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WRITER:

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May 23, 2016

VIA HAND DELIVERY

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

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2016 MAY 23 P 4:13  
Case 15500

Re: COG Operating LLC Application

Dear Florene:

Enclosed please find: (i) for filing, the original and one (1) copy of an application by COG Operating LLC for approval of a 240-acre non-standard oil spacing and proration unit to be dedicated to COG's Lajitas BWQ State Com #1H; and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, COG requests that the application be placed on the Division's June 23, 2016 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:sm  
Enclosures

**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**

Case No. 155-00

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**APPLICATION**

Pursuant to NMSA § 70-2-17, COG Operating LLC ("COG") applies for an order (i) approving a 240-acre non-standard spacing and proration unit in the S/2 S/2 of Section 25, Township 18 South, Range 28 East and the S/2 SE/4 of Section 26, Township 18 South, Range 28 East, N.M.P.M., Eddy 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 S/2 S/2 of Section 25 and the S/2 SE/4 of Section 26 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 Lajitas BWQ State Com #1H well, which will be horizontally drilled from a surface location in the SW/4 SE/4 (Unit O) of Section 26, Township 18 South, Range 28 East to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 25, Township 18 South, Range 28 East.

3. The completed interval for the Lajitas BWQ State Com #1H 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 June 23, 2016 and that, after notice and hearing, the Division enter an order:

A. Approving a 240-acre non-standard spacing and proration unit (project area) in the Bone Spring formation in the S/2 S/2 of Section 25, Township 18 South, Range 28 East and the S/2 SE/4 of Section 26, Township 18 South, Range 28 East, N.M.P.M., in Eddy County;

B. Pooling all uncommitted mineral interests in the proposed project area;

C. Designating COG as the operator of the project area and the Lajitas BWQ State Com #1H well;

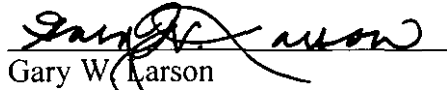
D. Authorizing COG to recover its costs of drilling, equipping, and completing the well;

E. Considering the cost of drilling and completing the Lajitas BWQ State Com #1H well and allocating the cost among the uncommitted mineral 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 Lajitas BWQ State Com #1H 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. 15500 : Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (i) creating a 240-acre non-standard oil spacing and proration unit (project area) comprised of the S/2 S/2 of Section 25, Township 18 South, Range 28 East and the S/2 SE/4 of Section 26, Township 18 South, Range 28 East, NMPM, in Eddy 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 Lajitas BWQ State Com #1H well, which will be horizontally drilled from a surface location in Unit O of Section 26, Township 18 South, Range 28 East to a bottom hole location in Unit P of Section 25, Township 18 South, Range 28 East. 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 eleven miles southwest of Loco Hills, New Mexico.

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