



MONTGOMERY
& ANDREWS

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

September 30, 2008

HAND DELIVERED

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

Re: NMOCD Case No. 14213 ; Application of COG Operating LLC
for Designation of a Non-Standard Spacing Unit and Compulsory
Pooling, Chaves County, New Mexico (Hercules Federal Well No. 1)

Dear Florene:

Enclosed for filing are the original and one copy of the Application of
COG Operating LLC in the above-referenced matter.

On behalf of the Applicant, we ask that this matter be set for
examiner hearing on October 30, 2008. A proposed advertisement is also
enclosed.

Very truly yours,

J. Scott Hall

JSH/mb

Enclosures

cc: Jan Spradlin
David Copeland, Esq.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Case No. 11213, Application of COG Operating LLC for Designation of a Non-standard Spacing Unit and for Compulsory Pooling, Chaves County, New Mexico (Hercules Federal Well No. 1). Applicant seeks an order consolidating the 40-acre spacing units within the S/2 N/2 of Section 15, Township 15 South Range 31 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Wolfcamp formation (wildcat) for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Wolfcamp formation underlying the S/2 N/2 of said Section 15 to be dedicated to its Hercules Federal Well No. 1 to be drilled horizontally from a surface location 1980' from the North line and 330' from the West line to a bottom hole location 1980' from the North line and 330' from the East line to a depth sufficient to test the Wolfcamp formation. 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 12 miles northeast of Loco Hills, New Mexico.

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, (HERCULES FEDERAL WELL NO. 1),
CHAVES COUNTY, NEW MEXICO

CASE NO. 14213

APPLICATION

COG OPERATING LLC, by its undersigned attorneys, Montgomery and Andrews, P.A., (J. Scott Hall), hereby makes application pursuant to *inter alia* Rules 104 and 111 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 15, Township 15 South, Range 31 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit in the Wolfcamp formation for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Wolfcamp formation (Wildcat) underlying the S/2 N/2 of said Section 15.

In support, Applicant states:

1. Applicant owns certain working interests in and under the S/2 N/2 of Section 15, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its Hercules Federal Well No. 1 to be drilled horizontally from a surface location 1980' from the North line

and 330' from the West line to a bottom hole location 1980' from the North line and 330' from the East line to a depth sufficient to test the Wolfcamp formation underlying the S/2 N/2 of Section 15.

3. Applicant has been unable to obtain leases or 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 unorthodox well location 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 October 30, 2008 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: T. J. Scott Hall

J. Scott Hall

P.O. Box 2307

Santa Fe, NM 87504-2307

(505) 982-3873 - Telephone

(505) 982-4289 - Fax

Attorneys for COG Operating LLC