

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

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

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**APPLICATION**

COG Operating LLC, (“COG”) through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 160-acre spacing and proration unit comprised of the N/2S/2 of Section 22, Township 25 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. In support of its application, COG states:

1. COG Operating LLC (OGRID No. 229137) is a working interest owner in the N/2S/2 of Section 22 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 **Mescal 22 Federal 1H**, which will be horizontally drilled from a surface location in the NE/4SE/4 (Unit I) to a standard bottom hole location in NW/4SW/4 (Unit L) of Section 22. The completed interval for this well will commence in NE/4SE/4 (Unit I) of Section 22 and remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

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 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 requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 18, 2014, and, after notice and hearing as required by law, the Division enter an order:

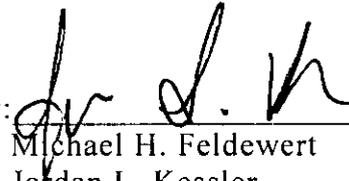
- A. Creating a 160-acre non-standard spacing and proration unit in the Bone Spring formation, comprised of the N/2S/2 Section 22, Township 25 South, Range 29 East, NMPM;
- B. Pooling all mineral interests in the non-standard 160-acre spacing and proration unit;
- C. Designating COG Operating LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing COG 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 in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

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**ATTORNEYS FOR COG OPERATING LLC**

CASE 15248<sup>9</sup>

**Application Of COG Operating LLC For Creation Of A Non-Standard Spacing And Proration Unit 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 N/2S/2 of Section 22, Township 25 South, Range 29 East, NMPM, Eddy County; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Mescal 22 Federal #1H Well**, which will be horizontally drilled from a surface location in the NE/4SE/4 (Unit I) to a standard bottom hole location in NW/4SW/4 (Unit L) of Section 22. The completed interval for this well will commence in NE/4SE/4 (Unit I) of Section 22 and remain within the 330-foot setback required by Division Rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, the 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 15 mile Southeast of Malaga, New Mexico.