COG OPERATING LLC Azores 701H & 702H wells Lea County, New Mexico

> Case No. 24097 BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING January 4, 2024





STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 24097

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 - o COG Exhibit A-1: Draft C-102s
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 - COG Exhibit A-3: Working Interest Ownership
 - o COG Exhibit A-4: Sample Well Proposal Letters & AFEs
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- COG Exhibit C: Notice Affidavit
- **COG Exhibit D:** Affidavit of Publication

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 24097	APPLICANT'S RESPONSE
Hearing Date	January 4, 2024
Applicant	COG Operating LLC
Designated Operator & OGRID (affiliation if applicable)	COG Operating LLC (OGRID 229137)
Applicant's Counsel:	Holland & Hart LLP
Case Title:	APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.
Entries of Appearance/Intervenors:	
Well Family	Azores Fed Com wells
Formation/Pool	
Formation Name(s) or Vertical Extent:	Upper Wolfcamp formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	N/A
Pool Name and Pool Code:	WC-025 G-08 S243217P; UPR WOLFCAMP (98248)
Well Location Setback Rules:	Statewide rules
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	320-acres
Building Blocks:	Quarter-quarter sections
Orientation:	South-North
Description: TRS/County	E2E2 of Sections 20 & 29, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe and is approval of non-standard unit requested in this application?	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	N/A
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit A-3
Well(s) Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status	
<u>(standard or non-standard)</u> Well #1	Azores Fed Com 701H (API Pending) SHL: 855' FSL, 620' FEL (Unit P) Sec. 29, T24S, R32E BHL: 50' FNL, 330' FEL (Unit A) Sec. 20, T24S, R32E Upper Wolfcamp formation South-North Completions are expected to be standard

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Well #2	Azores Fed Com 702H (API Pending) SHL: 855' FSL, 650' FEL (Unit P) Sec. 29, T24S, R32E BHL: 50' FNL, 990' FEL (Unit A) Sec. 20, T24S, R32E Upper Wolfcamp formation South-North
	Completions are expected to be standard
Horizontal Well First and Last Take Points	Exhibit A-1
Completion Target (Formation, TVD and MD)	Exhibit B
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$7,000
Production Supervision/Month \$	\$700
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	See filed Application
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit C
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-2
If approval of Non-Standard Spacing Unit is requested, Tract List (including lease numbers and owners) of Tracts subject to notice requirements.	N/A
Pooled Parties (including ownership type)	Exhibit A-3
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	Exhibit A-4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit A-3
Chronology of Contact with Non-Joined Working Interests	Exhibit A-5
Overhead Rates In Proposal Letter	Exhibit A-4
Cost Estimate to Drill and Complete	Exhibit A-4
Cost Estimate to Equip Well	Exhibit A-4
Cost Estimate for Production Facilities	Exhibit A-4
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-1
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B-4
HSU Cross Section	Exhibit B-4
Released to Imaging: 1/2/2024 4:12:38 PM Depth Severance Discussion	N/A -

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Forms, Figures and Tables	
C-102	Exhibit A-1
Tracts	Exhibit A-2
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit A-3
General Location Map (including basin)	Exhibit B-1
Well Bore Location Map	Exhibit B-1
Structure Contour Map - Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibit B-3
Cross Section (including Landing Zone)	Exhibit B-4
Additional Information	
Special Provisions/Stipulations	N/A
CERTIFICATION: I hereby certify that the information prov	vided in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Michael H. Feldewet
Signed Name (Attorney or Party Representative):	stachal + Falley ent
Date:	2-Jan-24

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. _24097

APPLICATION

COG Operating LLC ("Applicant"), through its undersigned attorneys, files this application with the Oil Conservation Division for an order pooling all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing unit comprised of the E2E2 of Sections 20 & 29, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico. In support of this application, COG states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.

2. Applicant seeks to designate COG Production LLC (OGRID No. 217955) as the operator of the proposed spacing unit.

3. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Azores Federal Com 701H** and **Azores Federal Com 702H** wells to be horizontally drilled from a surface location in the SE4 of Section 29, with first take points in the SE4SE4 (Unit P) of Section 29 and last take points in the NE4NE4 (Unit A) of Section 20.

4. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all the interest owners in the subject spacing unit.

5. The pooling of interests will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, 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 an Examiner of the Oil Conservation Division on January 4, 2024, and after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the proposed horizontal well spacing unit;
- C. Designating COG Production LLC as the operator of this spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- E. Approving the actual operating charges and costs of supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

Michael H. Feldewert Adam G. Rankin Paula M. Vance Post Office Box 2208 Santa Fe, New Mexico 87504-2208 (505) 988-4421 (505) 983-6043 Facsimile mfeldewert@hollandhart.com agrankin@hollandhart.com pmvance@hollandhart.com

ATTORNEYS FOR COG OPERATING LLC

Application of COG Operating LLC for Compulsory Pooling, Lea CASE : County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing unit comprised of the E2E2 of Sections 20 & 29, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed Azores Federal Com 701H and Azores Federal Com 702H wells to be horizontally drilled from a surface location in the SE4 of Section 29, with first take points in the SE4SE4 (Unit P) of Section 29 and last take points in the NE4NE4 (Unit A) of Section 20. Also, to be considered will be the cost of drilling and completing the wells, the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of COG Production LLC as operator, and the imposition of 200% charge for risk involved in drilling and completing the wells. Said area is located approximately 29 miles northwest of Jal, New Mexico.

