

**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 (*de novo*)

**IN THE MATTER OF THE 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**

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

COG Operating LLC
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ATTORNEY

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DE NOVO APPEAL PARTIES

Yates Brothers,
Yates Holdings LLC,
Sugarberry Oil & Gas Corporation
Katy Pipeline and Production Corporation
c/o Yates Holdings LLC
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ATTORNEYS

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APPLICANT'S STATEMENT OF CASE

On March 19, 2014, after notice and hearing, the Division entered Order No. R-13810 for Case Nos. 15035 and 15044 addressing the development of the Bone Spring formation in Sections 5 and 8 of Township 26 South, Range 34 East, NMPM, Lea County, New Mexico. With the exception of the N/2 N/2 of Section 5, the remainder of the acreage in Sections 5 and 8 are subject to a single federal lease with identical ownership. This single federal lease currently has one producing, standup horizontal well (the Gunner 8 Federal Well No. 8H, API No. 30-025-40309) that was drilled in October of 2011 and dedicated to a 280 acre project area comprised of the W/2 W/2 of Section 8 and the W/2 SW/4 and the SW/4 NE/4 (Units M, L and E) of Section 5.

Under Order No. R-13810, the Division (1) approved two additional non-standard 280-acre oil spacing and proration units in the Bone Spring formation on this single federal lease, (2) dedicated one non-standard unit to COG's Gunner 8 Fed. Well No. 5H (API No. 30-025-41180) and dedicated the other non-standard unit to COG's Gunner 8 Fed. Well No. 6H (API No. 30-025-41181); (3) approved unorthodox locations for both wells to allow for a five well pattern on the federal acreage; (4) approved and pooled a non-standard 160-acre oil spacing and proration unit in the Bone Spring formation in the N/2 N/2 of Section 5, and (5) dedicated this N/2 N/2 spacing unit to COG's proposed Gunner 5 Fee Well No. 1H (API No. 30-025-41401). On April 18, 2014, Yates Brothers, Yates Holdings LLC, Sugarberry Oil & Gas Corporation, and Katy Pipeline and Production Corporation, mineral owners in a portion of the fee acreage, filed an Application for Hearing *De Novo* with the Commission Clerk.

Accordingly, COG seeks an order from the Commission approving Division Order R-13810 and allowing COG to continue its development of the Bone Spring formation underlying

the federal acreage in Sections 5 and 8 separately from the fee acreage. In **Case No. 15035 (*de novo*)**, COG seeks Commission approval of two additional 280-acre non-standard project areas and oil spacing and proration units on this federal lease comprised of (i) the SW/4 NE/4 and W/2 SE/4 of Section 5, and the W/2 E/2 of Section 8, to be dedicated to the Gunner 8 Fed. Well No. 5H, and (ii) the SE/4 NW/4 and E/2 SW/4 of Section 5, and the E/2 W/2 of Section 8, to be dedicated to the Gunner 8 Fed. Well No. 6H. The completed intervals for these proposed wells will be at non-standard locations to allow for an efficient five-well spacing pattern across this federal lease.

In **Case No. 15044 (*de novo*)**, COG seeks Commission authority to create a non-standard 160-acre spacing and proration unit comprised of the fee lands in the N/2 N/2 of Section 5 and pool all mineral interests in the Bone Spring formation underlying this fee acreage. This proposed non-standard spacing unit will be dedicated to COG's proposed Gunner 5 Fee Com 1H Well, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 5. The completed interval for this well will be within the 330-foot standard setbacks required by the Division's rules. The drilling of this well will efficiently develop the reserves underlying the fee acreage in the N/2 N/2 of Section 5 separately from the federal lease covering the remainder of Sections 5 and 8.

APPLICANT'S PROPOSED EVIDENCE

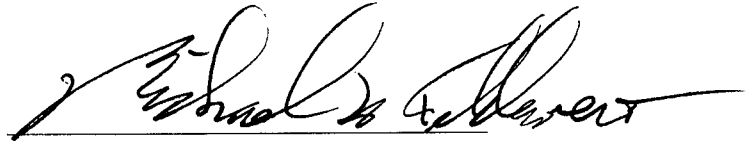
<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Michael Wallace – Landman	Approx. 20	Approx. 10
Andrew McCarthy – Geologist	Approx. 20	Approx. 5
Jason Miller – Reservoir Engineer	Approx. 20	Approx. 4

PROCEDURAL MATTERS

COG requests that the above referenced cases be consolidated for the Commission hearing.

Respectfully submitted,

HOLLAND & HART, LLP



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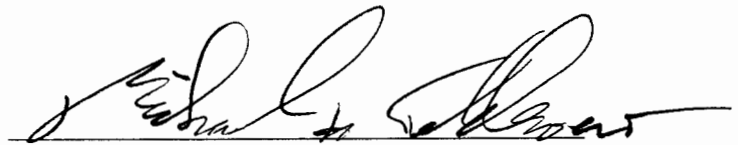
CERTIFICATE OF SERVICE

I hereby certify that on July 10 2014, I served a copy of the foregoing document to the following via electronic mail to:

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Handwritten signatures of Michael H. Feldewert and Adam G. Rankin, written in black ink over a horizontal line.

Michael H. Feldewert
Adam G. Rankin