

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

2004 OCT 26 PM 4 07

October 26, 2004

Case 13376

Hand Delivered

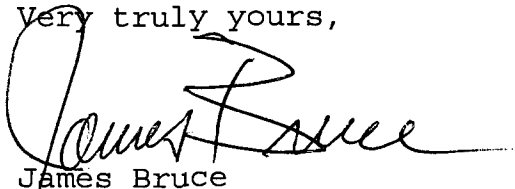
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of COG Operating LLC. Please set this matter for the November 18, 2004 Examiner hearing. Thank you.

The advertisement has also been e-mailed to Sally.

Very truly yours,



James Bruce

Attorney for COG Operating LLC

PARTIES BEING POOLED

Moore & Shelton Company
P.O. Box 3070
Galveston, Texas 77552

Mary T. Ard, Trustee
Apartment 313
222 West Fourth Street
Fort Worth, Texas 76102

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

2004 OCT 26 PM 4 07

APPLICATION OF COG OPERATING
LLC FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 13376

APPLICATION

COG Operating LLC applies for an order pooling all mineral leasehold interests from the surface to the base of the Morrow formation underlying the N½ of Section 33, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the N½ of Section 33, and has the right to drill a well thereon.

2. Applicant proposes to drill its Union Maduro Fed. Com. Well No. 3Y, from a surface location 1880 feet from the north line and 1980 feet from the west line of Section 33, to an orthodox bottomhole location in the NW¼NE¼ of Section 33, and seeks to dedicate the N½ of Section 33 to the well for all pools or formations developed on 320 spacing within that vertical extent, including the Undesignated Gem-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral leasehold interest owners in the N½ of Section 33 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore,

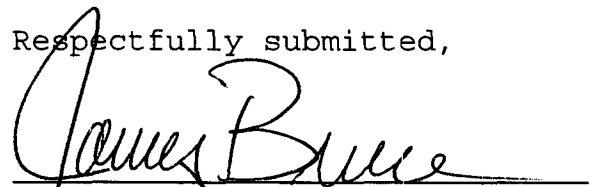
applicant seeks an order pooling all mineral leasehold interest owners in the N½ of Section 33, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral leasehold interests underlying the N½ of Section 33 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral leasehold interests in the N½ of Section 33, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and supervision costs, together with a provision adjusting those rates as provided in the COPAS accounting procedure; and
- E. Setting a 200% penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for COG Operating LLC

Proposed Advertisement

Case ~~1337~~: **Application of COG Operating LLC for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N½ of Section 33, Township 19 South, Range 33 East, N.M.P.M., to form a standard 320-acre gas spacing and proration unit for any and all formations developed on 320-acre spacing within that vertical extent, including the Undesignated Gem-Morrow Gas Pool. The unit is to be dedicated to the proposed Union Maduro Fed. Com. Well No. 3Y, to be drilled from a surface location 1880 feet from the north line and 1980 feet from the west line of section 33, to an orthodox bottomhole location in the NW¼NE¼ (Unit B) of Section 33. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chi Operating, Inc. as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 16 miles southwest of Buckeye, New Mexico.

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