STATE OF NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION DIVISION

APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 24097

SELF-AFFIRMED STATEMENT OF MICHAEL POTTS, LANDMAN

1. My name is Michael Potts, and I am employed by COG Operating LLC ("COG") as a Landman. My responsibilities include the Permian Basin of New Mexico. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters and my credentials have been accepted by the Division and made a matter of record.

2. I am familiar with the application filed by COG in this matter and the status of the lands in the subject area. There are no ownership depth severances in the Wolfcamp formation underlying the subject acreage.

3. COG seeks an order pooling all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing unit comprised of the E2E2 of Sections 20 and 29, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico. This spacing unit will be initially dedicated to the proposed **Azores Federal Com 701H** and **Azores Federal Com 702H** wells to be horizontally drilled from a surface location in the SE4 of Section 29, with first take points in the SE4SE4 (Unit P) of Section 29 and last take points in the NE4NE4 (Unit A) of Section 20.

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4. **Exhibit A-1** contains the Form C-102s for the proposed initial wells. They reflect that the wells will be assigned to the WC-025 G-08 S243217P; UPR WOLFCAMP pool (code 98248).

5. **Exhibit A-2** identifies the tracts of land comprising the proposed spacing unit, which consists of federal.

6. **Exhibit A-3** provides a working interest ownership breakdown by tract and by the proposed spacing unit. COG is seeking to pool the working interest owner OXY Y-1 Company highlighted in yellow on this exhibit. This exhibit also contains a list of overriding royalty interest owners and a record tile owner that COG also seeks to pool.

7. COG has been able to locate a mailing address for all the mineral owners that it seeks to pool.

8. **Exhibit A-4** contains a sample of the well proposal letter and AFE for the proposed wells submitted to the uncommitted working interest owner. The costs reflected in these AFEs are consistent with what COG and other operators have incurred for drilling similar horizontal wells in the area in this formation.

9. **Exhibit A-5** contains a chronology of the contacts with the uncommitted working interest owner. It reflects that COG has undertaken good faith effort to obtain voluntary joinder of this owner in the proposed spacing unit and initial wells.

10. COG requests overhead and administrative rates of \$7,000 per month for drilling and \$700 per month for a producing well. These rates are consistent with the rates charged by COG and other operators for similar wells in this area.

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11. I have provided the law firm of Holland and Hart LLP with the names and addresses of the mineral owners to be pooled and instructed that they be notified of this hearing.

12. Exhibits A-1 through A-5 were prepared by me or compiled under my direction from company business records.

13. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

in oth MICHAEL POTTS

<u>12/29/2023</u> Date

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40:33 PM BEFORE THE OIL CONSERVATION DUSCAN 2 of 34 Santa Fe, New Mexico Exhibit No. A-1 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097 Form C-102

District Inc. Hobbs, NM 88240 En Phone: (575) 393-0401 Fax: (575) 393-0720 En DISTRICT II 11 STRICT 1I 1000 R10 BRAZOS RD., AZTEC, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 DISTRICT III 1000 R10 BRAZOS RD., AZTEC, NM 87410 Phone: (505) 334-6170 DISTRICT IV 1220 S. ST. FRANCIS DR., SANTA FE, NM 87505 Phone: (505) 476-3462

OIL

DISTRICT I

CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

Form C-102 Revised August 1, 2011 Submit one copy to appropriate District Office

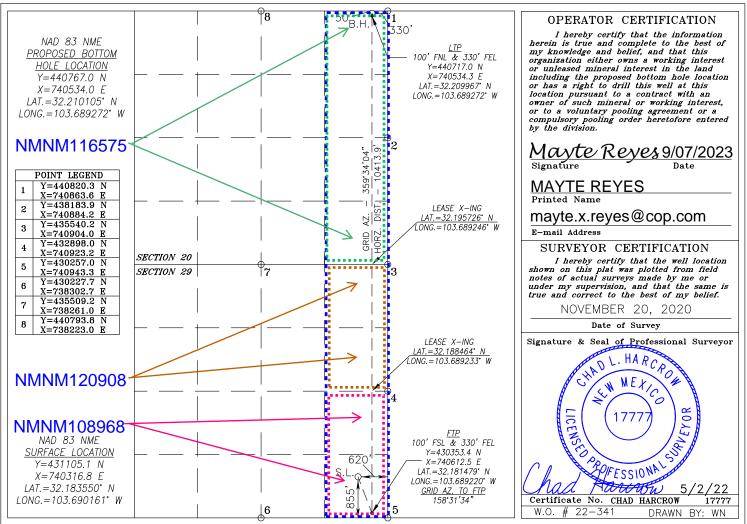
□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT API Number Pool Code Pool Name 98248 WC-025 G-08 S243217P;UPR WOLFCAMP 30-025-49136 Property Code Property Name Well Number 331170 701H AZORES FEDERAL COM OGRID No. **Operator** Name Elevation COG OPERATING, LLC 217955 3507.2 Surface Location UL or lot No. Section Lot Idn Feet from the North/South line Feet from the East/West line Township Range County Ρ 29 24-S 32-E 855 SOUTH 620 EAST LEA

