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November 16, 2010

Ms. Florene Davidson
New Mexico Oil & Gas Conservation Division
1220 S. St Francis Drive
Santa Fe, NM 87504

Hand Delivered

Re: NMOCD Case No. 14577; Application of COG Operating LLC for Vertical Extension of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Adres) Pool to Correspond with the Unitized Formation of the Burch-Keely Unit, Eddy County, New Mexico

Dear Ms. Davidson:

Attached for filing is an original and one copy of an Application in the above-referenced matter.

Please set this matter for hearing on December 16, 2010. Thank you.

Very truly yours,

Karen Williams
Assistant to J. Scott Hall

:kw
Enclosure

00234073

REPLY TO:

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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 VERTICAL EXTENSION OF
THE GRAYBURG-JACKSON (SEVEN RIVERS-
QUEEN-GRAYBURG-SAN ANDRES) POOL TO
CORRESPOND WITH THE UNITIZED FORMATION
OF THE BURCH-KEELY UNIT, EDDY COUNTY,
NEW MEXICO**

CASE NO. 1457

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APPLICATION

Applicant, COG Operating LLC ("COG") through its undersigned attorneys, Montgomery & Andrews, P.A., (J. Scott Hall), requests the New Mexico Oil Conservation Division ("Division") enter an order amending Division Order No. R-10067 to extend the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool (28509) to a depth of 5,000 feet to correspond with the Unitized Formation of the Burch-Keely Unit. In support of its Application, COG states:

1. COG is the operator of the Burch-Keely Unit in Eddy County, New Mexico comprised of 5,149.44 acres, more or less, of federal lands which were statutorily unitized pursuant to Oil Conservation Division Order No. R-7900-A dated October 28, 1993. The Unit boundaries include the following acreage:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 12:	SE/4 SE/4
Section 13:	All
Section 23 through 26:	All

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Sections 18 and 19:	All
Section 30:	All

2. The Unit Agreement for the Burch-Keely Unit defines the "Unitized Formation" as the interval from the top of the Seven Rivers formation to the base of the San Andres formation or to a true vertical depth of 5,000 feet, whichever is lesser.

3. On February 22, 1994, the Division entered Order No. R-10067 which abolished the Grayburg-Paddock Pool and extended the vertical limits of the Grayburg-Jackson Pool under the Unit Area to include the Glorieta Yeso (Paddock) formation. The vertical limits of the pool were amended to include that interval from the top of the Seven Rivers formation to 500 feet below the top of the Paddock formation. Pursuant to this order, the pool name was changed to the Grayburg-Jackson Paddock Pool, but the pool continues to be described in other records of the Division as the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool (28509). The horizontal limits of the pool correspond with the unit area of the Burch-Keely Unit.

4. In a related matter pending before the Division in Case No. 14558, Marbob Energy Corporation applied to extend the vertical limits of the Unitized Formation to 5,000 feet. A hearing on the Application in Case No. 14558 was held on November 28, 2010. Marbob established at the hearing that ownership of the interval within the proposed extension also corresponds with ownership of the Unitized Formation. All of the working interests in the Unit and in the proposed extension are owned by Marbob. COG recently acquired Marbob Energy Corporation's interests in the Unit, as well as in the extended interval, and COG is succeeding Marbob as Unit Operator. COG supported Marbob's Application at the hearing and provided evidence of plans to develop oil reserves within the Blinbry formation down to 5,000 feet.

5. The extended vertical limits of the Unitized Formation proposed in Case No. 14558 do not correspond with the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool as currently defined in Order No. R-10067. As a consequence,

development of Blinebry formation reserves within the proposed vertical extension of the Unitized Formation would potentially result in the inclusion of production from two intervals, one of which is a defined common source of supply, and the other which is presently undesignated.

6. Making the vertical limits of the expanded Unitized Formation and the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool uniform will accommodate future unit operations and facilitate administration of the single pool by both the Unit Operator and the Division. The need for the filing and processing of numerous down-hole commingling approvals would be eliminated and the potential for confusion in the reporting of production will be avoided.

7. Working interest and mineral interest ownership in the Unit Area and the proposed extension of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool are identical.

8. Extension of the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool will be in the interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, COG Operating LLC requests that this Application be set for hearing before one of the Division's examiners on December 16, 2010 and that after notice and hearing, the Division enters its order granting the relief requested above.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: 

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Attorneys for COG Operating LLC

00234062

Case 14577 : Application of COG Operating LLC for vertical extension of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to correspond with the Unitized Formation of the Burch-Keely Unit, Eddy County, New Mexico. Applicant seeks an order amending Division Order No. R-10067 to extend the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to a depth of 5,000 feet to correspond with the proposed extension of the Unitized Formation of the Burch-Keely Unit. The pool and unit area are comprised of the following lands:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 12: SE/4 SE/4
Section 13: All
Section 23 through 26: All

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Sections 18 and 19: All
Section 30: All

The pool and unit are located approximately 2 miles west of Loco Hills, New Mexico.

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