

DATE IN 9-2-04	SUSPENSE	ENGINEER Stogner	LOGGED IN 9-3-04	TYPE NSL	APP NO. PSEM0424726939
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners**
- [B] ☐ Offset Operators, Leaseholders or Surface Owner**
- [C] ☐ Application is One Which Requires Published Legal Notice**
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO**
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,**
- [F] ☐ Waivers are Attached**

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

 Print or Type Name

 Signature

 Title

 Date

 e-mail Address

COG OPERATING LLC

Fasken Center, Tower II
550 W. Texas Ave., Ste. 1300
Midland, Texas 79701
(432) 683-7443
FAX 683-7441

2004 SEP 2 PM 4 01

August 26, 2004

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Attn: Mr. Michael Stogner

Re: Hopi 35 State Com #1 Well
T-11-S, R-32-E
Sec. 35: S/2 2154' FSL, 1392' FWL
Lea County, NM

Gentlemen:

COG Operating LLC requests the approval of the Oil Conservation Division for the drilling of its Hopi 35 State Com #1 well at an unorthodox location 2154' FSL and 1392' FWL in a communitized unit consisting of the S/2 of Section 35-11S-32E, Lea County, NM. Exhibit #1 (attached) is a seismic time-structure map on the Mississippian Austin Cycle. Yellow and green represent relative structural highs, while blue represents relative structural lows. Overlain on the time structure map are amplitude contours of the Austin reflector, which COG believes are indicative of Morrow sand channels. Morrow production in this area of Lea Co. is found predominantly in "Morrow valleys"; relatively narrow, elongate channel systems that have incised into the underlying Mississippian carbonate section. Referring to Exhibit #1, by placing the exploratory well in what COG believes to be the optimal position for reservoir sand development, it encroaches upon the north line of the proposed 320-acre lay-down proration unit and requires an unorthodox location designation (2154' FSL & 1392' FWL). The proposed location will help minimize the high risk that is associated with this kind of exploration of hydrocarbons in this area.

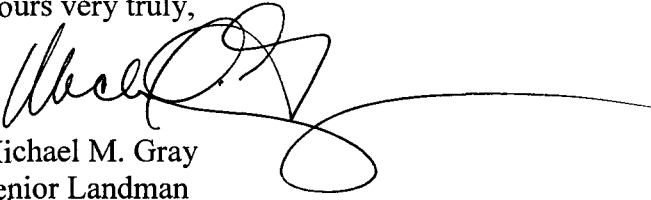
This well will be drilled in a communitized unit consisting of the S/2 of Section 35-11S-32E. The unit will encompass a portion of New Mexico State Lease VA-3025 and New Mexico State Lease VA-3037. The ownership is identical in the N/2 and S/2 of Section 35. An ownership

August 26, 2004
New Mexico Oil Conservation Division
Hopi 35 State Com #1 Well
Page Two

plat is enclosed for your review setting forth ownership in the Section. Also enclosed is a locator map showing the proposed unit and location, along with a signed letter from David H. Arrington Oil & Gas, Inc., the only other owner in the N/2 of Section 35, waiving objection to this proposed location. This location is approximately six miles SE of Caprock, New Mexico.

Thank you for your prompt consideration of this application. If you have any questions or need additional information please contact me at the letterhead phone number or by e-mail at mgray@conchoresources.com.