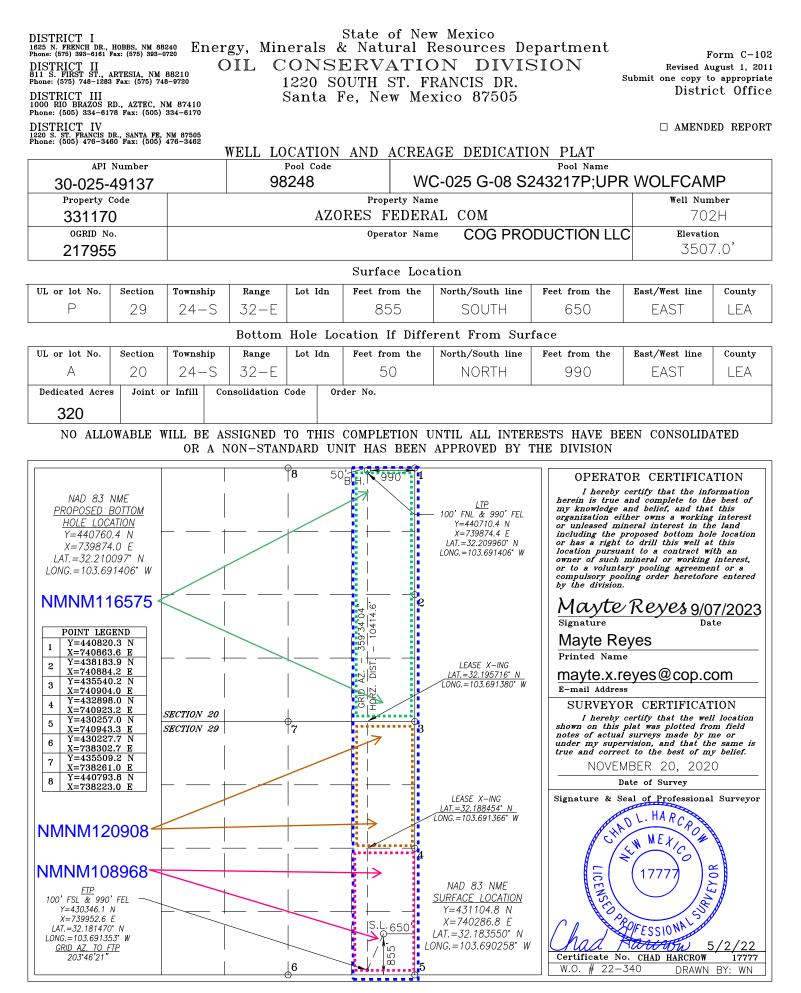
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Townsh	ip	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	20	24-	S	32-E		50	NORTH	330	EAST	LEA
Dedicated Acres	s Joint o	r Infill	Cor	nsolidation (Code Or	der No.				
320										

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



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Azores Federal Com (E2E2)

E2E2 of Sections 20 & 29 T24S, R32E, Lea County, NM

	20
	29



- USA NMNM 116575 (Tract 1)
- USA NMNM 120908 (Tract 2)
- USA NMNM 108968 (Tract 3)
- E2E2 spacing unit

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. A-2 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

Azores Federal Com

E2E2 of Sections 20 and 29 T24S, R32E, Lea County, NM

Working Interest Ownership

Tract 1 – E2E2 of Section 20, T24S, R32E, Lea County, NM

COG Operating LLC	<u>100.000000%</u>
Total	100.00000%

Tract 2 – E2NE of Section 29, T24S, R32E, Lea County, NM

COG Production LLC	<u>100.00000%</u>
Total	100.00000%

Tract 3 – E2SE of Section 29, T24S, R32E, Lea County, NM

COG Operating LLC	77.000000%
OXY Y-1 Company	20.00000%
Sharbro Energy, LLC	3.000000%
Total	100.00000%

Unit Recapitulation – E2E2 of Sections 20 and 29, T24S, R32E, Lea County, NM

COG Operating LLC	69.250000%
COG Production LLC	25.000000%
OXY Y-1 Company	5.000000%
Sharbro Energy, LLC	0.750000%
Total	100.00000%

Pooled Party List

Working Interest Owners

OXY Y-1 Company (Tract 3)

Overriding Royalty Interest Owners

Devon Energy Production Company, LP (Tract 1) Malaga EF7, LLC (Tract 2) Malaga Royalty, LLC (Tract 2) West Bend Energy Partners, LLC (Tract 3)

Record Title Owners

Devon Energy Production Company, LP (Tract 1)

Project Cost Summary

This document contains proposed and estimated project cost information which is proprietary and confidential to ConocoPhillips.

Well Name	AZORES FEDERAL COM 701H		
Job Type	Drill (Ver)		
State		New Mexico - 30	
County/Parish		Lea - 025	
Authorization Number		WA7.CDE.C043	



BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. A-4 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

