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

NMOCD – ACOI 288-D

IN THE MATTER OF COG OPERATING, LLC

Respondent.

INACTIVE WELL  
AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and COG Operating, LLC ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI"). Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein in accordance with the following agreed schedule and procedures, or face the possibility of no further agreed compliance orders. See 19.15.25.8 NMAC

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a limited liability company doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 229137 for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

"A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.

B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....

....

(3) a period of one year in which a well has been continuously inactive."

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5. The wells identified in Exhibit "A"
  - (a) have been continuously inactive for a period of one year plus 90 days;
  - (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
  - (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
6. An operator faces sanctions if it is out of compliance with OCD Rule 19.15.5.9 NMAC. Sanctions include possible denial of registration by operator or certain related entities (OCD Rule 19.15.9.8B NMAC), possible denial of change of operator that would transfer wells to the noncompliant operator (OCD Rule 19.15.9.9C.1 NMAC), mandatory denial of injection permits (OCD Rule 19.15.26.8A NMAC), possible revocation of injection permits after notice and hearing (OCD Rule 19.15.26.8A NMAC), possible denial of applications for a drilling permit (OCD Rule 19.15.14.10A NMAC), and mandatory denial of allowable and authorization to transport (OCD Rule 19.15.16.19A NMAC).
7. Based on the information provided, within six (6) months, the operator may be out of compliance with OCD Rule 19.15.5.9.A(4) NMAC because it will have too many wells out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule) that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with the inactive well rule and imposing sanctions if the schedule is not met. See OCD Rule 19.15.5.9(A)(4) NMAC.
8. As the operator of record of **3,914** wells, to be in compliance with OCD Rule 19.15.5.9.A(4) NMAC, Operator may have no more than **10** wells out of compliance with OCD Rule 19.15.25.8 NMAC (inactive well rule). See OCD Rule 19.15.5.9A(4)(b) NMAC. According to the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, Operator will have **86** wells out of compliance with the inactive well rule over the next six months if no action is taken prior to December 30, 2016. A copy of Operator's inactive well list as of June 22, 2016 is attached as Exhibit "A." This list includes wells that will fall onto the inactive well list in six (6) months if no action is taken to bring these wells into compliance. Operator faces sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.
9. Operator intends to seek privileges from the OCD that would be subject to sanction due to Operator being out of compliance with OCD Rule 19.15.5.9 NMAC. By placing the wells identified in Exhibit "A" under this Order, Operator will not face sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

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## CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit "A" are out of compliance or will be out of compliance with OCD Rule 19.15.25.8 NMAC.
3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.
4. The OCD and Operator enter into this Order to remove the wells identified in Exhibit "A" from the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC and consideration of Operator's compliance with the inactive well rule for purposes of Operator's compliance with OCD Rule 19.15.5.9 NMAC. Operator remains subject to sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC IF Operator becomes out of compliance with OCD Rule 19.15.5.9 NMAC for any reason other than the inactive wells identified in Exhibit "A."

## ORDER

1. Operator agrees to bring **10** wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by December 30, 2016 via
  - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
  - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
  - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be

mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of December 30, 2016. The total length of this Agreed Compliance Order is six months.

4. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.
5. This Order shall expire on January 30, 2017. At that time, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, and will be considered when determining Operator's compliance with OCD Rule 19.15.5.9 NMAC.
6. By signing this Order, Operator expressly:
  - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - (b) agrees to return to compliance 10 wells identified in Exhibit "A" by December 30, 2016;
  - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the December 30, 2016 compliance deadline set by this Order;
  - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order other than a hearing on a request for waiver; and
  - (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 27th day of June, 2016

