

January 28, 2011

HAND-DELIVERED

Case 14602

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2011 JAN 28 P 3:51

Daniel Sanchez
Acting Division Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

**Re: Application of COG Operating, LLC for a non-standard spacing
and proration unit and compulsory pooling, Eddy County, New
Mexico.**

Dear Mr. Sanchez:

Enclosed is the application of COG Operating, LLC in the above-referenced case as well as a copy of a legal advertisement. COG Operating, LLC requests that this matter be placed on the docket for the March 3, 2011 Examiner hearings.

Sincerely,


Ocean Munds-Dry

Enclosures

cc: Dean Chumbley

**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 A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

2011 JAN 28 P 4: 01

CASE NO. 14602

APPLICATION

COG OPERATING, LLC, ("COG") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order: (1) creating a non-standard spacing unit comprised of the W/2 E/2 of Section 29 and the W/2 E/2 of Irregular Section 32, Township 26 South, Range 28 East, NMPM, which will be the project area for the Honey Graham State Com Well No. 3H and (2) pooling all mineral interests in the Bone Spring formation in the following described project area located in the W/2 E/2 of Section 29 and the W/2 E/2 of Irregular Section 32, Township 26 South, Range 28 East, N.M.P.M., Eddy County, New Mexico to form a 223.78-acre project area in the Bone Spring formation. In support of its application, COG states:

1. COG is a working interest owner in the W/2 E/2 of Section 29 and the W/2 E/2 of Irregular Section 32 and has the right to drill thereon.
2. COG proposes to dedicate the above-referenced spacing or proration unit to its Honey Graham State Com Well No. 3H to be drilled from a surface location 330 feet from the North line and 1980 feet from the East line (Unit B) of Section 29 and a bottomhole location 330 feet from the South line and 2310 feet from the East line (Unit G) of Section 32.

3. COG has sought and been unable to obtain voluntary agreement for the development of these lands from certain working interest owners in the subject spacing unit. These owners are identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and COG Operating, LLC should be designated the operator of the well to be drilled.

WHEREFORE, COG Operating, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 3, 2011 and, after notice and hearing as required by law, the Division enter its order:

- A. creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the W/2 E/2 of Section 29 and the W/2 E/2 of Irregular Section 32, Township 26 South, Range 28 East, NMPM;
- B. pooling all mineral interests in the subject project area,
- C. designating COG Operating, LLC operator of this project area and the well to be drilled thereon,
- D. authorizing COG Operating, LLC to recover its costs of drilling, equipping and completing the well,
- E. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- F. imposing a 200% penalty for the risk assumed by COG Operating, LLC in drilling and completing the well against any working interest owner who does

not voluntarily participate in the drilling of the well.

Respectfully submitted,
HOLLAND & HART LLP

By: Ocean Munds-Dry
Ocean Munds-Dry
Post Office Box 2208
Santa Fe, New Mexico 87504
(505)988-4421

ATTORNEYS FOR COG OPERATING, LLC

EXHIBIT A

**APPLICATION OF
COG OPERATING, LLC
FOR A NON-STANDARD SPACING AND PRORATION UNIT AND
COMPULSORY POOLING
W/2 E/2 OF SECTION 29 AND THE W/2 E/2 OF IRREGULAR SECTION 32,
TOWNSHIP 26 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO.**

Notification List for Pooling:

Frank Blow Fowlkes
Box 220232
El Paso, Texas 79713

Christine Fowlkes
404 Glenosa
El Paso, Texas 79928

Christopher C. Fowlkes
404 Glenosa
El Paso, Texas 79928

Janet Renee Fowlkes Murrey
Box 23416
Waco, Texas 76702

Trey Fowlkes
Box 23416
Waco, Texas 76702

Notification List for Non-Standard Spacing Unit:

OGX Resources, LLC
P.O. Box 953
Midland, Texas 79702

CASE 14602:

Application of COG Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order: (1) creating a non-standard spacing unit comprised of the W/2 E/2 of Section 29 and the W/2 E/2 of Irregular Section 32, Township 26 South, Range 28 East, NMPM and (2) pooling all mineral interests in the Bone Spring formation in the non-standard spacing unit which will be the project area for the Honey Graham State Com No. 3H to be drilled from a surface location 330 feet from the North line and 1980 feet from the East line of Section 29 and a bottomhole location 330 feet from the South line and 2310 feet from the East line of Section 32. 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 of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 15 miles north of Malaga, New Mexico.