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FEB 19 2018

WRITER:

Gary W. Larson,

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February 19, 2018

VIA HAND DELIVERY

Case 16019

Florene Davidson
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: COG Operating LLC Application

Dear Florene:

Enclosed please find: (i) for filing, the original and one (1) copy of an application by COG Operating LLC for approval of a 240.01-acre, more or less, non-standard oil spacing and proration unit to be dedicated to COG's Mortarboard Federal Com #13H well; and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, COG requests that the application be placed on the Division's March 22, 2018 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:sm
Enclosures

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

FEB 19 2018 AM 10:30

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

Case No. 16019

APPLICATION

Pursuant to NMSA § 70-2-17, COG Operating LLC (“COG”) applies for an order (i) approving a 240.01-acre, more or less, non-standard spacing and proration unit comprised of the E/2 W/2 of Section 1 and the E/2 NW/4 of Section 12, Township 24 South, Range 34 East, Lea County, New Mexico, and (ii) pooling all uncommitted mineral interests in the Bone Spring formation. In support of its Application, COG states:

1. COG (OGRID No. 229137) is a working interest owner in the E/2 W/2 of Section 1 and the E/2 NW/4 of Section 12 and has the right to drill a well thereon.
2. COG proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for its Mortarboard Federal Com #13H well, which will be horizontally drilled from a surface location in Lot 3 of Section 1 to a bottom hole location in Unit F of Section 12, Township 24 South, Range 34 East.
3. The completed interval for the Mortarboard Federal Com #13H well will remain within the 330-foot standard offset required by 19.15.15.9(A) NMAC.
4. COG has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners in the proposed project area to participate in the drilling of the well, but has been unable to obtain voluntary agreements from all of the mineral interest owners.

5. The pooling of those uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to allow COG to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interest owners in the non-standard spacing and proration unit should be pooled and COG should be designated the operator of the proposed horizontal well and project area.

WHEREFORE, COG requests that this application be set for hearing on March 22, 2018 and that, after notice and hearing, the Division enter an order:

A. Approving a 240.01-acre, more or less, non-standard spacing and proration unit (project area) in the Bone Spring formation in the E/2 W/2 of Section 1 and the E/2 NW/4 of Section 12, Township 24 South, Range 34 East, in Lea County;

B. Pooling all uncommitted mineral interests in the proposed project area;

C. Designating COG as the operator of the project area and the Mortarboard Federal Com #13H well;

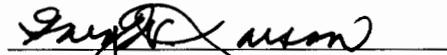
D. Authorizing COG to recover its costs of drilling, equipping, and completing the well;

E. Considering the cost of drilling and completing the Mortarboard Federal Com #13H well and allocating the cost among the uncommitted mineral interest owners;

F. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

G. Imposing a 200% penalty for the risk assumed by COG in drilling and completing the Mortarboard Federal Com #13H well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

HINKLE SHANOR LLP

A handwritten signature in black ink, appearing to read "Gary W. Larson", is written over a horizontal line.

Gary W. Larson

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Counsel for COG Operating LLC

PROPOSED NOTICE

Case No. 16019: Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order (i) creating a 240.01-acre, more or less, non-standard oil spacing and proration unit (project area) comprised of the E/2 W/2 of Section 1 and the E/2 NW/4 of Section 12, Township 24 South, Range 34 East, NMPM, in Lea County, and (ii) pooling all uncommitted mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's Mortarboard Federal Com #13H well, which will be horizontally drilled from a surface location in Lot 3 of Section 1 to a bottom hole location in Unit F of Section 12, Township 24 South, Range 34 East. The completed interval for the well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of COG Operating LLC as the operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The proposed project area is located approximately sixteen (16) miles northwest of Jal, New Mexico.