

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

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

CASE NO. 147250

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APPLICATION

COG OPERATING, LLC, ("COG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order: (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 E/2 of Section 6, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico; (2) approving a non-standard location for its proposed horizontal well, and (3) pooling all mineral interests in the Glorieta-Yeso formation underlying this acreage to form a 160-acre project area in this formation. In support of its application, COG states:

1. COG is a working interest owner in the W/2 E/2 of Section 6 and has the right to drill thereon.
2. COG proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Arabian "6" Fee Well No. 7H, to be horizontally drilled from a non-standard surface location 150 feet from the South line and 1700 feet from the East line (Unit O) to a bottom hole location 330 feet from the North line and 1700 feet from the East line (Unit B) of Section 6.
3. COG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

5. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and COG Operating, LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, COG Operating, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 1, 2011, and, after notice and hearing as required by law, the Division enter its order:

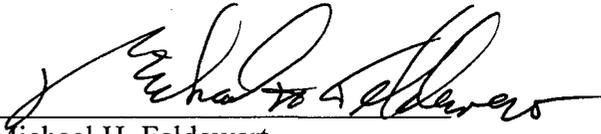
- A. creating a non-standard spacing and proration unit in the Glorieta-Yeso formation comprised of the W/2 E/2 of Section 6, Township 19 South, Range 26 East, NMPM;
- B. authorizing a non-standard location for the Arabian "6" Fee Well No. 7H;
- C. pooling all mineral interests in the non-standard spacing and proration unit,
- D. designating COG Operating, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon,
- E. authorizing COG Operating, LLC to recover its costs of drilling, equipping and completing the well,
- F. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and

- G. imposing a 200% penalty for the risk assumed by COG Operating, LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR COG OPERATING, LLC

CASE 94726

Application of COG Operating, LLC for a non-standard spacing and proration unit, a non-standard location and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order: (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 E/2 of Section 6, Township 19 South, Range 26 East, NMPM, (2) approving a non-standard location for its proposed horizontal well, and (3) pooling all mineral interests in the Glorieta-Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Arabian "6" Fee Well No. 7H, to be horizontally drilled from a non-standard surface location 150 feet from the South line and 1700 feet from the East line (Unit O) to a bottom hole location 330 feet from the North line and 1700 feet from the East line (Unit B) of Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 17 miles North of Carlsbad, New Mexico.