By: David Catanach

David Catanach

Director, Oil Conservation Division

**ACCEPTANCE**

COG Operating, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

By: Clay Bateman

(Please print name) CLAY BATEMAN

Title: VP OF NEW MEXICO

Date: 6-23-2016

## Exhibit A to Agreed Compliance Order for COG Operating, LLC

Total Well Count: 3914 Inactive Well Count: 86

Printed On: Wednesday, June 22 2016

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-39292	ALMOST HEROES 1 FEDERAL #004H	M-01-24S-29E	M	229137	COG OPERATING LLC	F	O	09/2013	BONE SPRING SPUD 08/30/11		
2	30-015-39625	ARABIAN 6 FEE #006H	N-06-19S-26E	N	229137	COG OPERATING LLC	P	O	05/2015	SA-YESO		
2	30-015-42004	ARABIAN 6 FEE #010H	4-31-18S-26E	M	229137	COG OPERATING LLC	P	O	11/2014	YESO FORMATION		
2	30-015-27619	ARCO 26 A STATE #001	K-26-17S-28E		229137	COG OPERATING LLC	S	O	11/2014	GRAYBURG 07/13/10 ADD PERFS		
2	30-015-29150	ARCO 26 A STATE #004	C-26-17S-28E	C	229137	COG OPERATING LLC	S	O	05/2014	SAN ANDRES		
2	30-015-33486	BERRY A FEDERAL #015Q	F-21-17S-30E	F	229137	COG OPERATING LLC	F	O	06/2014	GLORIETA-YESO		
2	30-015-37832	BIG PAPI FEDERAL COM #001H	B-04-26S-29E	B	229137	COG OPERATING LLC	F	O	06/2015	BS RETUNG WELL TO PROD 10/14/11		
2	30-015-35126	BLACK EAGLE FEDERAL #001	N-17-24S-28E	N	229137	COG OPERATING LLC	F	G	10/2011	MORROW		
2	30-015-20393	BURCH KEELY UNIT #044	D-24-17S-29E	D	229137	COG OPERATING LLC	F	O	05/2015			
2	30-015-20338	BURCH KEELY UNIT #046	C-24-17S-29E	C	229137	COG OPERATING LLC	F	O	10/2014			
2	30-015-21268	BURCH KEELY UNIT #051	1-19-17S-30E	D	229137	COG OPERATING LLC	F	O	09/2014			
2	30-015-28336	BURCH KEELY UNIT #263	O-24-17S-29E	O	229137	COG OPERATING LLC	F	O	10/2014	GLOR-UPPER YESO		
2	30-015-29821	BURCH KEELY UNIT #279	O-19-17S-30E	O	229137	COG OPERATING LLC	F	O	08/2015	GLOR-UPPER YESO		
2	30-015-30490	BURCH KEELY UNIT #294	B-25-17S-29E	B	229137	COG OPERATING LLC	F	O	05/2015	GLOR-UPPER YESO		
2	30-015-27366	CEDAR CANYON 10 FEDERAL #001	C-10-24S-29E		229137	COG OPERATING LLC	F	O	12/2014	BONE SPRING		
2	30-015-24993	COLLIER STATE #015	O-22-17S-28E	O	229137	COG OPERATING LLC	S	O	01/2015			
1	30-025-31385	COMANCHE 17 STATE #001	G-17-21S-33E	G	229137	COG OPERATING LLC	S	G	01/2015			
1	30-025-34020	CONCHO BG STATE #002	J-19-17S-35E	J	229137	COG OPERATING LLC	S	G	08/2014	PENN		
2	30-015-21809	DELHI STATE #004	D-33-17S-28E	D	229137	COG OPERATING LLC	S	O	08/2015			
2	30-015-10221	DEXTER #001	J-22-17S-30E	J	229137	COG OPERATING LLC	F	O	05/2015			
2	30-015-10220	DEXTER #002	K-22-17S-30E	K	229137	COG OPERATING LLC	F	O	04/2015	GLORIETA-YESO		
2	30-015-20079	DODD FEDERAL UNIT #038	G-15-17S-29E	G	229137	COG OPERATING LLC	F	O	05/2015			
2	30-015-25136	DODD FEDERAL UNIT #059	O-14-17S-29E	O	229137	COG OPERATING LLC	F	O	02/2015			
2	30-015-32815	DRY LAND SHINER FEDERAL #001	1-03-21S-25E		229137	COG OPERATING LLC	F	G	09/2014	BONE SPRING		
2	30-015-10046	ETZ STATE UNIT #106	F-16-17S-30E	F	229137	COG OPERATING LLC	S	O	09/2014			
2	30-015-04172	ETZ STATE UNIT #116	O-16-17S-30E	O	229137	COG OPERATING LLC	S	O	09/2014			
2	30-015-20746	ETZ STATE UNIT #118	N-16-17S-30E	N	229137	COG OPERATING LLC	S	O	08/2014			