		Grand Total			
Cost Feature Group	Drilling	Completions	P&A	Facilities	
A000: CASING & TUBING	\$1,647,000.00	\$0.00	\$0.00	\$207,000.00	
B000: WELLHEAD, XMAS TREE, AND ASST EQUIPT	\$75,000.00	\$25,000.00	\$0.00	\$57,200.00	
C000: COMPLETION EQUIPMENT & OTHER	\$0.00	\$0.00	\$0.00	\$955,838.00	
D000: LOCATION (WELLSITE RELATED)	\$73,550.00	\$12,500.00	\$0.00	\$35,702.00	
E000: RIGS & RIG RELATED	\$950,133.33	\$0.00	\$0.00	\$18,600.00	
F000: DRILLING & COMPLETION UTILITIES (ALL)	\$241,000.00	\$861,000.00	\$0.00	\$0.00	
G000: FLUID AND CHEMICALS SERVICES	\$313,950.00	\$45,000.00	\$0.00	\$0.00	
H000: DIRECTIONAL DRILLING / MWD / LWD	\$335,500.00	\$0.00	\$0.00	\$0.00	
J000: CEMENTING MATERIALS, SERVICES, AND CSG AG	CCS \$326,455.72	\$0.00	\$0.00	\$0.00	
K000: FORMATION EVALUATION	\$46,000.00	\$0.00	\$0.00	\$0.00	
M000: COMPLETION & TESTING	\$0.00	\$15,000.00	\$0.00	\$0.00	
N000: FORMATION STIMULATION & TREATING	\$0.00	\$3,027,000.00	\$0.00	\$0.00	
0000: CERTIFICATION, INSPECT, CONTROL & TEST	\$0.00	\$0.00	\$0.00	\$0.00	
P000: TRANSPORTATION SUPPLY & DISPOSAL	\$86,250.00	\$45,000.00	\$0.00	\$19,500.00	
Q000: DRLG TOOLS & EQPT RNTAL W/WO OPR	\$348,600.00	\$608,000.00	\$0.00	\$11,550.00	
R000: BITS & MILLS	\$115,000.00	\$4,000.00	\$0.00	\$0.00	
S000: SPECIAL SERVICES	\$125,500.00	\$290,000.00	\$0.00	\$17,100.00	
T000: MISCELLANEOUS	\$402,800.00	\$147,000.00	\$0.00	\$145,447.00	
U000: PERFORATING & SLICKLINE SERVICES	\$0.00	\$373,000.00	\$0.00	\$8,500.00	
V000: ENG & CONSTRUCTION(E&C), CONSLT, R&D	\$0.00	\$0.00	\$0.00	\$0.00	
W000: GENERAL FEES	\$42,500.00	\$5,000.00	\$0.00	\$0.00	
X000: CONOCOPHILLIPS LABOR & OVERHEAD	\$6,300.00	\$22,000.00	\$0.00	\$23,000.00	
Y000: TOTALS, CONTINGENCY & MISCELLANEOUS	\$0.00	\$0.00	\$0.00	\$0.00	
Grand Total	\$5,135,539.05	\$5,479,500.00	\$0.00	\$1,499,437.00	
Project Tangibles:	1,722,000.00	25,000.00	0.00	1,220,038.00	
Project Intangibles:	3,413,539.05	5,454,500.00	0.00	279,399.00	
Project Totals:	5,135,539.05	5,479,500.00	0.00	1,499,437.00	
1	otal Tangibles (\$)		2,967,038.00		
Т	otal Intangibles (\$)		9,147,438.05	_	
C	Grand Total (\$)		12,114,476.05	i i	
Approved By:		Date			

Approved By Approved Date



Project Cost Summary

This document contains proposed and estimated project cost information which is proprietary and confidential to ConocoPhillips.

Well Name	AZORES FEDERAL COM 702H		
Job Type	Drill (Ver)		
State		New Mexico - 30	
County/Parish		Lea - 025	
Authorization Number		WA7.CDE.C044	

Drilling \$1,647,000.00 \$75,000.00 \$75,000.00 \$73,550.00 \$950,133.33 \$241,000.00	Completions I \$0.00 \$ \$25,000.00 \$ \$0.00 \$ \$12,500.00 \$ \$0.00 \$	P&A \$0.00 \$0	Facilities \$207,000.00 \$57,200.00 \$955,838.00	
\$75,000.00 \$0.00 \$73,550.00 \$950,133.33 \$241,000.00	\$25,000.00 \$0.00 \$12,500.00 \$0.00	\$0.00 \$0.00 \$0.00	\$57,200.00 \$955,838.00	
\$0.00 \$73,550.00 \$950,133.33 \$241,000.00	\$0.00 \$12,500.00 \$0.00	\$0.00 \$0.00	\$955,838.0	
\$73,550.00 \$950,133.33 \$241,000.00	\$12,500.00 \$0.00	\$0.00		
\$950,133.33 \$241,000.00	\$0.00			
\$241,000.00		10.00	\$35,702.00	
		\$0.00	\$18,600.00	
	\$861,000.00	\$0.00	\$0.00	
\$313,950.00	\$45,000.00	\$0.00	\$0.00	
\$335,500.00	\$0.00	\$0.00	\$0.00	
S \$326,455.72	\$0.00	\$0.00	\$0.00	
\$46,000.00	\$0.00	\$0.00	\$0.00	
\$0.00	\$15,000.00	\$0.00	\$0.00	
\$0.00	\$3,027,000.00	\$0.00	\$0.00	
\$0.00	\$0.00	\$0.00	\$0.00	
\$86,250.00	\$45,000.00	\$0.00	\$19,500.00	
\$348,600.00	\$608,000.00	\$0.00	\$11,550.00	
\$115,000.00	\$4,000.00	\$0.00	\$0.00	
\$125,500.00	\$290,000.00	\$0.00	\$17,100.00	
\$402,800.00	\$147,000.00	\$0.00	\$145,447.00	
\$0.00	\$373,000.00	\$0.00	\$8,500.00	
\$0.00	\$0.00	\$0.00	\$0.00	
\$42,500.00	\$5,000.00	\$0.00	\$0.00	
\$6,300.00	\$22,000.00	\$0.00	\$23,000.00	
\$0.00	\$0.00	\$0.00	\$0.00	
\$5,135,539.05	\$5,479,500.00	\$0.00	\$1,499,437.00	
1,722,000.00	25,000.00	0.00	1,220,038.00	
3,413,539.05	5,454,500.00	0.00	279,399.00	
5,135,539.05	5,479,500.00	0.00	1,499,437.0	
tal Tangibles (\$)		2,967,038.0	0	
tal Intangibles (\$)	9,147,438.05			
and Total (\$)		12,114,476.05		
	Data			
	\$335,500.00 \$\$ \$326,455.72 \$46,000.00 \$0.00 \$0.00 \$0.00 \$86,250.00 \$348,600.00 \$115,000.00 \$125,500.00 \$402,800.00 \$402,800.00 \$402,800.00 \$40,000 \$40,000 \$42,500.00 \$42,500.00 \$413,539.05 1,722,000.00 3,413,539.05	\$335,500.00 \$0.00 \$326,455.72 \$0.00 \$46,000.00 \$0.00 \$0.00 \$15,000.00 \$0.00 \$3,027,000.00 \$0.00 \$3,027,000.00 \$0.00 \$3,027,000.00 \$0.00 \$0.00 \$0.00 \$3,027,000.00 \$0.00 \$0.00 \$0.00 \$0.00 \$15,000.00 \$445,000.00 \$115,000.00 \$4400.00 \$115,000.00 \$4400.00 \$125,500.00 \$290,000.00 \$125,500.00 \$290,000.00 \$402,800.00 \$147,000.00 \$0.00 \$0.00 \$0.00 \$0.00 \$402,800.00 \$147,000.00 \$402,800.00 \$147,000.00 \$0.00 \$0.00 \$0.00 \$0.00 \$42,500.00 \$22,000.00 \$5,135,539.05 \$479,500.00 \$1,722,000.00 \$25,000.00 \$1,722,000.00 \$25,000.00 \$1,135,539.05 \$479,500.00 \$1,135,539.05 \$479,500.00 \$141 Tangibles (\$)	\$335,500.00 \$0.00 \$0.00 \$326,455.72 \$0.00 \$0.00 \$46,000.00 \$0.00 \$0.00 \$0.00 \$15,000.00 \$0.00 \$0.00 \$15,000.00 \$0.00 \$0.00 \$15,000.00 \$0.00 \$0.00 \$3,027,000.00 \$0.00 \$0.00 \$0.00 \$0.00 \$86,250.00 \$45,000.00 \$0.00 \$348,600.00 \$608,000.00 \$0.00 \$115,000.00 \$44,000.00 \$0.00 \$125,500.00 \$290,000.00 \$0.00 \$125,500.00 \$290,000.00 \$0.00 \$402,800.00 \$147,000.00 \$0.00 \$0.00 \$0.00 \$0.00 \$42,500.00 \$22,000.00 \$0.00 \$42,500.00 \$22,000.00 \$0.00 \$42,500.00 \$22,000.00 \$0.00 \$42,500.00 \$0.00 \$0.00 \$42,500.00 \$0.00 \$0.00 \$5,135,539.05 \$5,479,500.00 0.00 \$1,722,000.	

