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June 14, 2007

Case 13956

Florene Davidson
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87504

Re: Case No. _____; In the Matter of the Application of COG Operating LLC for Exception to the Well Density Limitations of Rule 104(B)(1) and for Simultaneous Dedication Within the Unit Area of the Grayburg-Jackson West Cooperative Unit, Eddy County, New Mexico

Dear Florene:

Enclosed for filing on behalf of COG Operating, L.L.C., is an original and two copies of the referenced application. Also enclosed in hard copy and on disk is a proposed advertisement. Please schedule this matter for hearing on the July 26, 2007 examiner hearing docket.

Thank you for your assistance and attention to this matter.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb

Enclosures

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

**IN THE MATTER OF THE APPLICATION OF COG
OPERATING LLC FOR EXCEPTION TO THE WELL
DENSITY LIMITATIONS OF RULE 104B(1) AND FOR
SIMULTANEOUS DEDICATION WITHIN THE UNIT
AREA OF THE GRAYBURG-JACKSON WEST
COOPERATIVE UNIT, EDDY COUNTY, NEW MEXICO**

CASE NO. 13956

APPLICATION

Applicant, COG Operating LLC, through its undersigned attorneys, Miller Stratvert P.A., hereby makes application pursuant to Division Rule 104D(3) for an order providing for a blanket exception to the oil well developmental density limitations of Division Rule 104B(1) and for simultaneous dedication for wells developed in the Unit Area of the Grayburg-Jackson West Cooperative Unit Agreement (Order Nos. R-3127, R-3127-A and R-3127-B) within all formations from the top of the Seven Rivers formation to the top of the Abo formation, Grayburg-Jackson Seven Rivers-Queen-Grayburg-Glorieta-Yeso Pool (97558) in Eddy County, New Mexico. In support thereof, Applicant would show the Division:

1. Applicant is the Operator of the Grayburg-Jackson West Cooperative Unit, the Unit Area of which is comprised of approximately 2,400 acres of State of New Mexico and fee lands located in Eddy County, New Mexico, described as follows:

Township 17 South, Range 29 East, NMPM

Section 15: W1/2SW1/4
Section 16: All
Section 21: All
Section 22: W1/2W1/2, E1/2NW1/4,
NE1/4SW1/4, NW1/4NE1/4
Section 27: W1/2SW1/4
Section 28: All

2. The Grayburg-Jackson West Cooperative Unit Agreement was originally approved by the Oil Conservation Commission on October 4, 1966 by Order No. R-3127 which was subsequently amended on March 4, 1968 by Order No. R-3127-A to include an additional 300 acres. The Unitized Formation under the Unit Agreement as originally described was that portion of the Grayburg San Andres formation encountered between the depths of 2,200' and 3,600' underlying the Unit Area. The Unit, as approved, was formed for the purposes of conducting primary and secondary recovery operations in the Unit Area. Waterflood operations are currently being conducted in the Grayburg-San Andres formation between the depths of 2,200' and 3,600'.

3. On June 13, 2006, the Division entered Order No. R-3127-B in Case No. 13609 which approved, *inter alia*, the extension of the vertical limits of the Unitized Formation and the Grayburg-Jackson Pool to include all formations from the top of the Seven Rivers formation to the base of the Glorieta-Yeso (Paddock) formation, being those depths from 1116' to 4636' below the Kelly Bushing as shown on the Schlumberger log of the Diamondbacks State No. 1 Well located 2040' FNL and 2140' FEL of Section 28, T17S, R29E, Eddy County, New Mexico.

4. By Order No. R-3127-C in Case No. 13848, the Division approved of the subsequent extension of the vertical limits of the Unitized Formation and the pool to include all formations from the top of the Seven Rivers formation to the top of the Abo formation and including the Blinbry formation. As a consequence of Order No. R-3127-C, all formations within the expanded vertical limits of the Unitized Formation are administered as a single common source of supply identified by the Division's nomenclature process as the Grayburg-Jackson Seven Rivers-Queen-Grayburg-Glorieta-Yeso Pool (28509).

5. Division Rule 104B(1) has been interpreted as limiting densities for oil well development at no more than four wells per each 40-acre spacing unit. In addition, the rule provides in part as follows: *“Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.”*

6. Certain 40-acre spacing units within the Grayburg-Jackson West Cooperative Unit are permissibly occupied by four or more wells currently operated in conjunction with the approved water flood project being conducted in the Grayburg-San Andres formation. Applicant seeks to drill additional wells to other formations within such areas in order to produce additional reserves, including reserves from the Blinbry formation. However, because the various formations within the Unit Area are administered as a single common source of supply, Rule 104B(1) is susceptible to interpretation in such a manner so that the drilling of additional wells to other formations within spacing units occupied by four or more wells would be prohibited. As a result, otherwise recoverable reserves in other formations underlying a tract with four or more wells operated in conjunction with Grayburg-San Andres waterflood operations would be rendered inaccessible.

7. Authorization to expand currently approved injection and waterflood operations into other formations is not sought by this Application.

8. Granting this Application will result with reasonable probability in the increased recovery of substantially more oil and/or gas from the Unit Area than would otherwise be recovered if Rule 104B(1) were applied so as to prevent the drilling of additional wells to additional formations in those spacing units occupied by four or more wells.

8. Granting the relief requested in this Application will also benefit the working interest owners and the royalty owners in the Unit Area, and is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant COG Operating LLC requests that this Application be set for hearing before one of the Division's examiners on July 26, 2007 and that after notice and hearing, the Division enter its order granting the relief requested above.

MILLER STRATVERT P.A.

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J. Scott Hall
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NMOCD Case No. 13956; *Application of COG Operating LLC for Exception to the Well Density Limitations of Rule 104B(1) and for Simultaneous Dedication Within the Unit Area of the Grayburg-Jackson West Cooperative Unit, Eddy County, New Mexico:* Applicant seeks an order pursuant to Division Rule 104D(3) providing for a blanket exception to the well developmental density limitations of Rule 104B(1) and for simultaneous dedication for wells developed in the Unit Area of the Grayburg-Jackson West Cooperative Unit within all formations from the top of the Seven Rivers formation to the top of the Abo formation, Grayburg-Jackson Seven Rivers-Queen-Grayburg-Glorieta-Yeso Pool. The Grayburg-Jackson West Cooperative Unit is comprised of approximately 2,400 acres of State of New Mexico and fee lands in the following area:

Township 17 South, Range 29 East, NMPM

Section 15: W1/2SW1/4
Section 16: All
Section 21: All
Section 22: W1/2W1/2, E1/2NW1/4,
NE1/4SW1/4, NW1/4NE1/4
Section 27: W1/2SW1/4
Section 28: All

The subject lands are located in the immediate vicinity of Loco Hills, New Mexico.

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