

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

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

**CASE NO.**

**APPLICATION**

In accordance with NMSA 1978, § 70-2-17 and NMAC 19.15.16.15(B)(5), COG Operating LLC (“COG” or “Applicant”), through its undersigned attorneys, files this application with the Oil Conservation Division (“Division”) seeking an order: (1) establishing a 1,268.12-acre, more or less, non-standard, overlapping horizontal spacing unit comprised of all of irregular Sections 6 and 7, Township 24 South, Range 33 East, Lea County, New Mexico (“Unit”); and (2) pooling uncommitted interests in the Bone Spring formation within the Unit, save and except the Avalon interval defined as the depths lying between the stratigraphic equivalent of 9,175’ and 10,090’ TVD. In support of this application, COG states the following.

1. Applicant (OGRID No. 229137) is a working interest owner in the Unit and has the right to drill thereon.
2. Applicant seeks to dedicate the Unit to the following proposed wells (“Wells”):
  - a. **Macho Nacho State Com 601H**, which will be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 7 to a bottom hole location in Lot 1 (NE/4 NE/4 equivalent) of Section 6;
  - b. **Macho Nacho State Com 603H**, which will be drilled from a surface hole location in the SW/4 SE/4 (Unit O) of Section 7 to a bottom hole location in Lot 2 (NW/4 NE/4 equivalent) of Section 6;

- c. **Macho Nacho State Com 605H**, which will be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 7 to a bottom hole location in Lot 3 (NE/4 NW/4 equivalent) of Section 6; and
- d. **Macho Nacho State Com 607H**, which will be drilled from a surface hole location in the SE/4 SW/4 (Unit N) of Section 7 to a bottom hole location in Lot 4 (NW/4 NW/4 equivalent) of Section 6.
3. The completed intervals of the Wells will be orthodox.
4. The Unit will overlap with the spacing units for the following wells:

<u>Well Name</u>	<u>API</u>	<u>Operator</u>	<u>Spacing Unit</u>	<u>Pool</u>
Macho Nacho State 1H	30-025-39882	COG Operating LLC	158.31 acres, 7-24S-33E Units: A, B, C, D(1)	Triple X; Bone Spring, West (96674)
Macho Nacho State 2H	30-025-39883	COG Operating LLC	158.34 acres, 7-24S-33E Units: E (2), F, G, H	Triple X; Bone Spring, West (96674)
Macho Nacho State 3H	30-025-40853	COG Production LLC	158.36 acres, 7-24S-33E Units: I, J, K, L(3)	Triple X; Bone Spring, West (96674)
Macho Nacho State 4H	30-025-41126	COG Production LLC	158.39 acres, 7-24S-33E Units M (4), N, O, P	Triple X; Bone Spring, West (96674)
Macho Nacho State Com 5H	30-025-41958	COG Production LLC	160 acres, 7-24S-33E Units: A, H, I, P	Triple X; Bone Spring, West (96674)
Macho Nacho State Com 6H	30-025-42488	COG Production LLC	160 acres, 7-24S-33E Units: B, G, J, O	Triple X; Bone Spring, West (96674)
Macho Nacho State Com 7H	30-025-42489	COG Production LLC	160 acres, 7-24S-33E Units: B, G, J, O	Triple X; Bone Spring, West (96674)

Macho Nacho State Com 8H	30-025-42517	COG Production LLC	160 acres, 7-24S-33E Units: C(3), F, K, N	Triple X; Bone Spring, West (96674)
Macho Nacho State Com 9H	30-025-42518	COG Production LLC	153.4 acres, 7-24S-33E Units: D(1), E(2), L(3), M(4)	Triple X; Bone Spring, West (96674)
Macho Nacho State Com 10H	30-025-42453	COG Production LLC	153.4 acres, 7-24S-33E Units: D(1), E(2), L(3), M(4)	Triple X; Bone Spring, West (96674)
Tres Equis State 2	30-025-40183	Cimarex Energy Co	159.94 acres, 6-24S-33E Units: C(3), F, K, N	Triple X; Bone Spring, West (96674)
Tres Equis State 3H	30-025-40320	Cimarex Energy Co	155.02 acres, 6-24S-33E Units: D(4), E(5), L(6), M(7)	Triple X; Bone Spring, West (96674)
Tres Equis State 4H	30-025-40341	Cimarex Energy Co	159.86 acres, 6-24S-33E Units: A(1), H, I, P	Triple X; Bone Spring, West (96674)
Tres Equis State 5	30-025-40449	Cimarex Energy Co	159.9 acres, 6-24S-33E Units: B(2), G, J, O	Triple X; Bone Spring, West (96674)
Tres Equis State 6H	30-025-43506	Cimarex Energy Co	159.9 acres, 6-24S-33E Units: B(2), G, J, O	Triple X; Bone Spring, West (96674)

5. Due to a depth severance within the Unit, Applicant seeks to pool uncommitted interests in the Bone Spring formation, save and except the Avalon interval defined as the depths lying between the stratigraphic equivalent of 9,175' and 10,090' TVD, as shown on the Halliburton Spectral Density Dual Spaced Neutron Log in the Parker & Parsley Development Corp. Tres Equis State No. 1 (API No. 30-025-33633).

6. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the Unit.

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

8. Approval of a non-standard horizontal spacing unit is necessary to prevent waste and protect correlative rights.

9. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the Unit should be pooled and Applicant should be designated the operator of the proposed horizontal wells and the Unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 9, 2024, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving a non-standard horizontal spacing unit;
- B. Approving the overlapping spacing unit;
- C. Pooling all uncommitted interests in the Unit;
- D. Approving the initial wells in the Unit;
- E. Designating Applicant as the operator of the Unit and the horizontal wells to be drilled thereon;
- F. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- G. Approving the actual operating charges and costs of supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- H. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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