

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

APPLICATION OF COG OPERATING LLC FOR TWO NON-STANDARD PROJECT AREAS, TWO NON-STANDARD OIL SPACING AND PRORATION UNITS, AND APPROVAL OF NON-STANDARD LOCATIONS FOR TWO WELLS, LEA COUNTY, NEW MEXICO.

CASE NO. 15035 (Remanded)

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

CASE NO. 15044 (Remanded)

COG's CONSOLIDATED PRE-HEARING STATEMENT

COG Operating LLC, submits this Pre-Hearing Statement for the above referenced cases pursuant to the rules of the Oil Conservation Commission.

APPEARANCES

APPLICANT

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ATTORNEY

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OTHER PARTIES

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Katy Pipeline and Production Corporation
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APPLICANT'S STATEMENT OF CASE

Case Nos. 15035 and 15044 were consolidated for hearing before the Division on September 19, 2013, following objections filed by Yates Brothers, Yates Holdings, LLC, Inland Title, Sugarberry Oil & Gas Corporation, and Katy Pipeline and Production Company (collectively the "Yates Group") to administrative applications filed by COG Operating LLC ("COG") for approval of two non-standard 280-acre project areas and two non-standard 280-acre oil spacing and proration units in the Bone Spring formation underlying Sections 5 and 8 of Township 26 South, Range 34 East, NMPM, Lea County, New Mexico. Except for the N/2 N/2 of Section 5, all of Sections 5 and 8 are subject to a single federal lease in which COG owns all of the working interest. The N/2 N/2 of Section 5 comprises fee lands in which COG, the Yates Group, and EOG Resources own mineral or leasehold interests.

On March 19, 2014, following an evidentiary hearing, the Division entered Order No. R-13820 approving the following in the Bone Spring formation (Wildcat G-06 S263407P-Bone Spring Pool (Pool Code 97892)), underlying Sections 5 and 8:

a. A 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of federal acreage in the SW/4 NE/4 and W/2 SE/4 of Section 5 and the W/2 E/2 of

Section 8 and dedicating this unit to COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180);

b. A non-standard location for COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180);

c. A 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of the federal acreage in the SE/4 NW/4 and E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, and dedicating this unit to COG's proposed Gunner Fed. Well No. 6H (API No. 30-025-41181);

d. A non-standard location for COG's proposed Gunner Fed. Well No. 6H (API No. 30-025-41181); and

e. A non-standard 160-acre oil spacing and proration unit comprised of fee lands in the N/2 N/2 of Section 5, pooling all mineral interests in the Bone Spring formation underlying this acreage, and dedicating this unit to COG's proposed Gunner 5 Fee Well No 1H (API No. 30-025-41401).

Upon entry of Order R-13810, Yates Brothers, Yates Holdings, LLC, Sugarberry Oil & Gas Corporation, and Katy Pipeline and Production Company, holders of fee mineral interests in 120-acres comprised of the N/2 NW/4 and the NW/4 NE/4 of Section 5, filed a de novo appeal to the Oil Conservation Commission. OXY USA WTP, LLC ("Oxy") entered an appearance in the de novo appeal and represented that it acquired the mineral interests formerly held by Inland Title in the N/2 NW/4 and the NW/4 NE/4 of Section 5 after the issuance of Division Order R-13810.

At the July 17, 2014, de novo hearing, the parties informed the Commission that they had reached agreement on development of the acreage in Section 5. At the request of the parties, the

Commission remanded this matter to the Division for “possible modifications to Division Order No. R-13810.” See Commission Order R-13810-A.

Pursuant to their development agreement, the parties request that the Division modify Order R-13810 to reflect the following:

- a. The Yates Group and Oxy withdraw objection to the non-standard location, as well as the 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of federal acreage in the SW/4 NE/4 and W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, for COG’s existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180);
- b. COG withdraws its request in Case No. 15035 for approval of a non-standard location and approval of a 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of the federal acreage in the SE/4 NW/4 and E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8 for COG’s proposed Gunner Well No. 6H (API No. 30-025-41181); and,
- c. COG withdraws its request in Case No. 15044 for approval of a non-standard 160-acre spacing and proration unit comprised of fee lands in the N/2 N/2 of Section 5 and for an order pooling all uncommitted mineral interests in the Bone Spring formation underlying this acreage for its proposed Gunner 5 Fee Com 1H Well (API No. 30-025-41401).

Submitted as Exhibit A with this prehearing statement is a proposed order which has been agreed upon by all parties to this proceeding, including EOG Resources, Inc., a participant in the Division hearing resulting in Order R-13810.

APPLICANT'S PROPOSED EVIDENCE

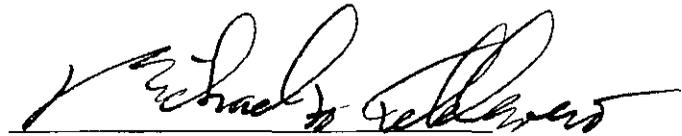
None

PROCEDURAL MATTERS

COG requests that the Division enter the proposed order submitted with this prehearing statement as Exhibit A.

Respectfully submitted,

HOLLAND & HART, LLP

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

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ATTORNEYS FOR COG OPERATING LLC.

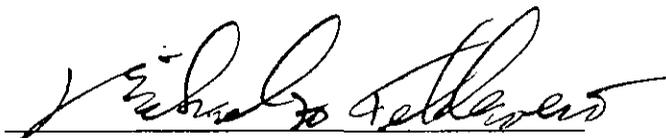
CERTIFICATE OF SERVICE

I hereby certify that on July 31, 2014, I served a copy of the foregoing document to the following via electronic mail to:

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Adam G. Rankin

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APPLICATION OF COG OPERATING LLC FOR TWO NON-STANDARD PROJECT AREAS, TWO NON-STANDARD OIL SPACING AND PRORATION UNITS, AND APPROVAL OF NON-STANDARD LOCATIONS FOR TWO WELLS, LEA COUNTY, NEW MEXICO.