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2	30-015-25894	EXXON 8 FEDERAL #001	A-08-25S-29E	A	229137	COG OPERATING LLC	F	G	02/2015	BS
2	30-015-39515	FALABELLA 31 FEE #008H	P-31-18S-26E	P	229137	COG OPERATING LLC	P	O	09/2014	YESO FORMATION
2	30-015-26230	FOSTER EDDY #007	B-17-17S-31E	B	229137	COG OPERATING LLC	F	O	02/2015	
1	30-025-25326	GALLAGHER 8 STATE #003	O-08-17S-34E	O	229137	COG OPERATING LLC	S	O	07/2015	
2	30-015-28872	GOLD RUSH 30 FEDERAL #004	I-30-23S-30E	I	229137	COG OPERATING LLC	F	O	04/2015	DELAWARE
2	30-015-32369	GOLD STAR FEDERAL #008	B-30-17S-29E	B	229137	COG OPERATING LLC	F	O	08/2015	EMPIRE YESO
2	30-015-28356	GR 30 STATE #001	C-30-23S-30E	C	229137	COG OPERATING LLC	S	O	07/2015	BRUSHY CANYON
2	30-015-34709	HARVARD FEDERAL #005	H-11-17S-30E		229137	COG OPERATING LLC	F	O	04/2015	LOCO HILLS PADDOCK
2	30-015-36670	HOLDER CB FEDERAL #020	D-17-17S-30E		229137	COG OPERATING LLC	F	O	02/2015	LOCO HILLS GLORIETA YESO
2	30-015-37465	HONEY GRAHAM STATE CQM #001H	D-29-26S-28E	D	229137	COG OPERATING LLC	S	O	06/2015	BONE SPRING
2	30-015-36495	HOUMA STATE #006	E-16-17S-30E	E	229137	COG OPERATING LLC	S	O	04/2015	Yeso Formation
2	30-015-34138	JENKINS B FEDERAL #017R	C-20-17S-30E	C	229137	COG OPERATING LLC	F	O	12/2014	LOCO HILLS PADDOCK 5/25/10 CONV PROD
2	30-015-34474	JENKINS B FEDERAL #018	D-20-17S-30E	D	229137	COG OPERATING LLC	F	O	03/2015	GRAYBURG JACKSON SR QG SA PADDOCK
2	30-015-42029	KUDU FEE #001H	O-13-24S-27E	O	229137	COG OPERATING LLC	P	O	07/2015	DELAWARE
2	30-015-37724	MCCOY STATE #017	D-08-17S-29E	D	229137	COG OPERATING LLC	S	O	06/2015	YESO FORMATION
2	30-015-23270	MCINTYRE A WEST #008	J-20-17S-30E	J	229137	COG OPERATING LLC	F	O	08/2014	
2	30-015-27472	MCINTYRE DK FEDERAL #008	N-17-17S-30E	N	229137	COG OPERATING LLC	F	O	03/2015	SR QN GB SA
2	30-015-30727	MESQUITE STATE #005	K-20-17S-29E	K	229137	COG OPERATING LLC	S	O	04/2015	PADDOCK ADD PERFS 09/14/10
2	30-015-30914	MESQUITE STATE #006	K-20-17S-29E	K	229137	COG OPERATING LLC	S	O	08/2015	E EMPIRE YESO
2	30-015-30930	MOHAWK FEDERAL #002	M-14-17S-30E	M	229137	COG OPERATING LLC	F	O	03/2015	LOCO HILLS PADDOCK
2	30-015-01574	N G PHILLIPS ST #006	I-27-17S-28E	I	229137	COG OPERATING LLC	S	O	01/2015	
2	30-015-21260	N G PHILLIPS ST #011	E-27-17S-28E	E	229137	COG OPERATING LLC	S	O	12/2014	
2	30-015-21567	N G PHILLIPS ST #014	E-27-17S-28E	E	229137	COG OPERATING LLC	S	O	11/2014	
2	30-015-23554	N G PHILLIPS ST #024	H-27-17S-28E	H	229137	COG OPERATING LLC	S	O	06/2015	
2	30-015-24259	N G PHILLIPS ST #031	E-27-17S-28E	E	229137	COG OPERATING LLC	S	O	10/2014	
1	30-025-32467	NEW MEXICO DW STATE #002	5-06-22S-35E	E	229137	COG OPERATING LLC	S	O	03/2015	YATES
2	30-015-24898	NEW MEXICO Z STATE #002	B-12-19S-28E	B	229137	COG OPERATING LLC	S	O	04/2015	
2	30-015-33717	NEW MEXICO Z STATE #003	B-12-19S-28E	B	229137	COG OPERATING LLC	S	O	05/2015	E MILLMAN Y-SR- Q-G-SA 46555
2	30-015-33716	NEW MEXICO Z STATE #004	A-12-19S-28E	A	229137	COG OPERATING LLC	S	O	05/2015	E MILLMAN Y-SR- Q-GR-SA 46555
1	30-025-23155	PAN AM FEDERAL 25 SWD #001	L-25-25S-33E	L	229137	COG OPERATING LLC	F	S	07/2015	RE ENTRY ENDEAVOR SWD 1304
1	30-025-40744	PETRUS D #010	F-11-17S-33E	F	229137	COG OPERATING LLC	P	O	06/2015	San Andres Formation
1	30-025-40745	PETRUS D #011	I-11-17S-33E	I	229137	COG OPERATING LLC	P	O	10/2014	SAN ANDRES NSL 6685 SPUD 11/12/12
2	30-015-36005	PIPER FEDERAL #003	J-12-19S-31E	J	229137	COG OPERATING LLC	F	O	08/2015	LUSK BONE SPRING

