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April 13, 2015

VIA HAND DELIVERY

*Case 15295*

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

Re: COG Operating LLC Application (Skull Cap State Com #2H Well)

Dear Florene:

Enclosed for filing is an application by COG Operating LLC for approval of a non-standard spacing and proration unit and compulsory pooling for COG's Skull Cap State Com #2H well. Also enclosed is a proposed hearing notice, which I will email to you in Word format.

As stated in the application, COG requests that the application be placed on the Division's May 14, 2015 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:rc  
Enclosure

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

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

Case No. 15295

**APPLICATION**

Pursuant to NMSA § 70-2-17, COG Operating LLC ("COG") applies for an order (i) approving a 200-acre non-standard spacing and proration unit in the W/2 NE/4 of Section 5, Township 25 South, Range 35 East and the W/2 SE/4 of Section 32, Township 24 South, Range 35 East, N.M.P.M., 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 W/2 NE/4 of Section 5 and the W/2 SE/4 of Section 32 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 Skull Cap State Com #2H well, which will be horizontally drilled from a surface location in the W/2 SE/4 (Unit J) of Section 32, Township 24 South, Range 35 East to a bottom hole location in the W/2 SE/4 (Unit J) of Section 5, Township 25 South, Range 35 East.
3. The completed interval for the proposed Skull Cap State Com #2H 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 working 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 May 14, 2015 and that, after notice and hearing, the Division enter an order:

A. Approving a 200-acre non-standard spacing and proration unit (project area) in the Bone Spring formation in the W/2 NE/4 of Section 5, Township 25 South, Range 35 East and the W/2 SE/4 of Section 32, Township 24 South, Range 32 East, N.M.P.M., 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 Skull Cap State Com #2H well;

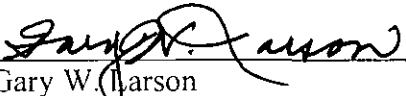
D. Authorizing COG to recover its costs of drilling, equipping, and completing the well;

E. Considering the cost of drilling and completing the Skull Cap State Com #2H well and allocating the cost among the uncommitted working 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 Skull Cap State Com #2H well against any mineral interest owner who does not voluntarily participate in the drilling of the well.

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*Counsel for COG Operating LLC*

**PROPOSED NOTICE**

Case No. 15295: 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 200-acre non-standard oil spacing and proration unit (project area) comprised of the W/2 NE/4 of Section 5, Township 25 South, Range 35E and the W/2 SE/4 of Section 32, Township 24 South, Range 35 East, NMPM, in Lea County, and (ii) pooling all mineral interests in the Bone Spring formation underlying this acreage. The project area is to be dedicated to applicant's Skull Cap State Com #2H well, which will be horizontally drilled from a surface location in the W/2 SE/4 (Unit J) of Section 32, Township 24 South, Range 35 East to a bottom hole location in the NW/4 SE/4 (Unit J) of Section 32. 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 five miles west of Ochoa, New Mexico.

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