Yours very truly,

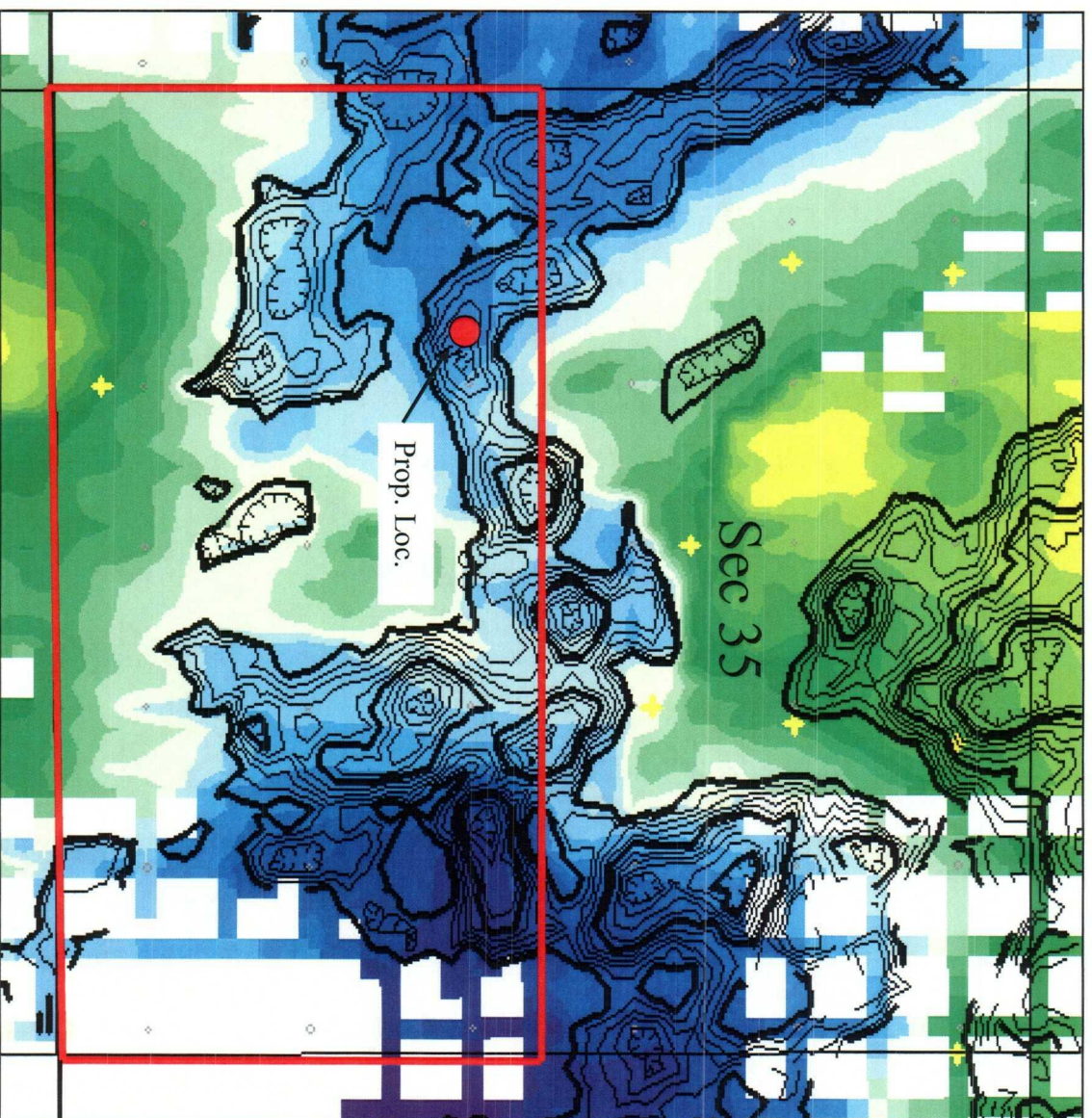


Michael M. Gray
Senior Landman

MMG:sh

Enclosures

cc: David H. Arrington Oil & Gas, Inc.