CASE NO. 15035

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

CASE NO. 15044

ORDER NO. R-13810-B

ORDER OF THE DIVISION

BY THE DIVISION:

These matters came before the Division at 8:15 a.m. on August 7, 2014, at Santa Fe, New Mexico, before Examiner _____ on remand from the Oil Conservation Commission.

NOW, on this ___ day of _____, 2014, the Division Director, having considered the stipulations of the parties, the record in this matter and the recommendations of the Examiner,

FINDS THAT:

1. The Division, upon remand from the Oil Conservation Commission under Order NO. R-13810-A, has jurisdiction of these consolidated cases and of the subject matter.
2. Case Nos. 15035 and 15044 were consolidated for hearing before the Division on September 19, 2013, following objections filed by Yates Brothers, Yates Holdings, LLC, Inland Title, Sugarberry Oil & Gas Corporation, and Katy Pipeline and Production Company (collectively the "Yates Group") to administrative applications filed by COG Operating LLC ("COG") for approval of two non-standard 280-acre project areas and two non-standard 280-acre oil spacing and proration units in the Bone Spring formation underlying certain federal acreage in Sections 5 and 8 of Township 26 South, Range 34 East, NMPM, Lea County, New Mexico.
3. With the exception of the N/2 N/2 of Section 5, all of Sections 5 and 8 comprise a single federal lease in which COG owns all of the working interest. The N/2 N/2 of Section 5 consists of fee lands in which COG, the Yates Group, and other parties own mineral or leasehold interests.

ATTACHMENT A

4. On March 19, 2014, following an evidentiary hearing, the Division entered Order No. R-13820 approving the following in the Bone Spring formation (Wildcat G-06 S263407P-Bone Spring Pool (Pool Code 97892)), underlying the fee and federal acreage in said Sections 5 and 8:

- a. A 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of federal acreage in the SW/4 NE/4 and W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8 and dedicating this unit to COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180);
- b. A non-standard location for COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180);
- c. A 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of the federal acreage in the SE/4 NW/4 and E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, and dedicating the unit to COG's proposed Gunner Fed. Well No. 6H (API No. 30-025-41181) to be drilled from a surface location 190 feet from the South line and 2625 feet from the West line (Unit N) of Section 8 to a terminus or bottomhole location 1650 feet from the North line and 2625 feet from the West line (Unit F) of Section 5;¹
- d. A non-standard location for COG's proposed Gunner Fed. Well No. 6H (API No. 30-025-41181); and
- e. A non-standard 160-acre oil spacing and proration unit comprised of fee lands in the N/2 N/2 of Section 5, pooling all mineral interests in the Bone Spring formation underlying this acreage, and dedicating this unit to COG's proposed Gunner 5 Fee Well No 1H (API No. 30-025-41401) to be horizontally drilled from a surface location 660 feet from the North line and 190 feet from the East line (Unit A) to a terminus or bottomhole location 660 feet from the North line and 330 feet from the West line (Unit D) of said Section 5.

5. Upon entry of Order R-13810, Yates Brothers, Yates Holdings, LLC, Sugarberry Oil & Gas Corporation, and Katy Pipeline and Production Company, holders of fee mineral interests in 120-acres comprised of the N/2 NW/4 and the NW/4 NE/4 of Section 5, filed a *de novo* appeal to the Oil Conservation Commission.

6. OXY USA WTP, LLC ("Oxy") entered an appearance in the *de novo* appeal and has represented that it acquired the mineral interests formerly held by Inland Title in N/2 NW/4 and the NW/4 NE/4 of Section 5 after the issuance of Division Order R-13810.

7. All of the parties to the *de novo* appeal have informed the Commission and the Division that they have reached agreement on development of the acreage in Section 5 and pursuant to that agreement:

¹ The footage location for this proposed well was incorrectly identified in Order R-13810.

a. The Yates Group and Oxy withdraw objection to the non-standard location, and the 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of federal acreage in the SW/4 NE/4 and W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, for COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180);

b. COG withdraws its request in Case No. 15035 for approval of a non-standard location, and approval of a 280-acre non-standard project area and 280-acre oil spacing and proration unit comprised of the federal acreage in the SE/4 NW/4 and E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, for COG's proposed Gunner Well No. 6H (API No. 30-025-41181); and,

c. COG withdraws its request in Case No. 15044 for approval of a non-standard 160-acre spacing and proration unit comprised of fee lands in the N/2 N/2 of Section 5 and for an order pooling all uncommitted mineral interests in the Bone Spring formation underlying this acreage for its proposed Gunner 5 Fee Com 1H Well (API No. 30-025-41401).

8. EOG Resources, Inc., a participant in the Division proceedings resulting in Order R-13810, does not oppose modifications to Order R-13810 to reflect the withdrawals and concessions set forth above.

IT IS THEREFORE ORDERED THAT:

1. Order No. R-13810 is hereby withdrawn in its entirety and replaced with this order.

2. A 280-acre non-standard project area and 280-acre oil spacing and proration unit in the Bone Spring formation (Wildcat G-06 S263407P-Bone Spring Pool (Pool Code 97892)) comprised of the SW/4 NE/4 and W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, Township 26 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby approved. This 280-acre non-standard project area and non-standard oil spacing and proration unit shall be dedicated to COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180).

3. The unorthodox location for COG's existing Gunner 8 Fed Well No. 5H (API No. 30-025-41180) is hereby approved.

4. The remaining relief requested under Case No. 15035 is dismissed without prejudice.

5. Case No. 15044 is dismissed without prejudice.

6. 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 designated above.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director