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May 29, 2009

**HAND DELIVERED**

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

Re: <sup>14366</sup> ~~1138~~ NM OCD Case No. ~~1138~~, Application of COG Operating LLC for Designation of a Non-Standard Oil Spacing and Proration Unit, Unorthodox Well Location and Compulsory Pooling (Blackhawk "11" Fed Com No. 2-H), Eddy County, New Mexico

Dear Ms. Davidson:

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 August 6, 2009, or on a special hearing date to be determined by the Division. A proposed advertisement is also enclosed.

Very truly yours,

J. Scott Hall

JSH/kw  
 Enclosures  
 cc: Jan Spradlin  
 David Copeland, Esq  
 00089839

**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,  
UNORTHODOX WELL LOCATION, AND FOR  
COMPULSORY POOLING, (BLACKHAWK "11" FED  
COM NO. 2-H), EDDY COUNTY, NEW MEXICO

CASE NO. <sup>14366</sup>  
~~14358~~

APPLICATION

COG OPERATING LLC, by its undersigned attorneys, Montgomery and Andrews, P.A., (J. Scott Hall), hereby makes application pursuant to *inter alia* Rules 19.15.15 and 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 NE/4 SW/4, N2 SE/4 of Section 11, Township 16 South, Range 28 East, NMPM and designating the consolidated units as a 120-acre± non-standard oil spacing and proration unit in the Abo/Wolfcamp formation (Crow Flats Wolfcamp Pool) for Applicant's horizontal drilling project area;

B. Pooling all interests in the Abo/Wolfcamp formation underlying the NE/4 SW/4, N2 SE/4 of said Section 11; and

C. Approving the unorthodox well location described herein.

In support, Applicant states:

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

2. Applicant proposes to dedicate the above-referenced pooled unit to its Blackhawk "11" Fed Com No. 2-H to be drilled horizontally from an unorthodox surface location 1880' from the South line and 1590' from the West line to a bottom hole location 1650' from the South line and 330' from the East line to a depth sufficient to test the Abo/Wolfcamp formation underlying the proposed project area in Section 11.

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 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 August 6, 2009, or at a special hearing date to be determined, and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit, unorthodox well location 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

14366  
Case No. ~~1358~~ *Application of COG Operating LLC for Designation of a Non-standard Spacing Unit, Unorthodox Well Location, and for Compulsory Pooling, Eddy County, New Mexico (Blackhawk "11" Fed Com No. 2-H).* Applicant seeks an order consolidating the 40-acre spacing units within the NE/4 SW/4, N/2 SE/4 of Section 11, Township 16 South Range 28 East, NMPM and designating the consolidated units as a 120-acre± non-standard oil spacing and proration unit for an unorthodox well location in the Abo/Wolfcamp formation (Crow Flats Wolfcamp Pool) for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Abo/Wolfcamp formation underlying the NE/4 SW/4, N2 SE/4 of said Section 11 to be dedicated to its Blackhawk "11" Fed Com No. 2-H to be drilled horizontally from an unorthodox surface location 1880' from the South line and 1590' from the West line to a bottom hole location 1650' from the South line and 330' from the East line to a depth sufficient to test the Abo/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 11 Miles Northwest of Loco Hills, New Mexico.

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