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New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 1, 2009

30-01523911

Keith Connor
COG Operating LLC
2407 Pecos Ave.
Artesia, NM 88210

Email: KConnor@conchoresources.com

Re: COG Operating LLC (OGRID 229137)
Wells: DAVIS FEDERAL #003 (30-015-02727)
E HI LONESOME FEDERAL #001 (30-015-02706)
WELCH FEDERAL #002 (30-015-23911)

Dear Operator:

Subsection (F)(2) of Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC provides that the listing of a well on the OCD's inactive well list as a well inactive for more than one year plus 90 days creates a "rebuttable presumption" that the well is out of compliance with OCD Rule 19.15.25.8 NMAC.

An operator may rebut that presumption by providing evidence that the well is in compliance with OCD Rule 19.15.25.8 NMAC.

The 3 wells identified above currently appear on the OCD's inactive well list as wells inactive for more than one year plus 90 days. However, OCD inspectors have verified COG Operating LLC's (COG's) sworn statement that the 3 wells are producing.

COG has rebutted the presumption created by Rule 19.15.5.9.F.2 as to the 3 wells identified above.

Although the 3 above named wells appear on COG's inactive well list, the OCD should not consider them as out of compliance with Rule 19.15.5.9.A.4.d NMAC or include them in calculating COG's compliance with Rule 19.15.5.9 NMAC

Because COG indicates that the 3 wells were returned to production recently, the presumption that the wells are not inactive will remain until the date when COG is required to file C-115 production reports for the wells pursuant to OCD Rule 19.15.7.24



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NMAC. For the DAVIS FEDERAL #003 and WELCH FEDERAL #002, that date is June 15, 2009. For the E HI LONESOME FEDERAL #001, that date is July 15, 2009.

If COG fails to file C-115 production reports for the wells by the required dates, then the presumption that the wells are inactive will return.

Sincerely,

Daniel Sanchez, Compliance and Enforcement Manager

Ec: Larry Hill, District I
Sherry Bonham, District II
Charlie Perrin, District III
Sonny Swazo, OCD Attorney