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February 28, 2013

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: NMOCD Case No. 14975: Application of COG Operating LLC for Designation of a Non-Standard Oil Spacing and Proration Unit and for Compulsory Pooling, Lea County, New Mexico

Dear Ms. Bailey:

On behalf of COG Operating, LLC, enclosed is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the April 4, 2013 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

JSH:kw
Enclosures

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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERAL 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,
LEA COUNTY, NEW MEXICO

CASE NO. 14975

APPLICATION

COG OPERATING LLC, by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rules 19.15.16.14 and 19.15.16.15 NMAC 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 E/2 W/2 of Section 11 and the E/2 NW/4 of Section 14, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico and designating the consolidated units as a 240-acre \pm non-standard oil spacing and proration unit in the Yeso formation, West Maljamar Yeso Pool (44500) for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Yeso formation underlying the E/2 W/2 of Section 11 and the E/2 NW/4 of Section 14.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Sections 11 and 14, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Pan Head Fee No. 4H Well to be drilled horizontally from a standard surface location in the NE/4 NW/4 of Section 11 (Unit C) to a standard bottom hole location in the SE/4 NW/4 of Section 16 (Unit F),

to a depth sufficient to test the Yeso formation underlying the proposed project area in Sections 11 and 14. The Completed Interval of the well will be located within the Producing Area of the proposed Project Area.

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 the Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard spacing and proration unit and non-standard project area 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 hearing examiner of the Oil Conservation Division on April 4, 2013 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 wells, 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 wells, and making such other and further provisions as may be 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. 14975 Application of COG Operating LLC for Designation of a Non-standard Spacing Unit and for Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order consolidating the 40-acre spacing units within the E/2 W/2 of Section 11 and the E/2 NW/4 of Section 14, Township 17 South Range 32 East, NMPM and designating the consolidated units as a 240-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 E/2 W/2 of Section 11 and the E/2 NW/4 of Section 14 to be dedicated to its Pan Head Fee No. 4-H Well to be drilled horizontally from a surface location in the NE/4 NW/4 of Section 11 to a standard bottom hole location SE/4 NW/4 of Section 14 to a depth sufficient to test the Yeso formation, West Maljamar Yeso Pool (44500). 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 2 miles southeast of Maljamar, New Mexico.

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