Approved By **Approved Date**



ConocoPhillips 600 W. Illinois Ave. Midland, TX 79701 www.conocophillips.com

April 11, 2023

Via FedEx OXY Y-1 Company 5 Greenway Plaza, Ste 110 Houston, TX 77046

RE: Well Proposal: Azores Fed Com E2E2 WC Township 24 South, Range 32 East, N.M.P.M. Section 20: E2E2 Section 29: E2E2 Lea County, New Mexico

To Whom It May Concern:

Reference is made to that certain Operating Agreement dated March 1, 2023, by and between COG Production LLC (COG), as Operator, and Sharbro Energy LLC et al.., as Non-Operator (the "JOA").

Pursuant to the terms of the JOA, COG proposes to drill the following wells located in the E/2E/2 of Section 20 and E/2E/2 of Section 29, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico:

The **Azores Federal Com 701H** as a horizontal well at an approved surface hole location located in Section 29 and a bottom hole location of 50' FNL and 330' FEL of Section 20, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 22,287' and a MD of approximately 24,200' to test the Wolfcamp Formation ("Operation"). The total cost of the Operation is estimated to be \$12,114,476.05 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

The **Azores Federal Com 702H** as a horizontal well at an approved surface hole location located in Section 29 and a bottom hole location of 50' FNL and 990' FEL of Section 20, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately 22,305' and a MD of approximately 24,200' to test the Wolfcamp Formation ("Operation"). The total cost of the Operation is estimated to be \$12,114,476.05 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing these wells under the terms of a new Operating Agreement which is included for your review and approval. It has the following general provisions:

- 100/300 Non-Consenting Penalty;
- \$7,000/\$700 Drilling and Producing Rate; and
- COG Production LLC named as Operator.

If you do not wish to participate in the Operation, COG would like to discuss the term assignment of your interest to COG under the following terms:

- \$2,000 / acre bonus;
- 3 year Primary Term; and
- Overriding Royalty Interest reserved unto assignor of the positive difference (if any) between existing burdens of record and 25%.

Please indicate your desire to term assign your Working Interest to COG by contacting me at the email or telephone number below. This invitation to discuss a term assignment remains open until thirty (30) days after your receipt of any pooling order obtained from the NMOCD.

If we do not reach an agreement within 30 days of the date of this letter, COG will apply to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a horizontal spacing unit for the proposed wells.

Please indicate your participation election by signing in the space provided on page 3, sign and return this letter, along with a signed copy of the enclosed AFEs and a copy of your geologic requirements, to my attention at the letterhead address or by email to <u>Jennifer.C.Lujano@conocophillips.com</u>.

If you have any questions, please do hesitate to contact the undersigned at 432-253-4542, or <u>Michael.Potts@conocophillips.com</u>.

