

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

**IN THE MATTER OF THE HEARINGS CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 15035 (*de novo*)

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

Case No. 15044 (*de novo*)

ORDER NO. R-13810

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Yates Brothers, *et al.* as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT
COG Operating LLC

APPLICANT'S ATTORNEY
Michael Feldewert

OTHER PARTIES
EOG Resources, Inc.

OTHER PARTIES' ATTORNEYS
Ernest Padilla

OXY USA Inc.

Germaine Chapelle

OPPONENTS

Yates Brothers
Yates Holdings LLC
Sugarberry Oil & Gas Corporation
Katy Pipeline and Production Corporation
c/o Yates Holdings LLC
(collectively, "Yates/Sugarberry")

P.O. Box 1394
Artesia, New Mexico 88211

Attention: Jim Ball
(575) 736-8575

OPPONENTS' ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

STATEMENT OF THE CASE

APPLICANT

COG Operating LLC ("COG") seeks orders as follows:

(a) Case 15035: (i) Approving a 280-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the SW/4NE/4 and W/2SE/4 of Section 5, and the and the W/2E/2 of Section 8, Township 26 South, Range 34 East, NMPM, to be dedicated to COG's Gunner 8 Fed. Well No. 5H, to be horizontally drilled from a surface location in the SW/4SE/4 of Section 8 to a terminus in the SW/4NE/4 of Section 5;

(ii) Approving a 280-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the SE/4NW/4 and E/2SW/4 of Section 5, and the E/2W/2 of Section 8, Township 26 South, Range 34 East, NMPM, to be dedicated to COG's Gunner 8 Fed. Well No. 6H, to be horizontally drilled from a surface location in the SE/4SW/4 of Section 8 to a terminus in the SE/4NW/4 of Section 5; and

(iii) Approving non-standard completed intervals in both wells.

(b) Case 15044: (i) Approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone formation comprised of the N/2N/2 of Section 5, Township 26 South, Range 34 East, NMPM, to be dedicated to COG's Gunner 5 Fee Com. Well No. 1H, to be horizontally drilled from a surface location in the NE/4NE/4, to a terminus in the NW/4NW/4, of Section 5; and

(ii) Pooling all mineral interests in the Bone Spring formation underlying the non-standard oil spacing and proration unit.

OPPONENTS

A. Lands Involved.

The lands involved in this matter are all of Sections 5 and 8, Township 26 South, Range 34 East, NMPM, in Lea County. **See Exhibit A attached hereto.**

1. Yates/Sugarberry own mineral interests in the NW/4NE/4 and N/2NW/4 of Section 5, colored in yellow.
2. COG owns a single federal lease covering the S/2N/2 of Section 5 and all of Section 8. COG also owns interests in the N/2N/2 of Section 5.
3. The wells drilled or planned on this acreage are as follows:
 - (a) Gunner 8 Fed. Well No. 4H. The well unit originally included the E/2E/2 of Section 5 and the E/2E/2 of Section 8 (320 acres), but was later amended to include the SE/4NE/4 and E/2SE/4 of Section 5 and the E/2E/2 of Section 8 (280 acres). This well has not been drilled.
 - (b) Gunner 8 Fed. Well No. 5H. The well unit includes the SW/4NE/4 and W/2SE/4 of Section 5 and the W/2E/2 of Section 8 (280 acres). This well has been drilled.
 - (c) Gunner 8 Fed. Well No. 6H. The well unit includes the SE/4NW/4 and E/2SW/4 of Section 5 and the E/2W/2 of Section 8 (280 acres). This well has not been drilled.
 - (d) Gunner 8 Fed. Well No. 7H. The well unit includes the SE/4NW/4 and E/2SW/4 of Section 5 and the E/2W/2 of Section 8 (280 acres). This well has not been drilled.
 - (i) Gunner 8 Fed. Well No. 8H. The well unit originally included the W/2W/2 of Section 5 and the W/2W/2 of Section 8 (320 acres), but was later amended to include the SW/4NW/4 and W/2SW/4 of Section 5 and the W/2W/2 of Section 8 (280 acres). This well has been drilled.

All of the wells have tested, or plan to test, the Bone Spring formation (Avalon Shale).

After objections by Yates/Sugarberry over the exclusion of their acreage in the Gunner Fed. Well Nos. 5-8, COG proposed to drill Gunner 5 Fee Com. Well No. 1H, with a well unit covering the N/2N/2 of Section 5.

B. Issues.

The issues involved in these cases and wells are as follows:

1. Well unit orientation: Fractures in the area are east-west, so standup well units are required to maximize production and prevent waste. Thus, a N/2N/2 Section 5 well unit should not be approved because it will cause waste and adversely affect correlative rights. Likewise, Yates/Sugarberry should not be excluded from the existing and proposed standup wells.
2. Drainage: The Gunner 8 Fed. Well Nos. 5 and 8 are draining the Yates/Sugarberry acreage, and Yates/Sugarberry should not be excluded from the existing standup wells.
3. Notice of non-standard project areas: Yates/Sugarberry were never given notice of the non-standard project area for the Gunner 8 Fed. Well No. 8, and although notice was given of the non-standard project area for the Gunner 8 Fed. Well No. 5, COG drilled the well after Yates/Sugarberry objected and before the Division granted approval.
4. Unorthodox locations: Yates/Sugarberry did not receive notice of the unorthodox locations for the Gunner 8 Fed. Well Nos. 6 and 7. These locations will drain Yates/Sugarberry acreage, and should not be approved.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPONENTS

WITNESSES

EST. TIME

EXHIBITS

Jim Ball
(landman)

25 min.

