

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 14365

APPLICATION OF COG OPERATING LLC
FOR DESIGNATION OF A NON-STANDARD
OIL SPACING AND PRORATION UNIT AND
FOR COMPULSORY POOLING
(BLACKHAWK 11 FED COM NO. 1-H), EDDY
COUNTY, NEW MEXICO.

CASE NO. 14366

APPLICATION OF COG OPERATING LLC
FOR DESIGNATION OF A NON-STANDARD
OIL SPACING AND PRORATION UNIT AND
FOR COMPULSORY POOLING
(BLACKHAWK 11 FED COM NO. 2-H), EDDY
COUNTY, NEW MEXICO.

ORDER NO. R-13155

ORDER OF THE DIVISION

BY THE DIVISION:

These cases came on for consideration at a pre-hearing conference held on August 10, 2009, at Santa Fe, New Mexico, before Examiners David K. Brooks and Richard I. Ezeanyim.

NOW, on this 11th day of August, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) In these applications, COG Operating LLC (COG) seeks establishment of two non-standard spacing units, comprising respectively the N/2 S/2 and the S/2 S/2 of Section 11, Township 16 South, Range 28 East, NMPM, in Eddy County, New Mexico, and compulsory pooling of each of these non-standard units, for the drilling of horizontal oil wells in the Wolfcamp formation.

(3) Chesapeake Energy Corporation (Chesapeake), an owner of interests in each of the proposed units, has moved to dismiss these applications because COG has not provided Chesapeake with a well proposal setting forth the terms of participation and projected costs of the wells.

(4) COG does not dispute that Chesapeake is an owner within each of the proposed units and that no well proposal has been furnished.

(5) Although no statute or rule specifically requires an applicant for compulsory pooling to furnish interests owners a well proposal prior to filing the application, the Division, by long-standing practice, has required such a proposal in order to afford the owners a reasonable opportunity to reach a voluntary agreement.

(6) There are undoubtedly circumstances in which a prior well proposal should not be required, as, for example, where the consequent delay will jeopardize an applicant's leasehold interest. However, no contention was advanced that such factors applied in these cases.

(7) Accordingly, these cases should be dismissed without prejudice to re-filing after COG has furnished a well proposal to all owners in the proposed units.

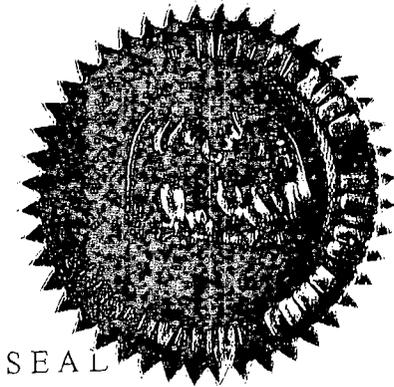
IT IS THEREFORE ORDERED THAT:

(1) COG's applications in Cases 14365 and 14366 are hereby dismissed without prejudice. Each application may be re-filed 30 days after COG has furnished to all owners in the proposed unit a formal well proposal, including a proposed form of joint operating agreement and an authorization for expenditures (AFE) setting forth the estimated cost of the well to be proposed in such application.

(2) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Cases 14365 and 14366
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director