COG Operating, LLC
Hopi "35" St. Com. #1
Sec. 35, T11S-R32E
2154' FSL 1392' FWL

— Proposed S/2
Proration unit

Exhibit #1

Austin Cycle Time Structure/
Austin Cycle Amplitude

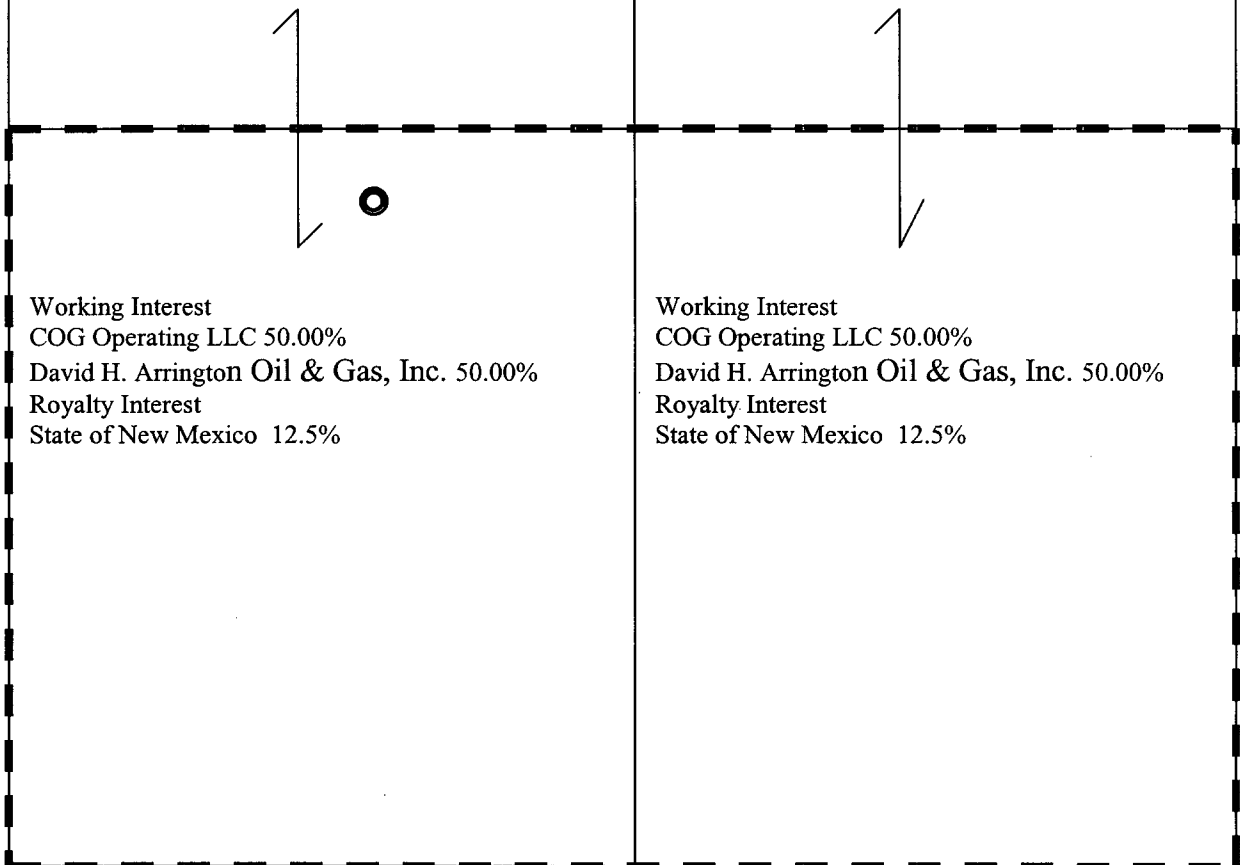
1" = 1000'