Sincerely, COG Production LLC

mil Path

Michael Potts, CPL Staff Land Negotiator Delaware Basin NM East <u>Michael.Potts@conocophillips.com</u>

Participation Elections:

- I/We hereby elect to participate in the drilling and completion of the **Azores Federal Com 701H**.
- I/We hereby elect <u>not</u> to participate in the drilling and completion of the **Azores Federal Com 701H**.
- I/We hereby elect to participate in the drilling and completion of the **Azores Federal Com 702H**.
 - I/We hereby elect <u>not</u> to participate in the drilling and completion of the **Azores Federal Com 702H**.

OXY Y-1 Company

By:	
Name:	
Title:	
Date:	

Owner Name	INTEREST TYPE	<u>Proposal</u>	Add'l Correspondence
OXY Y-1 Company	WI	04/11/23	
			5/23/2023 - email working trade
			6/21/2023 - email working trade
			7/6/2023 - email working trade
			7/10/2023 - email follow up re: trade
			8/1/2023 - email working trade
			9/5/2023 - email working trade
			9/7/2023 - email working trade
			9/27/2023 - email communicating trade
			declined
			10/6/2023 - email communicating agreement
			to JOA revisions
			10/10/2023 - email development timing
			10/31/2023 - email regarding JOA
			11/27/2023 - email letter agreement
			11/28/2023 - email JOA
			12/5/2023 - email Com Ag

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. A-5 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATIONS OF COG OPERATING LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE Nos. 24097-24100

SELF-AFFIRMED STATEMENT OF BEN BREYMAN, GEOLOGIST

1. My name is Ben Breyman, and I am employed as a geologist by COG Operating LLC ("COG"), now a wholly owned subsidiary of ConocoPhillips Company. I am familiar with the applications filed in these consolidated cases and I have conducted a geologic study of the lands in the subject area.

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology and my credential have been accepted and made a matter of public record.

3. **COG Exhibit B-1** is an area map showing the location of COG's proposed spacing units outlined in red with dashed purple lines depicting the orientation and general location of COG's initial wells targeting the Wolfcamp formation. This map also shows the existing wells in the surrounding sections that are completed in the Wolfcamp formation.

4. The initial target for the proposed wells is the Wolfcamp A interval of the Wolfcamp formation.

5. **COG Exhibit B-2** is subsea structure maps that I prepared for the top of the Wolfcamp formation with contour intervals of 50 feet. COG's proposed spacing units are outlined in red. This exhibit demonstrates that the structure in the Wolfcamp formation is consistent across the proposed spacing unit and dips gently to the east. I do not observe

any faulting, pinch outs, or other geologic impediments to developing this formation in this area with horizontal wells.

6. **COG Exhibit B-3** depicts a line of cross section through COG's proposed horizontal spacing unit from A to A'. I chose the logs from these wells to create the cross section because they penetrate the targeted interval and are of good quality. In my opinion, these well logs are representative of the geology in the subject area.

7. **COG Exhibit B-4** is a stratigraphic cross section that I prepared using the logs from the representative wells shown on Exhibit B-3. Each well on the cross-section contains gamma ray, resistivity, and porosity logs. The target intervals for the initially proposed wells are identified on the exhibit with "Shale Target Interval" colored red. The cross-section demonstrates that the targeted intervals are continuous and relatively uniform across the proposed spacing unit.

8. My geologic study indicates the Wolfcamp formation underlying the subject area is suitable for development by horizontal wells and the acreage comprising the proposed horizontal spacing unit will be productive and contribute proportionately to the production from the wells.

9. As reflected in Exhibit B-1, the primary orientation for the existing wells targeting the Wolfcamp formation in this area is standup. In my opinion the standup orientation of COG's proposed wells is consistent with existing development and appropriate for the stress orientation in the Wolfcamp formation in this area, which is roughly north and south direction.

10. In my opinion, approval of these applications is in the best interest of conservation, the prevention of waste, and protection of correlative rights.

11. **COG Exhibits B-1 through B-4** were either prepared by me or compiled under my direction and supervision.

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12. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in these cases. This statement is made on the date next to my signature below.

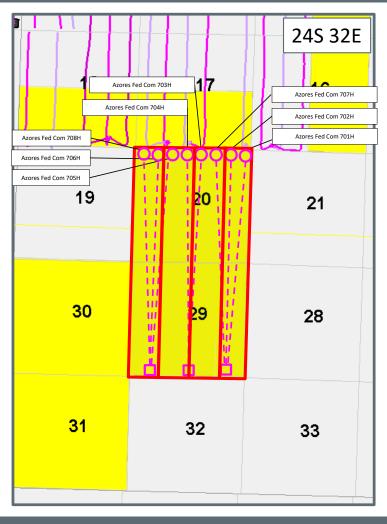
Ben Brynn

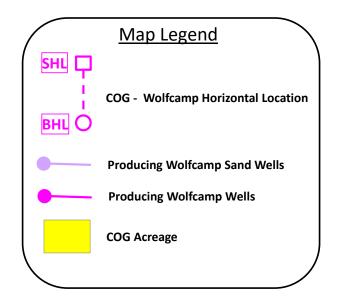
Ben Breyman

12/29/23

Date

Саse No. 24097-24100: Azores Federal Com (WC) 708н, 706н, 705н, 704н, 703н, 707н, 702н and 701