Approx. 5

George Scott III
(geologist)

40 Min.

Approx. 3

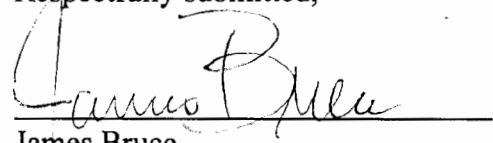
John Maxey
(engineer)

55 Min.

Approx. 10

PROCEDURAL MATTERS

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Yates Brothers, Yates Holdings
LLC, Sugarberry Oil & Gas Corporation,
and Katy Pipeline and Production
Corporation

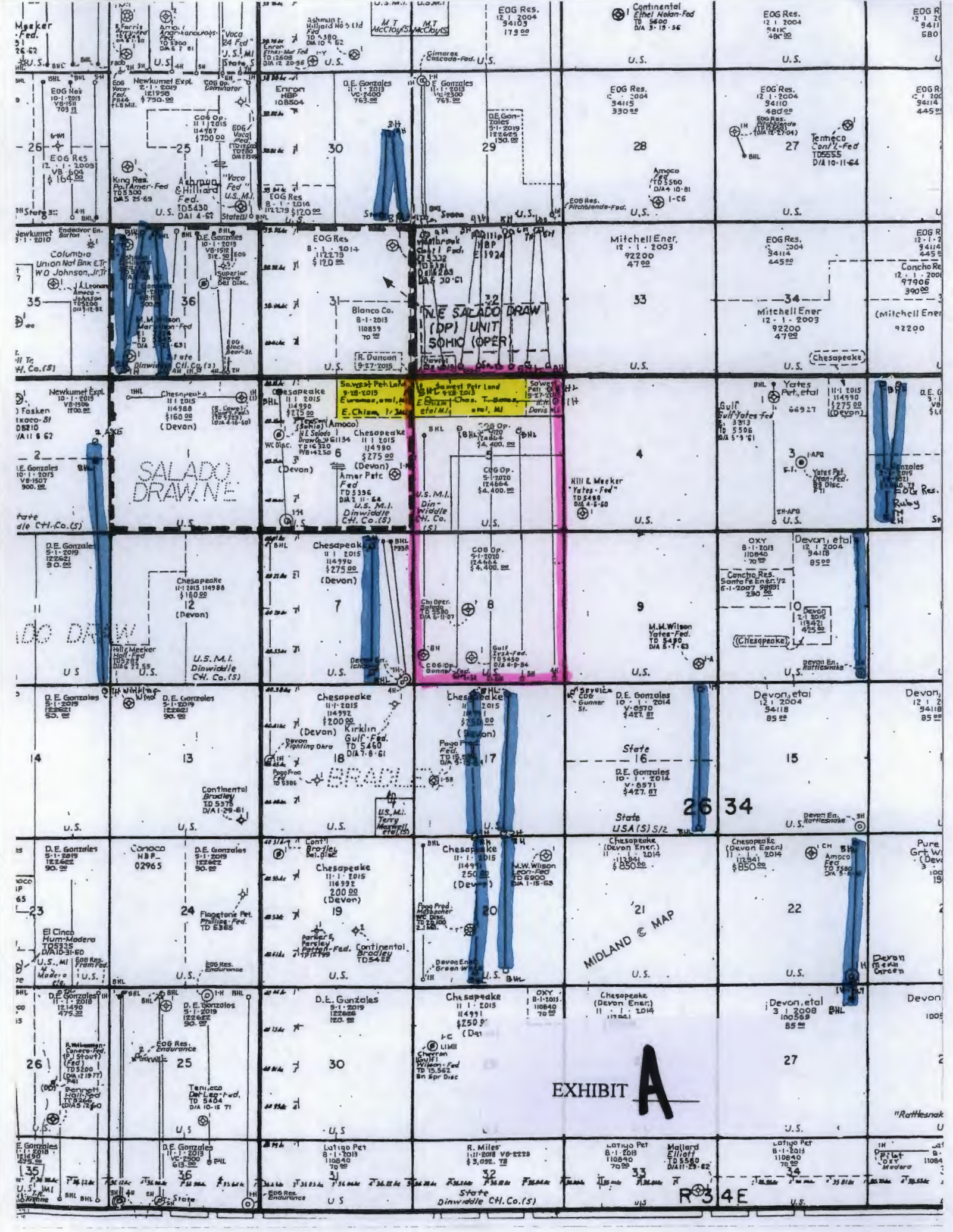


EXHIBIT A

R34E