



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



April 1, 2011

COG Operating, LLC
Attn: Ms. Kelly J. Holly
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

Administrative Order NSL-6356

Re: Kiowa State Well No. 3
API No. 30-015-38420
1460 feet FNL & 1539 feet FEL
Unit G, Section 36-17S-27E
Eddy County, New Mexico

Dear Ms. Holly:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-06336692**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 4, 2011, and

(b) the Division's records pertinent to this request.

COG Operating, LLC [OGRID 229137] (COG) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The SW/4 NE/4 of Section 36 will be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the Northeast Red Lake Glorieta-Yeso Pool (96836). This pool is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern and eastern unit boundaries.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location to avoid interference with existing surface installations.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Daniel Sanchez', written in a cursive style.

J. Daniel Sanchez
Acting Director

JDS/db

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe