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2012 MAR 23 P 4: 03

March 23, 2012

Ms. Jami Bailey, Director  
NM Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87501

**Hand-Delivered**

Re: **NMOCD Case No. 14815 : Application of COG Operating LLC for Designation of a Non-Standard Oil Spacing And Proration Unit, Non-Standard Project Area and for Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Bailey:

On behalf of COG Operating LLC, enclosed is an original and one copy of and Application in the above-referenced case. Please set this matter for hearing on the April 26, 2012 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw  
Enclosures

360245

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STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERAL 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 SPACING AND  
PRORATION UNIT, NON-STANDARD PROJECT  
AREA AND FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE NO. 14815

APPLICATION

COG OPERATING LLC, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rules 19.15.16.14 and 19.15.16.15 NMAC 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 NW/4 NE/4 and N/2 NW/4 of Section 16, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico and designating the consolidated units as a 120-acre ± non-standard oil spacing and proration unit in the Yeso formation, Mar Loco Glorieta-Yeso Pool (97866) for Applicant's non-standard horizontal drilling project area; and

B. Pooling all interests in the Yeso formation underlying the NW/4 NE/4 and N/2 NW/4 of Section 16.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 16, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Burkett 16 State No. 15H Well to be drilled horizontally from a surface location 330' from the North line and 1470' from the East line (Unit B) to a bottom hole location 330' from the North line and

330' from the West line (Unit D), and to its Burkett 16 State No. 16H Well to be drilled horizontally from a standard surface location 990' from the North line and 1470' from the East line (Unit B) to a bottom hole location 990' from the North line and 330' from the West line (Unit D) to a depth sufficient to test the Yeso formation underlying the proposed project area in Section 16. The Completed Intervals of both wells will be located within the Producing Area of the proposed Project Area.

3. Applicant does not have leases or a voluntary agreement for pooling or farmout from certain other interest owners in the above-reference 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 the Applicant should be designated operator of the well.

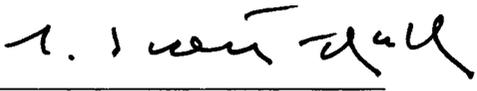
5. The pooling of interests and approval of the non-standard spacing and proration unit and non-standard project area will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent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

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed hearing examiner of the Oil Conservation Division on April 26, 2012 and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit, the non-standard project area and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the wells, 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 wells, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: 

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Attorneys for COG Operating LLC

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**Case No. 14815; Application of COG Operating LLC for designation of a non-standard oil spacing and proration unit, non-standard project area and for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order consolidating the 40-acre spacing units within the NW/4 NE/4 and N/2 NW/4 of Section 16, Township 17 South Range 31 East, NMPM and designating the consolidated units as a 120-acre± non-standard oil spacing and proration unit for two wells in the Yeso formation, Mar Loco Glorieta-Yeso pool (97866) for Applicant's non-standard horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Yeso formation underlying the referenced lands to be dedicated to its Burkett 16 State No. 15H Well to be drilled horizontally from a surface location 330' from the North line and 1470' from the East line (Unit B) to a bottom hole location 330' from the North line and 330' from the West line (Unit D), and to its Burkett 16 State No. 16H Well to be drilled horizontally from a standard surface location 990' from the North line and 1470' from the East line (Unit B) to a bottom hole location 990' from the North line and 330' from the West line (Unit D) in Section 16. The completed intervals of both wells will be located within the producing area of the proposed project area. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs 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 wells. The proposed wells and lands are located approximately 6 miles northeast of Loco Hills, New Mexico.