

**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. 14619
ORDER NO. R-13385**

**APPLICATION OF COG OPERATING, LLC, FOR APPROVAL OF A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on April 14, 2011, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 27th day of April, 2011, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) The applicant, COG Operating, LLC ("COG" or "Applicant"), seeks approval of its Corazon State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Strawn formation underlying the following-described 2,555.08 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM

Section 3: All

Section 4: All

Section 10: All

(3) The Applicant presented testimony that demonstrates that:

- (a) One hundred (100%) percent of the working interests owners, and one hundred (100%) percent of the royalty and overriding royalty interest owners within the Unit area are committed to the Unit;
 - (b) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;
 - (c) The initial well will be drilled at a standard well location 330 feet from the North line and 330 feet from the West line (Unit D) of Section 4, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, to an approximate depth of 11,600 feet to test all formations from the surface to the base of the Bone Spring formation;
 - (d) The primary target for this initial well will be the Third Bone Spring Sand formation; and
 - (e) COG plans to drill additional wells to develop the unit if the initial well is successful.
- (4) No other party appeared at the hearing or otherwise opposed this application.
- (5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.
- (6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Corazon State Exploratory Unit Agreement executed by COG Operating, LLC is hereby approved for all oil and gas in all formations from the surface to the base of the Strawn formation underlying the following-described 2,555.08 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM

Section 3: All

Section 4: All

Section 10: All

(2) The plan contained in the Corazon State Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit

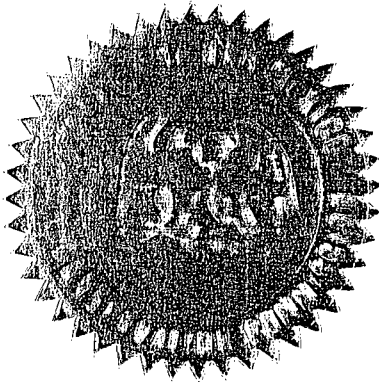
agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

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

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Jami Bailey", written in a cursive style.

JAMI BAILEY
Director