

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15388
ORDER NO. R-14071**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 1, 2015, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of November, 2015, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and of the subject matter.

(2) COG Operating LLC (the "Applicant") seeks approval of a 160-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil production from the Yeso formation, Empire; Glorieta-Yeso, East Pool (Pool code 96610), comprising the S/2 S/2 of Section 4, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Yeso formation.

(3) The Unit will be dedicated to Applicant's Bose Ikard 4 State Com Well No. 18H, (the "subject well", API No. 30-015-42404), a horizontal well which has been drilled from a surface location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 4 to a bottomhole location 387 feet from the South line and 354 feet from the East line (Unit P) of Section 4.

(4) The subject well is within the Empire; Glorieta-Yeso, East Pool and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of four (4) adjacent quarter-quarter sections oriented west to east.

(5) The well has been drilled and the completed interval is standard for oil production from the Yeso, Empire; Glorieta-Yeso, East Pool.

(6) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) The Yeso formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well west to east is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Yeso formation, so that the Unit as requested will not impair correlative rights;
- (d) notice was provided to lessees or operators of surrounding tracts as affected parties of the proposed non-standard spacing unit;
- (e) notice was provided to all interest owners subject to pooling proceedings as affected parties of the proposed compulsory pooling within the Unit; and
- (f) all parties subject to pooling were located.

(7) No one entered an appearance or otherwise opposed this application.

The Division concludes as follows:

(8) The proposed non-standard unit should be approved in order to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(10) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the subject well to a common source of supply within the Unit at the proposed location.

(11) There are owner(s) of record title in the Unit that have not signed the communitization agreement as required by the State Land Office. All other interests have chosen to participate.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(13) COG Operating LLC should be designated the operator of the proposed well and the Unit.

(14) Because the parties whose interests will be pooled by this order do not own any working interest, there is no need to provide for allocation of costs, risk charges, or overhead rates.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of COG Operating LLC, a 160-acre non-standard oil spacing and proration unit (the "Unit") is hereby established for oil production from the Yeso formation, Empire; Glorieta-Yeso, East Pool (Pool code 96610), comprising the S/2 S/2 of Section 4, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

(2) All uncommitted owners of record title within the Unit are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Bose Ikard 4 State Com Well No. 18H (the "subject well", API No. 30-015-42404), a horizontal well located at a surface location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 4, Township 17 South, Range 29 East and at a bottomhole location 387 feet from the South line and 354 feet from the East line (Unit P) of Section 4, Township 17 South, Range 29 East, NMPM.

(4) Upon final plugging and abandonment of the subject well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(5) COG Operating LLC (OGRID 229137) is hereby designated the operator of the well and the Unit.

(6) All proceeds from production from the subject well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the

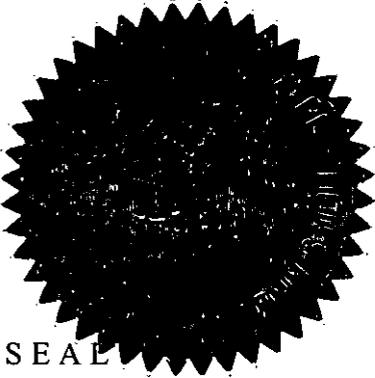
appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-28, as amended).

(7) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(8) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "David R. Catanach".

DAVID R. CATANACH
Director