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October 6, 2011

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

Hand Delivered

**Re: NMOCD Case No. 14757 : Application of COG Operating LLC for
Designation of a Non-Standard Oil Spacing and Proration Unit and for
Compulsory Pooling, Lea Eddy County, NM**

Dear Ms. Davidson:

On behalf of COG Operating LLC, enclosed is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the November 10, 2011 examiner docket.

Also enclosed is a proposed advertisement for the case.

Thank you.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosure

316886

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

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

CASE NO. 14757

APPLICATION

COG OPERATING LLC, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.16.14 NMOCD of the Division's Rules and Regulations and NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

A. Consolidating each of the 40-acre spacing units within the W/2 W/2 of Section 4, Township 19 South, Range 32 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Bone Spring formation, North Lusk Bone Spring Pool (41450) for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Bone Spring formation underlying the W/2 W/2 of Section 4.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 3, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Peashooter 4 Federal No. 1-H Well to be drilled horizontally from a standard surface location 380' from the

North line and 760' from the West line to a bottom hole location 330' from the South line and 380' from the West line to a depth sufficient to test the Bone Spring formation underlying the proposed project area in Section 4.

3. Applicant does not have leases or a voluntary agreement for pooling or farmout from certain other interest owners in the above-referenced formation underlying the proposed non-standard unit.

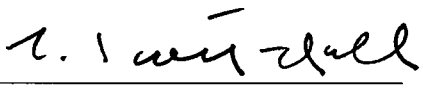
4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard unit will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on November 10, 2011 and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, and making such other and further provisions as maybe proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 

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Attorneys for COG Operating LLC

Case No. ~~14757~~ Application of COG Operating LLC for Designation of a Non-standard Spacing Unit and for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order consolidating the 40-acre spacing units within the W/2 W/2 of Section 4, Township 19 South Range 32 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit for a well location in the Bone Spring formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Spring formation underlying the W/2 W/2 of Section 4 to be dedicated to its Peashooter 4 Federal No. 1-H Well to be drilled horizontally from a surface location 380' from the North line and 760' from the West line to a bottom hole location 330' from the South line and 380' from the West line to a depth sufficient to test the Bone Spring formation, North Lusk Bone Spring pool (41450). Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of COG Operating LLC as operator and a charge for risk involved in drilling the well. The proposed well and lands are located approximately 5 miles north of Laguna Plata, New Mexico.

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