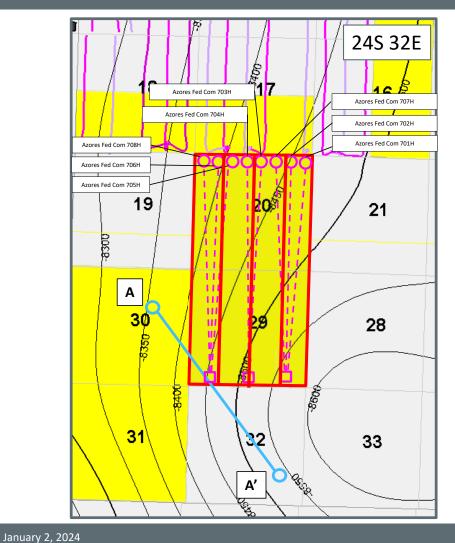


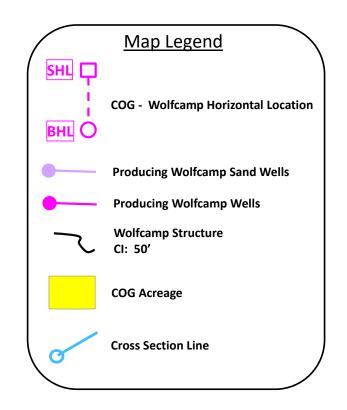
BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. B-1 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

ConocoPhillips

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. B-2 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

Wolfcamp Subsea Structure Map





D-2

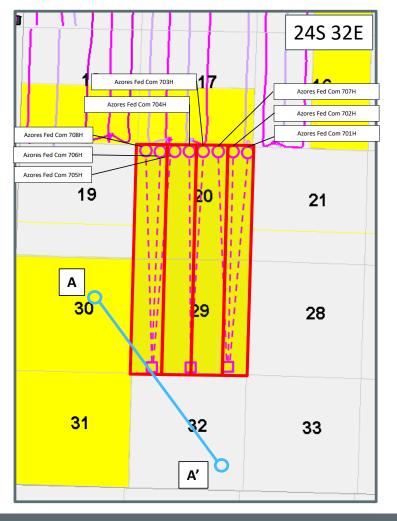
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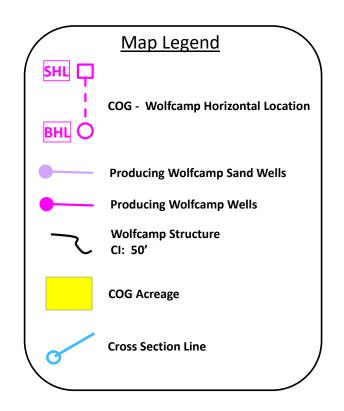
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BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. B-3 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

X-section location map



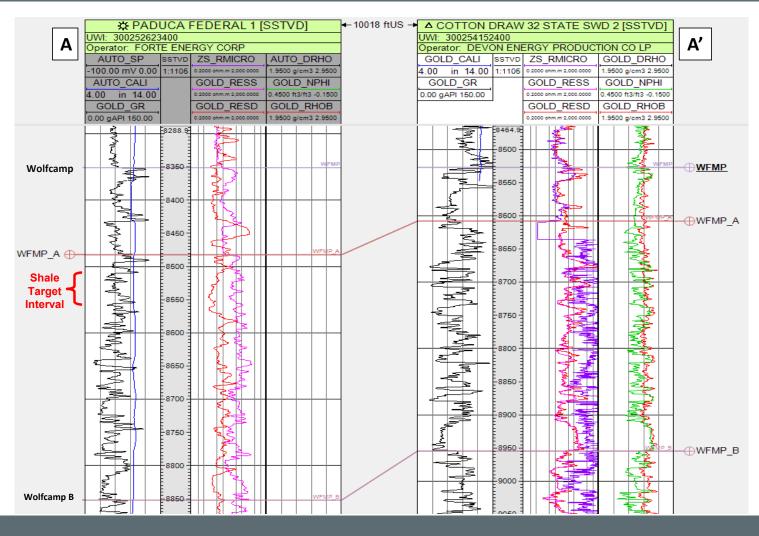


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Case No. 24097-24100: Azores Federal Com Section A-A'



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ConocoPhillips

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BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. B-4 Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

D-3

January 2, 2024

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. 24097

AFFIDAVIT

STATE OF NEW MEXICO)) ss. COUNTY OF SANTA FE)

Michael H. Feldewert, attorney in fact and authorized representative of the Applicant herein, being first duly sworn, upon oath, states

1. The above-referenced application and notice of the hearing on this application was sent by certified mail to the affected parties on the date set forth in the letter attached hereto.

2. The spreadsheet attached hereto contains the names of the parties to whom notice was provided.

3. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of December 29, 2023.

4. I caused a notice to be published to all parties subject to this compulsory pooling proceeding on December 17, 2023. An affidavit of publication from the publication's legal clerk with a copy of the notice publication is attached as Exhibit D.

Michael H. Feldewert

BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. C Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

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State of New Mexico)

County of Santa Fe)

SUBSCRIBED AND SWORN to before me this 2nd day of January, 2024 by

Michael H. Feldewert.

tary Public

My Commission Expires:

STATE OF NEW MEXICO NOTARY PUBLIC KARI D PEREZ **COMMISSION # 1138272** COMMISSION EXPIRES 06/28/2026

Holland & Hart

Michael H. Feldewert Partner Phone (505) 988-4421 mfeldewert@hollandhart.com

December 15, 2023

VIA CERTIFIED MAIL CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of COG Operating LLC for Compulsory Pooling, Lea County, New Mexico: *Azores Federal Com 701H and 702H wells*

Ladies & Gentlemen:

This letter is to advise you that COG Operating LLC has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on January 4, 2024, and the status of the hearing can be monitored through the Division's website at https://www.emnrd.nm.gov/ocd/.

