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March 27, 2012

**VIA HAND DELIVERY**

Jami Bailey, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14829*

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**Re: Application of COG Operating for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.**

Dear Ms. Bailey:

Enclosed please find the Application for COG Operating LLC, as well as a copy of the legal advertisement. Applicant requests that this matter be placed on the docket for April 26, 2012, examiner hearing.

Sincerely,

Adam G. Rankin

**Holland & Hart LLP**

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

IN THE MATTER OF THE APPLICATION  
OF COG OPERATING, LLC FOR A NON-  
STANDARD SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 14829

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APPLICATION

COG OPERATING, LLC, ("COG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 W/2 of Section 3, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this acreage to form a 160-acre project area in this formation. In support of its application, COG states:

1. COG is a working interest owner in the W/2 W/2 of Section 3 and has the right to drill thereon.
2. COG proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Lee 3 Fee Well No. 1H well, to be horizontally drilled from a surface location 330 feet from the South line and 380 feet from the West line (Unit M) to a bottom hole location 330 feet from the North line and 380 feet from the West line (Unit D) of Section 3.

3. COG has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and COG Operating, LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, COG Operating, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 26, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Yeso formation comprised of the W/2 W/2 of Section 3, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico;
- B. Pooling all mineral interests in the Yeso formation underlying this non-standard spacing and proration unit;
- C. Designating COG Operating, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing COG Operating, LLC to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by COG Operating, LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert

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**ATTORNEYS FOR COG OPERATING, LLC**

**CASE \_\_\_\_\_: Application of COG Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the W/2 W/2 of Section 3, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Yeso formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Lee 3 Fee Well No. 1H, to be horizontally drilled from a surface location 330 feet from the South line and 380 feet from the West line (Unit M) to a bottom hole location 330 feet from the North line and 380 feet from the West line (Unit D) of Section 3. 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 of the well and unit and a 200% charge for risk involved in drilling said well. Said area is approximately 6 miles northeast of Lakewood, New Mexico.