

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

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

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CASE NO. 15161

AMENDED APPLICATION

COG Operating, LLC, ("COG") through its undersigned attorneys, hereby files this amended 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/2E/2 of Section 13, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico; (2) pooling all mineral interests in the Bone Springs formation underlying this acreage; and (3) authorizing an unorthodox well location. In support of its application, COG states:

1. COG Operating, LLC (OGRID No. 229137) is a working interest owner in the W/2E/2 of Section 13 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 Super Cobra State Com 2H Well, which will be horizontally drilled from a non-standard surface location 190 feet from the South line and 1880 feet from the East line (Unit O) to a non-standard bottom hole location 330 feet from the North line and 1980 feet from the East line (Unit B) of Section 13.
3. This acreage is subject to the Special Rules for the Scharb; Bone Spring Pool (Pool Code 55610) adopted by Division Order R-2589 and amended by R-2589-C. Special Rule

2 requires a well to be located on a standard unit containing approximately 80 acres comprising the N/2, S/2, E/2 or W/2 of a single governmental quarter section. Special Rule 4 requires a well to be within 200 feet of the center of the quarter-quarter section. Rules 19.15.15.13(B) and 19.15.4.12(A)2 NMAC allow the director to grant an exception to the well location requirements.

4. The proposed Super Cobra State Com 2H Well will be unorthodox because the completed interval will not remain within 200 feet of the center of the quarter-quarter section. Specifically, it encroaches on the spacing and proration units to the South (Units A, B and G; Sec. 24, 19S, 34E) and North (Units P, O and J; Sec 12, 19S, 34E).

5. 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.

6. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

7. In order to permit COG to obtain it's 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 requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 21, 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 Bone Springs formation, comprised of the W/2E/2 of Section 13, Township 19 South, Range 34 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 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.
- G. Authorizing an unorthodox well location that encroaches on the spacing and proration units to the South and North.

Respectfully submitted,

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ATTORNEYS FOR COG OPERATING, LLC

CASE 15161:

Amended Application of COG Operating, LLC for a non-standard spacing and proration unit, compulsory pooling, and unorthodox well location, Lea 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/2E/2 of Section 13, Township 19 South, Range 34 East, NMPM, Lea County, (2) pooling all mineral interests in the Bone Springs formation, Scharb; Bone Spring Pool, underlying this acreage, and (3) authorizing an unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **Super Cobra State Com 2H Well**, which will be horizontally drilled from a non-standard surface location 190 feet from the South line and 1880 feet from the East line (Unit O) to a non-standard bottom hole location 330 feet from the North line and 1980 feet from the East line (Unit B) of Section 13. 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 8 miles Southwest of Arkansas Junction, New Mexico.