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2011 OCT -3 P 3:38

October 3, 2011

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

**Hand-Delivered**

**Re: NMOCD Case No. 14756: Application of COG Operating LLC for Designation of a Non-Standard Oil Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Bailey:

On behalf of COG Operating, LLC, enclosed is an original and one copy of and Application in the above-referenced case. Please set this matter for hearing on the November 10, 2011 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw  
Enclosures

cc: Brandon Gaynor, COG Operating LLC

315357

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**REPLY TO:**

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

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**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,  
EDDY COUNTY, NEW MEXICO**

CASE NO. 14756

**APPLICATION**

COG OPERATING LLC, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rule 19.15.16.14 NMOCD 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 S/2 N/2 of Section 3, Township 17 South, Range 30 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Yeso formation, undesignated Mar Loco Glorieta-Yeso Pool for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Yeso formation underlying the S/2 N/2 of Section 3.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 3, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Carmen 3 Fed Com No. 1-H Well to be drilled horizontally from a standard surface location 2,310' from the North line and 330' from the West line to a bottom hole location 2,310' from the North line

and 330' from the East line to a depth sufficient to test the Yeso formation underlying the proposed project area in Section 3.

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 Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard unit 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 examiner of the Oil Conservation Division on November 10, 2011 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 well, 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 well, and making such other and further provisions as maybe proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P. A.

By: J. Scott Hall

J. Scott Hall

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Attorneys for COG Operating LLC

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**Case No. 14756 Application of COG Operating LLC for Designation of a Non-standard Spacing Unit and for Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order consolidating the 40-acre spacing units within the S/2 N/2 of Section 3, Township 17 South Range 30 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit for a well location in the Yeso formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Yeso formation underlying the S/2 N/2 of Section 3 to be dedicated to its Carmen 3 Fed Com No. 1-H Well to be drilled horizontally from a surface location 2310' from the North line and 330' from the West line to a bottom hole location 2310' from the North line and 330' from the East line to a depth sufficient to test the Yeso formation, undesignated Mar Loco Glorieta-Yeso pool. 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 6 miles northwest of Maljamar, New Mexico.