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2010 JUN -3 P 3: 32

June 3, 2010

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

Re: **NMOCD Case No. 14500 : Application of COG Operating LLC for Designation of a Non-Standard Oil Spacing and Proration Unit and for Compulsory Pooling, Chaves County, New Mexico,**

Dear Ms. Davidson:

Attached for filing is an original and one copy of an Application in the above-referenced matter.

Please set this matter for hearing on July 8, 2010. Thank you.

Very truly yours,

Karen Williams  
Assistant to J. Scott Hall

:kw  
Enclosures

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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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2010 JUN -3 P 3: 32

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, CHAVES  
COUNTY, NEW MEXICO

CASE NO. 14500

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 S/2 of Section 3, 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 Abo/Wolfcamp formation for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Abo/Wolfcamp formation underlying the S/2 S/2 of said 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 Leo 3 Fed Com No. 1-H Well to be drilled horizontally from a surface location 660' from the South line

and 430' from the East line to a bottom hole location 660' from the South line and 330' from the West line to a depth sufficient to test the Abo/Wolfcamp 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 July 8, 2010, 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 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

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Attorneys for COG Operating LLC

*Case No. 14506; Application of COG Operating LLC for Designation of a Non-standard Spacing Unit and for Compulsory Pooling, Chaves County, New Mexico.* Applicant seeks an order consolidating the 40-acre spacing units within the S/2 S/2 of Section 3, Township 15 South Range 31 East, NMPM and designating the consolidated units as a 160-acre± non-standard oil spacing and proration unit for a well location in the Abo/Wolfcamp formation (Wildcat) for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Abo/Wolfcamp formation underlying the S/2 S/2 of said Section 3 to be dedicated to its Leo 3 Fed Com No. 1-H Well to be drilled horizontally from a surface location 660' from the South line and 430' from the East line to a bottom hole location 660' from the South line and 330' from the West 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 10 miles north of Maljamar, New Mexico.

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2010 JUN -3 P 3:33