



OCEAN MUNDS-DRY
Senior Attorney

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June 7, 2016

VIA HAND-DELIVERY

Case 15506

Mr. David Catanach, Director
Oil Conservation Division
New Mexico Department of Energy, Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of COG Operating LLC for a non-standard spacing and proration unit, non-standard location and compulsory pooling, Lea County, New Mexico: Harpo 8 Fed Com Well No. 18H

Dear Director Catanach:

Enclosed for filing please find COG Operating LLC's application for a non-standard oil spacing and proration unit and compulsory pooling, along with a proposed advertisement. Concho requests this application be heard on the July 7, 2016 Division Examiner docket.

Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Ocean Munds-Dry".

Ocean Munds-Dry
Senior Attorney
COG Operating LLC

OMD:mho
Enclosures

CORPORATE ADDRESS

ONE CONCHO CENTER | 600 WEST ILLINOIS AVENUE | MIDLAND, TEXAS 79701
P 432.683.7443 | F 432.683.7441

SANTA FE OFFICE

1048 PASEO DE PERALTA | SANTA FE, NEW MEXICO 87501
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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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

CASE NO. 15506

APPLICATION

COG Operating LLC ("Concho"), 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 240-acre, more or less, oil spacing and proration unit in the Yeso formation, comprised of the S/2 SE/4 of Section 7 and S/2 S/2 of Section 8, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico; (2) authorizing a non-standard location; and (3) pooling all mineral interests in the Yeso formation underlying this proposed non-standard spacing and proration unit. In support of this application, Concho states as follows:

1. Concho is an interest owner in the subject lands and has the right to drill a well thereon.
2. Concho seeks to dedicate the S/2 SE/4 of said Section 7 and the S/2 S/2 of said Section 8 to the proposed well to form a non-standard 240-acre, more or less, oil spacing and proration unit (the "Project Area").
3. Concho proposes to drill the **Harpo 8 Federal Com Well No. 18H** to a depth sufficient to test the Yeso formation from a surface location in the SW/4 SW/4 (Unit M) of Section 9 to a bottomhole location in the SW/4 SE/4 (Unit O) of Section 7.
4. This Project Area is located within the Maljamar; Yeso West Pool (44500).

5. Concho seeks a non-standard location for the toe of the well which Concho proposes to locate 150 feet from the South line and 330 feet from the West line of Section 9. The bottomhole location will be within the 330-foot standard offset required by Division rules.
6. Concho has sought, but been unable to obtain, a voluntary agreement from all mineral interest owners in the Yeso formation underlying the proposed Project Area to participate in the drilling of the well or to otherwise commit their interests to the well.
7. Approval of the non-standard unit and the pooling of all mineral interests in the Yeso formation underlying the proposed Project Area will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.
8. Notice of this application has been given in accordance with Division rules as shown on Exhibit A.

WHEREFORE, COG Operating LLC requests this application be set for hearing before an Examiner of the Oil Conservation Division on July 7, 2016, and after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard oil spacing and proration unit ("Project Area") in the Yeso formation comprised of the S/2 SE/4 of Section 7 and S/2 S/2 of Section 8, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico;
- B. Authorizing a non-standard location;
- C. Pooling all mineral interests in the Yeso formation underlying this non-standard spacing and proration unit/Project Area;
- D. Designating Concho as operator of this unit and the well to be drilled thereon;

- E. Authorizing Concho to recover its costs of drilling, equipping and completing this well;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in black ink that reads "Ocean Munds-Dry". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

Ocean Munds-Dry
Senior Attorney
COG Operating LLC
1048 Paseo de Peralta
Santa Fe, New Mexico 87501
(505) 780-8000
(505) 428-0485 Facsimile
omundsdry@concho.com

EXHIBIT A
COG OPERATING LLC NOTICE LIST

Parties to be pooled:

ConocoPhillips Company
Attn: Cody Travers
600 North Dairy Ashford
Houston, TX 77079

Chevron U.S.A.
Attn: Cody Cole
1400 Smith Street Room 42114
Houston, TX 77079

Chase Oil Corporation
Attn: Staci Sanders
11352 Lovington Hwy
Artesia, NM 88210

Offsets:

Penroc Oil Corporation
1515 W Calle Sur Street
Hobbs, NM 88240

Cimarex Energy Company
600 N. Marienfeld Street #600
Midland, TX 79701

ConocoPhillips Company
600 North Dairy Ashford
Houston, TX 77079

CASE NO. 15506: Application of COG Operating LLC for a non-standard spacing and proration unit, non-standard location and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 240-acre, more or less, oil spacing and proration unit in the Yeso formation, comprised of the S/2 SE/4 of Section 7 and S/2 S/2 of Section 8, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico; (2) authorizing a non-standard location; and (3) pooling all mineral interests in the Yeso formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the Project Area for the **Harpo 8 Federal Com Well No. 18H**, to be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 9 to a bottomhole location in the SW/4 SE/4 (Unit O) of Section 7. The toe of the well will be located 150 feet from the South line and 330 feet from the West line of Section 9 and the bottomhole location 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, the allocation of these costs as well as the 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 1 mile south of Maljamar, New Mexico.

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