

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



October 3, 2014

COG OPERATING LLC
Attn: Ms. Melanie Parker

ADMINISTRATIVE NON-STANDARD LOCATION, AND DOWN-HOLE COMMINGING
ORDER

Administrative Order NSL-7167
Administrative Application Reference No. pMAM1427556790

Administrative Order DHC-4706
Administrative Application Reference No. pMAM1427557634

COG Operating LLC
OGRID 229137
SRO State Com Well No. 63H
API No. 30-015-41742

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	2450 FNL & 660 FWL	E	10	26S	28E	Eddy
Penetration Point	2442 FSL & 708 FWL	L	10	26S	28E	Eddy
Terminus	365 FSL & 777 FWL	M	15	26S	28E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
W/2 SW/4 of Section 10	80	Red Bluff; Bone Spring, South	51010
W/2 W/2 of Section 15	160	Hay Hollow; Bone Spring	30215

Reference is made to your application received on October 2, 2014.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area. This

location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location due to miscalculations during the completion procedure.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Down-Hole Commingling

You have also requested permission to down-hole commingle production from the above-referenced pools within this wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Division Rule 19.15.12.11(A) NMAC, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described.

Assignment of allowable and allocation of production from the well shall be as follows:

Red Bluff; Bone Spring, South Pool	Pct Gas: 33 %	Pct Oil: 33 %
Hay Hollow; Bone Spring Pool	Pct Gas: 67 %	Pct Oil: 67 %

It is our understanding that the above allocation percentages are based on the percentage of acreage in each pool.

It is also understood that ownership of all interest in the pools from which production is being commingled are the same across Section 10 and Section 15.

The operator shall notify the Division's Artesia district office upon implementation of commingling operations.

This Order is subject to like approval from the New Mexico State Land Office.

Pursuant to Division Rule 19.15.12.11 (B) NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

October 3, 2014

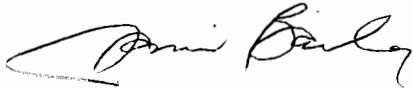
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General provisions

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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 October 3, 2014

A handwritten signature in black ink, appearing to read "Jami Bailey", with a stylized, cursive script.

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Oil, Gas, and Minerals