



Ocean Munds-Dry

March 6, 2018

VIA HAND-DELIVERY

Ms. Heather Riley, Director
Oil Conservation Division
New Mexico Department of Energy, Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

MAR 06 2018 PM02:37

Case 16052

Re: Application of COG Operating LLC for a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.

Dear Director Riley:

Enclosed for filing, please find COG Operating LLC 's application for a non-standard oil spacing and proration unit and compulsory pooling with a proposed advertisement. Concho requests this application be heard on the April 5, 2018 Division Examiner docket.

Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Ocean Munds-Dry".

Ocean Munds-Dry
Senior Counsel
COG Operating LLC

CORPORATE ADDRESS

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

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

MAR 06 2018 PM02:37

CASE NO. 16052

APPLICATION

COG Operating LLC ("Concho"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a 320-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of the E/2 E/2 of Sections 22 and 27, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. In support of this application, Concho states as follows:

1. Concho is an interest owner in the subject lands and has the right to drill a well thereon.
2. Concho seeks to dedicate the E/2 E/2 of said Sections 22 and 27 to the proposed well to form a non-standard 320-acre, more or less, oil spacing and proration unit (the "project area").
3. Concho proposes to drill the **Avion Federal Com Well No. 301H** to a depth sufficient to test the Bone Spring formation from a surface location in the NE/4 NE/4 (Unit A) of Section 22 to a bottomhole location in the SE/4 SE/4 (Unit P) of Section 27.

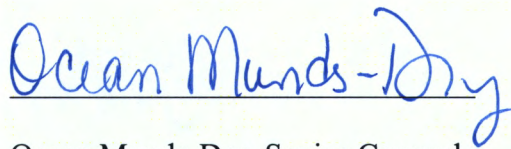
4. This project area is located within the Bone Spring Pool WC-025 G-08 S2535340 (Pool Code 97088).
5. Concho has sought but been unable to obtain a voluntary agreement from all mineral interest owners in the Bone Spring formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.
6. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.
7. Notice of this application has been given in accordance with Division rules as shown on Exhibit A.

WHEREFORE, COG Operating LLC requests this application be set for hearing before an Examiner of the Oil Conservation Division on April 5, 2018, and after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard oil spacing and proration unit ("project area") in the Bone Spring formation comprised of the E/2 E/2 of Sections 22 and 27, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit/project area;
- C. Designating Concho as operator of this unit and the well to be drilled thereon;
- D. Authorizing Concho to recover its costs of drilling, equipping and completing this well;

- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in blue ink that reads "Ocean Munds-Dry". The signature is written in a cursive, flowing style.

Ocean Munds-Dry, Senior Counsel
William F. Carr, Senior Counsel
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ATTORNEYS FOR COG OPERATING LLC

EXHIBIT A
COG OPERATING LLC NOTICE LIST

Parties to be pooled:

ConocoPhillips Company
Attn: Joey Moppert
600 North Dairy Ashford
Houston, TX 77079

CASE NO. 16052: **Application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.** Applicant seeks an order from the Division: (1) creating a non-standard 320-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of the E/2 E/2 of Sections 22 and 27, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Avion Federal Com Well No. 301H**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 22 to a bottomhole location in the SE/4 SE/4 (Unit P) of Section 27. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual 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 30 miles northwest of Jal, New Mexico.