State of New Mexico Lease # VA-3025

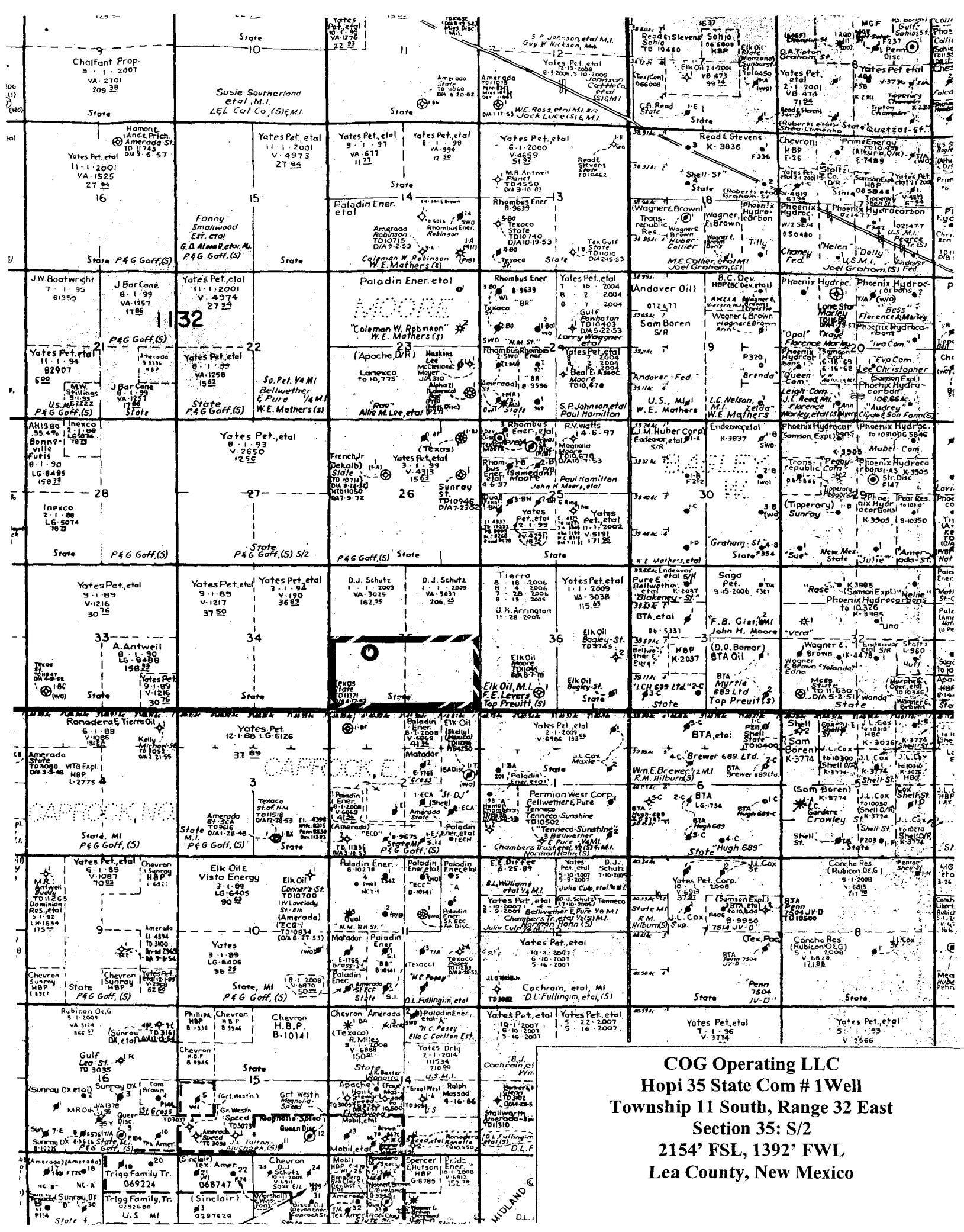
Working Interest
COG Operating LLC 50.00%
David H. Arrington Oil & Gas, Inc. 50.00%
Royalty Interest
State of New Mexico 12.5%

State of New Mexico Lease # VA-3037

Working Interest
COG Operating LLC 50.00%
David H. Arrington Oil & Gas, Inc. 50.00%
Royalty Interest
State of New Mexico 12.5%



COG Operating LLC
Hopi 35 State Com. # 1 Well
T-11S, R-32-E
Section 35: S/2
2154' FSL & 1392" FWL
Lea County, new Mexico



Aug-26-04 01:18pm From-Concho Land

+4326854398

T-626 P.002/003 F-376

COG OPERATING LLC

Fasken Center, Tower II
550 W. Texas Ave., Ste. 1300
Midland, Texas 79701
(432) 683-7443
FAX 683-7441

August 26, 2004

David H. Arrington Oil & Gas, Inc.
P. O. Box 2071
Midland, Texas 79702

Attn: Mr. James L. Lucas, Jr.

Re: Hopi Prospect
Hopi 35 State Com #1 Well
T-11-S, R-32-E
Sec. 35: S/2 2154' FSL, 1392' FWL
Lea County, NM

Gentlemen:

COG Operating LLC proposes to drill the Hopi 35 State Com #1 well as an 11,250' Morrow Test at the captioned location. A S/2 Unit will be formed for this well. The location for this well is unorthodox under the rules of the Oil Conservation Division of the State of New Mexico. As the only other owner in the N/2 of Section 35-11S-32E, we request that you waive objection to this unorthodox location and that you evidence your waiver by executing and returning one copy of this letter to the letterhead address as soon as possible.

Yours very truly,



Michael M. Gray
Senior Landman

MMG:sh

August 28, 2004
David H. Arrington Oil & Gas, Inc.
Hopi 35 State Com #1 Well
Page Two

Agreed to waive objection to the unorthodox location.
David H. Arrington Oil & Gas, Inc.

By: 
David H. Arrington
President