

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

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

CASE NO. 15165

APPLICATION

COG Operating LLC (“Concho”), through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a non-standard 160-acre, more or less, oil spacing and proration unit in the Brushy Canyon (Delaware) formation, comprised of the E/2 E/2 of Section 17, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Brushy Canyon formation underlying this proposed non-standard spacing and proration unit. In support of this application, Concho states as follows:

1. Concho is an interest owner in the subject lands and has the right to drill a well thereon.
2. Concho seeks to dedicate the E/2 E/2 of said Section 17 to the proposed well to form a non-standard 160-acre, more or less, oil spacing and proration unit (the “project area”).
3. Concho proposes to drill the Goldfinger Fed Com No. 4H well to a depth sufficient to test the Brushy Canyon formation. Both the surface location and the bottom-terminus location will be at standard locations. The completed interval for this well will be within the 330-foot standard offset required by the rules.

4. Concho has sought but been unable to obtain a voluntary agreement from all mineral interest owners in the Brushy Canyon formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.
5. Approval of the non-standard unit and the pooling of all mineral interests in the Brushy Canyon formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.
6. Notice of this application has been given in accordance with Division rules as shown on Exhibit A.

WHEREFORE, COG Operating LLC requests this application be set for hearing before an Examiner of the Oil Conservation Division on June 26, 2014, and after notice and hearing as required by law, the Division enter its order:

- A. Creating a *non-standard oil spacing and proration unit* (“project area”) in the Brushy Canyon formation comprised of the E/2 E/2 of Section 17, Township 24 South, Range 32 E, NMPM, Lea County, New Mexico;
- B. Pooling all mineral interests in the Brushy Canyon formation underlying this non-standard spacing and proration unit/project area;
- C. Designating Concho as operator of this unit and the well to be drilled thereon;
- D. Authorizing Concho to recover its costs of drilling, equipping and completing this well;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jordan L. Kessler", is written over a horizontal line.

Jordan L. Kessler
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ATTORNEY FOR COG OPERATING LLC

EXHIBIT A
COG OPERATING LLC NOTICE LIST

Parties to be pooled:

EOG Resources, Inc.
5509 Champions Drive
Midland, Texas 79706
Attn: Mr. Matt Phillips

CASE NO. 15165 : Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 160-acre, more or less, oil spacing and proration unit in the Brushy Canyon formation, comprised of the E/2 E/2 of Section 17, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Brushy Canyon formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the Goldfinger Fed Com No. 4H well, to be horizontally drilled from standard surface and bottom-terminus locations. The completed interval for this well will be within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the 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 1.8 miles west of Cotton Place, New Mexico.

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