

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

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

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RECEIVED OGD
CASE NO. 15075

APPLICATION

COG Operating, LLC, ("COG") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 160-acre spacing and proration unit comprised of the W/2W/2 of Section 3, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation, Dayton; Grayburg Pool (Pool Code 15960), underlying this acreage. In support of its application, COG states:

1. COG Operating, LLC (OGRID No. 229137) is a working interest owner in the W/2W/2 of Section 3 and has the right to drill thereon.
2. COG proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Lee 3 Fee 001H Well**, which will be horizontally drilled from a surface location in the SW/4SW/4 (Unit M) to a standard bottom hole location in NW/4 NW/4 (Unit D) of Section 3. The completed interval for this well will commence in SW/4SW/4 (Unit M) of Section 3 and remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

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 Operating, LLC should be designated the operator of this proposed horizontal well and spacing unit.

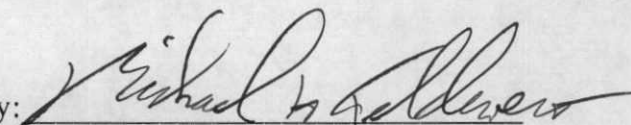
WHEREFORE, COG Operating, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 23, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit in the Yeso formation, Dayton; Grayburg Pool, comprised of the W/2W/2 of Section 3, Township 19 South, Range 26 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating COG Operating, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing COG Operating, LLC 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 Operating, LLC 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 15075

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 W/2W/2 of Section 3, Township 19 South, Range 26 East, NMPM, Eddy County and (2) pooling all mineral interests in the Yeso formation, Dayton; Grayburg Pool, underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Lee 3 Fee 001H Well**, which will be horizontally drilled from a surface location in the SW/4SW/4 (Unit M) to a standard bottom hole location in the NW/4NW/4 (Unit D) of Section 3. The completed interval for this well will commence in the SW/4SW/4 (Unit M) of Section 3 and remain 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 5 miles Southwest of Dayton, New Mexico.