

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

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

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CASE NO. 14850

APPLICATION

COG OPERATING LLC ("COG"), 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 non-standard, 160-acre spacing and proration unit comprised of the S/2 S/2 of Section 2, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this acreage to form a 160-acre project area in this formation. In support of its application, COG states:

1. COG is a working interest owner in the S/2 S/2 of Section 2 and has the right to drill thereon.
2. COG proposes to dedicate the above-referenced spacing a proration unit as the project area for its proposed Hogan State Com 4H Well, which it will drill to a depth sufficient to test the Yeso formation from a surface location 330 feet from the South line and 330 feet from the East line (Unit P) to a bottom hole location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 2. The

completed interval for this well will be within the 330-foot standard offset required by the rules.

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 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 May 24, 2012, and, after notice and hearing as required by law, the Division enter its order:

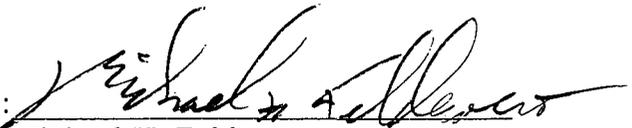
- A. Creating a non-standard spacing and proration unit in the Yeso formation comprised of the S/2 S/2 of Section 2, Township 17 South, Range 29 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating COG operator of this non-standard spacing unit 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,

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ATTORNEYS FOR COG OPERATING LLC

CASE 14850:

Application of COG Operating LLC for 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 S/2 S/2 of Section 2, Township 17 South, Range 29 East, NMPM, and (2) pooling all mineral interests in the Yeso formation, underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Hogan State Com #4H Well, to be horizontally drilled from a surface location 330 feet from the South line and 330 feet from the East line (Unit P) to a bottom hole location 330 feet from the South line and 330 feet from the West line (Unit M) of Section 2. The completed interval for this well will be within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as 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 20 miles East of Artesia, New Mexico.