Due to the remodeling of the state building where the New Mexico Oil Conservation Division is located, hearings will be conducted remotely beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <u>https://www.emnrd.nm.gov/ocd/hearing-info/</u>.

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Michael Potts at (432) 253-4542 or at Michael.Potts@conocophillips.com.

Sincerely,

Stuchal + Fillevers

Michael H. Feldewert ATTORNEY FOR COG OPERATING LLC

Location

110 North Guadalupe, Suite 1 Santa Fe, NM 87501-1849 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208 Contact p: 505.988.4421 | f: 595.983.6043 www.hollandhart.com

Holland & Hart LLP Anchorage Aspen Billings Boise Boulder Cheyenne Denver Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C.

		, ,				
9414811898765496119780	OXY Y-1 Company	5 Greenway Plz Ste 110	Houston	ТХ	77046-0521	Your item has been delivered to an agent for final delivery in HOUSTON, TX 77046 on December 19, 2023 at 11:33 am.
9414811898765496119735	Devon Energy Production Company, LP	333 W Sheridan Ave	Oklahoma City	ОК	73102-5010	Your item was picked up at a postal facility at 9:51 am on December 20, 2023 in OKLAHOMA CITY, OK 73102.
9414811898765496119919	Malaga EF7, LLC	PO Box 731287	Dallas	тх	75373-1287	Your item was picked up at a postal facility at 5:19 pm on December 21, 2023 in DALLAS, TX 75260.
9414811898765496119957	Malaga EF7, LLC	1717 West Loop S Ste 1800	Houston	тх	77027-3049	Your item was delivered to the front desk, reception area, or mail room at 3:59 pm on December 19, 2023 in HOUSTON, TX 77027.
9414811898765496119964	Malaga EF7, LLC	PO Box 470788	Fort Worth	ТХ	76147-0788	Your item has been delivered and is available at a PO Box at 7:51 am on December 19, 2023 in FORT WORTH, TX 76147.
9414811898765496119926	Malaga Royalty, LLC	PO Box 2064	Midland	TX		Your item was picked up at the post office at 11:14 am on December 21, 2023 in MIDLAND, TX 79701.
9414811898765496119902	West Bend Energy Partners, LLC	1320 S University Dr Ste 701	Fort Worth	TX	76107-8061	Your item was delivered to the front desk, reception area, or mail room at 2:20 pm on December 19, 2023 in FORT WORTH, TX 76107.

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COG - Azores 701H and 702H wells - Case no. 24097
Postal Delivery Report

						Your item was picked up at a
						postal facility at 9:51 am on
						December 20, 2023 in
9414811898765496119995	Devon Energy Production Company, LP	333 W Sheridan Ave	Oklahoma City	ок	73102-5010	OKLAHOMA CITY, OK 73102.

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Affidavit of Publication

STATE OF NEW MEXICO COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

> Beginning with the issue dated December 17, 2023 and ending with the issue dated December 17, 2023.

Publisher

Sworn and subscribed to before me this 17th day of December 2023.

meRithelack

Business Manager

My commission expires January 29, 2027 (Seal)

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said publication has been made. LEGAL NOTICE December 17, 2023

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO

The State of New Mexico, Energy Minerals and Natural Resources Department, Oll Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following cases. The hearings will be conducted remotely on Thursday, January 4, 2024, beginning at 8:15 a.m. To participate in the hearings, see the instructions posted below. The docket may be viewed at https://www.emnrd.nm.gov/ocd/hearing-info/ or obtained from Sheila Apodaca, at Sheila.Apodaca@emnrd.nm.gov. Documents filed in these cases may be viewed at https://ocdimage.emnrd.nm.gov/Imaging/Default.aspx. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Sheila Apodaca at Sheila.Apodaca@emnrd.nm.gov, or the New Mexico Relay Network at 1-800-659-1779, no later than December 24, 2023.

Persons may view and participate in the hearings through the following link: https://nmemnrd.webex.com/nmemnrd/j.php?MTID=mdc8645ccf2c0febe64ceac7 20dd750a3

Webinar number: 2484 878 5178

Join by video system: Dial 24848785178@nmemnrd.webex.com You can also dial 173.243.2.68 and enter your webinar number.

Join by phone: 1-844-992-4726 United States Toll Free +1-408-418-9388 United States Toll

Access code: 2484 878 5178 Panelist password: bxEpP3Je3a5 (29377353 from phones and video systems)

> STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following case and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All affected interest owners, including: OXY Y-1 Company; Devon Energy Production Company, LP; Malaga EF7, LLC; Malaga Royalty, LLC; West Bend Energy Partners, LLC, and Devon Energy Production Company, LP.

Case No. 24097: Application of COG Operating LLC for Compulsory Pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing unit comprised of the E2E2 of Sections 20 & 29, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Azores Federal Com 701H** and **Azores Federal Com 702H** wells to be horizontally drilled from a surface location in the SE4 of Section 29, with first take points in the SE4SE4 (Unit P) of Section 29 and last take points in the NE4NE4 (Unit A) of Section 20. Also, to be considered will be the cost of drilling and completing the wells, the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of COG Production LLC as operator, and the imposition of 200% charge for risk involved in drilling and completing the wells. Said area is located approximately 29 miles northwest of Jal, New Mexico. #00285826

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00285826

HOLLAND & HART LLC PO BOX 2208 SANTA FE, NM 87504-2208

> BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Exhibit No. D Submitted by: COG Operating LLC Hearing Date: January 4, 2024 Case No. 24097

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