

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

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

CASE NO. 14887

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 creating a standard 40-acre spacing and proration unit and pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the SW/4 SW/4 of Section 4, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico. In support of its application, COG states:

1. COG (OGRID #217955) is a working interest owner in the SW/4 SW/4 of Section 4, and has the right to drill thereon.
2. COG proposes to drill the Sherman 4 Fee #1 Well (API#: 30-015-39589) to be vertically drilled from a standard surface location 612 feet from the South line and 380 feet from the West line (Unit M) of Section 4 to a depth sufficient to test the Glorieta-Yeso formation, and seeks to dedicate the SW/4 SW/4 of Section 4 to the well to form a standard 40-acre oil spacing and proration unit for any formations and/or pools within that vertical extent.

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. The 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 standard spacing unit should be pooled and COG Operating LLC should be designated the operator of this proposed well and spacing unit.

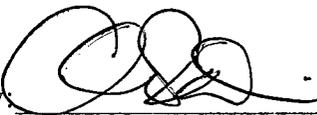
WHEREFORE, COG Operating LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 23, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a standard spacing and proration unit comprised of Unit M of Section 4, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico;
- B. Pooling all mineral interests in the standard spacing and proration unit from the surface to the base of the Glorieta-Yeso formation;
- C. Designating COG Operating LLC operator of this standard spacing unit and the well to be drilled thereon;
- D. Authorizing COG Operating LLC to recover its costs of drilling, equipping and completing the well;

- E. 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
- F. 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 114887: **Application of COG Operating LLC for a standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order creating a standard 40-acre spacing and proration unit comprised of the SW/4 SW/4 of Section 4, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico, and pooling all mineral interests from the surface to the base of Glorieta-Yeso formation underlying this acreage. Said standard unit is to be dedicated to applicant's proposed Sherman 4 Fee #1 Well (API# 30-015-39589) to be vertically drilled from a surface location 612 feet from the South line and 380 feet from the East line (Unit M) of Section 4. 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 10 miles Southeast of Artesia, New Mexico.