



**MONTGOMERY  
& ANDREWS**  
LAW FIRM

**J. SCOTT HALL**

Office: (505) 986-2646  
Email: shall@montand.com  
Reply To: Santa Fe Office  
www.montand.com

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May 14, 2013

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

**Hand-Delivered**

**Re: NMOCD Case No. 14997 : Application of COG Operating LLC for Designation of a Non-Standard Oil Spacing and Proration Unit and for Compulsory Pooling, Lea County, New Mexico**

Dear Ms. Bailey:

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 June 13, 2013 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw  
Enclosures

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**REPLY TO:**

325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307  
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400  
Albuquerque, New Mexico 87110  
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210  
Albuquerque, New Mexico 87176-6210

**Case No. 1499;7 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 E/2 of Section 8, Township 24 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 Delaware formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Delaware formation underlying the W/2 E/2 of Section 8 to be dedicated to its Bimini "8" Federal Com Well No. 2-H Well to be drilled horizontally from a surface location in the NW/4 NE/4 of Section 8 to a standard bottom hole location in the SW/4 SE/4 of Section 8 to a depth sufficient to test the Delaware formation, Mesaverde-Delaware Pool (96191). 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 1.8 miles west of Cotton Place, New Mexico.

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

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

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CASE NO. 14997

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 W/2 E/2 of Section 8 Township 24 South, Range 32 East, NMPM, Lea County, New Mexico and designating the consolidated units as a 160-acre  $\pm$  non-standard oil spacing and proration unit in the Delaware formation, Mesaverde-Delaware Pool (96191) for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Delaware formation underlying the W/2 E/2 of Section 8.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 8, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Bimini "8" Federal Com No. 2-H Well to be drilled horizontally from a surface location in the NW/4 NE/4 of Section 8 (Unit B) to a standard bottom hole location in the SW/4 SE/4 of Section 8 (Unit O),

to a depth sufficient to test the Delaware formation underlying the proposed project area in Section 8. The Completed Interval of the well 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-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 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 June 13, 2013 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 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: 

J. Scott Hall

Seth C. McMillan

P.O. Box 2307

Santa Fe, NM 87504-2307

(505) 982-3873 – Telephone

(505) 982-4289 – Fax

[shall@montand.com](mailto:shall@montand.com)

[smcmillan@montand.com](mailto:smcmillan@montand.com)

Attorneys for COG Operating LLC

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