COG applies for an order pooling all uncommitted interests in the Wolfcamp formation underlying a 1,920-acre, more or less, standard horizontal spacing unit comprised of Sections 28 and 33 of Township 25 South, Range 27 East, and Section 4 of Township 26 South, Range 27 East, Eddy County, New Mexico. The spacing unit will be dedicated to the following wells:

- **Flaming Snail Fed Com 701H, Flaming Snail Fed Com 702H, Flaming Snail Fed Com 703H, Flaming Snail Fed Com 801H, and Flaming Snail Fed Com 802H**, to be drilled from surface hole locations in the NE/4 NE/4 (Unit A) of Section 28, Township 25 South, Range 27 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 4, Township 26 South, Range 27 East;
- **Flaming Snail Fed Com 704H, Flaming Snail Fed Com 705H, and Flaming Snail Fed Com 803H**, to be drilled from surface hole locations in the NE/4 NE/4 (Unit A) of Section 28, Township 25 South, Range 27 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 4, Township 26 South, Range 27 East;
- **Flaming Snail Fed Com 706H, Flaming Snail Fed Com 707H, Flaming Snail Fed Com 708H, Flaming Snail Fed Com 804H, and Flaming Snail Fed Com 805H**, to be drilled

from a surface hole location in the NE/4 NW/4 (Unit C) of Section 28, Township 25 South, Range 27 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 4, Township 26 South, Range 27 East; and

- **Flaming Snail Fed Com 709H, Flaming Snail Fed Com 710H, and Flaming Snail Fed Com 806H**, to be drilled from surface hole locations in the NE/4 NW/4 (Unit C) of Section 28, Township 25 South, Range 27 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 4, Township 26 South, Range 27 East.

The completed interval of the Flaming Snail Fed Com 706H well will be located within 330' of the quarter-quarter section line separating the E/2 and W/2 of Sections 28 and 33, Township 25 South, Range 27 East, and Section 4, Township 26 South, Range 27 East, to allow for the creation of a 1,920-acre standard horizontal spacing unit.

In **Case No. 23304**, COG applies for an order: (1) establishing a 1,920-acre, more or less, non-standard horizontal spacing unit comprised of Sections 28 and 33 of Township 25 South, Range 27 East, and Section 4 of Township 26 South, Range 27 East, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying the unit. The spacing unit will be dedicated to the following wells:

- **Flaming Snail Fed Com 501H and Flaming Snail Fed Com 520H**, to be drilled from surface hole locations in the NE/4 NE/4 (Unit A) of Section 28, Township 25 South, Range 27 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 4, Township 26 South, Range 27 East;
- **Flaming Snail Fed Com 502H**, to be drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 28, Township 25 South, Range 27 East, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 4, Township 26 South, Range 27 East;

- **Flaming Snail Fed Com 503H** and **Flaming Snail Fed Com 521H**, to be drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 28, Township 25 South, Range 27 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 4, Township 26 South, Range 27 East; and
- **Flaming Snail Fed Com 504H**, to be drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 28, Township 25 South, Range 27 East, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 4, Township 26 South, Range 27 East.

COG controls 98.6% of the working interest in its proposed horizontal spacing units, and Chevron owns a 1.4583% interest. COG has an operating agreement with Veritas Permian Resources III LLC (“Veritas”), and both Veritas and Occidental Petroleum have provided letters of support for COG’s proposed development. Because COG owns almost 100% of the proposed Unit and has the support of two other working interest owners, its applications should be approved and Chevron’s protest should be rejected.

Further, COG seeks to fully develop two formations underlying the entirety of Sections 28, 33, and 4. Allowing COG to comprehensively develop these three sections is the most prudent way to develop the acreage at issue and will prevent waste because COG will have the ability to coordinate development within the units and implement operational efficiencies, such as batch drilling and consolidated surface facilities. COG will have the ability to best locate its wells within each spacing unit, and COG’s plan to drill three-mile laterals will allow it to efficiently produce the underlying reserves without the setback limitations that would apply if the acreage were developed with shorter laterals. As a result, COG’s comprehensive development plan protects correlative rights, prevents waste, and prevents the drilling of unnecessary wells.

COG’s proposal to drill three-mile laterals also minimizes the need for surface facilities. COG plans to complete 22 wells (16 Wolfcamp and 6 Bone Spring), each three miles long in

Sections 28, 33, and 4, and proposes to drill and operate the wells from one pad in the W/2 and one pad in the E/2 of Section 28. The BLM has approved COG's Applications for Permits to Drill and will allow COG to surface commingle the Bone Spring and Wolfcamp production from the same acreage, reducing the number of surface facilities.

In Case No. 23304, COG is also seeking approval of a non-standard spacing unit to obtain flexibility regarding the placement of surface facilities and the ability to consolidate those facilities. Without approval of a non-standard spacing unit, COG would be required to utilize multiple tank batteries or seek commingling approval, which may or may not be granted. The ability to consolidate surface facilities reduces surface, environmental, and economic waste. A non-standard spacing unit also affords COG the flexibility to optimally locate its proposed wells. Approval of a non-standard spacing unit is necessary to ensure COG is able to optimally locate its wells and, as a result, to prevent waste and protect correlative rights.

#### **STATEMENT OF UNDISPUTED MATERIAL FACTS**

1. COG seeks orders that will allow it to fully develop the Bone Spring and Wolfcamp formations underlying Sections 28 and 33 of Township 25 South, Range 27 East, and Section 4 of Township 26 South, Range 27 East, Eddy County, New Mexico.
2. Chevron has not proposed a plan to develop any of the subject lands.
3. COG controls 98.5417% of the working interest in the proposed units.
4. Chevron owns a 1.4583% working interest in COG's proposed units.
5. COG plans to complete 22 wells (16 Wolfcamp and 6 Bone Spring), each three miles long in Sections 28, 33, and 4, and proposes to drill and operate the wells from one pad in the W/2 and one pad in the E/2 of Section 28.
6. The BLM has approved COG's Applications for Permits to Drill.

7. There will be one central tank battery located in the W/2 and one central tank battery located in the E/2 of the proposed units. These two facilities will house Bone Spring and Wolfcamp production and will be utilized for all of the wells.

8. The BLM will allow COG to surface commingle the Bone Spring and Wolfcamp production from the same acreage.

9. COG has the ability to timely locate well sites in the area.

10. COG has contracts for the takeaway of gas and water.

11. COG submitted its well proposals to Chevron on October 25, 2022 and has negotiated with Chevron since submitting the proposals.

**STATEMENT OF DISPUTED MATERIAL FACTS**

Whether granting COG’s applications somehow impairs Chevron’s correlative rights or results in waste, when Chevron has not proposed a competing development plan and owns a 1.4583% interest in COG’s proposed units.

**PROPOSED EVIDENCE**

<u>WITNESS</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Shelley Klingler (Land Professional)	45 minutes	14
Drew Fletcher (Geologist)	15 minutes	13

COG reserves the right to call rebuttal witness(es) if appropriate. In accordance with 19.15.4.13(B)(2) NMAC, copies of the exhibits that COG proposes to offer in evidence at the hearing are attached.

**PROCEDURAL MATTERS**

Applicant requests that the Division consolidate these matters for hearing.

Respectfully submitted,

HINKLE SHANOR, LLP

/s/ Dana S. Hardy

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on March 30, 2023

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**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
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QUESTIONS

Action 202512

**QUESTIONS**

Operator: COG OPERATING LLC 600 W Illinois Ave Midland, TX 79701	OGRID: 229137
	Action Number: 202512
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

**QUESTIONS**

<b>Testimony</b>	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>