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1	30-025-36508	PONTHOMME STATE #001	A-16-19S-33E	A	229137	COG OPERATING LLC	S	O	07/2015	Seven Rivers
1	30-025-37819	PROHIBITION 12 FEDERAL #010	K-12-22S-32E	K	229137	COG OPERATING LLC	F	O	01/2015	RED TNK; BONE SP
1	30-025-32760	PROHIBITION FEDERAL UNIT #006	H-14-22S-32E	H	229137	COG OPERATING LLC	F	O	05/2015	BONE SPRING
2	30-015-32694	REDBUD FEDERAL #001	C-25-17S-27E	C	229137	COG OPERATING LLC	F	O	05/2015	LOGAN DRAW WOLFCAMP
2	30-015-10334	SINCLAIR PARKE #001	F-22-17S-30E	F	229137	COG OPERATING LLC	F	O	07/2015	
2	30-015-35817	SKELLY UNIT #970	I-15-17S-31E	I	229137	COG OPERATING LLC	F	O	03/2015	FREN; GLORIETA-YESO
1	30-025-35088	SL DEEP FEDERAL COM #001	J-30-19S-32E	J	229137	COG OPERATING LLC	F	G	04/2015	LUSK MORROW (GAS)
2	30-015-23938	SOUTH SHUGART DEEP #001	3-04-19S-31E	C	229137	COG OPERATING LLC	F	G	04/2015	
2	30-015-21392	STATE #003	P-28-17S-28E	P	229137	COG OPERATING LLC	S	O	12/2014	
2	30-015-21527	STATE #004	P-28-17S-28E	P	229137	COG OPERATING LLC	S	O	03/2015	
2	30-015-22969	STATE #005	P-28-17S-28E	P	229137	COG OPERATING LLC	S	O	02/2015	
2	30-015-22743	STATE S 19 #001	N-19-17S-29E	N	229137	COG OPERATING LLC	S	O	12/2014	INT TO P&A APVD 1-29-13 / PH
1	30-025-34757	STINGRAY 10 STATE #001	J-10-17S-33E	J	229137	COG OPERATING LLC	S	O	07/2014	WOLFCAMP
2	30-015-38367	TEX-MACK #214	P-02-17S-31E	P	229137	COG OPERATING LLC	S	O	03/2015	Yeso Formation
2	30-015-29911	THUNDER ROAD FEDERAL #002	G-20-17S-30E	G	229137	COG OPERATING LLC	F	G	07/2015	PADDOCK
2	30-015-29912	THUNDER ROAD FEDERAL #003	B-20-17S-30E	B	229137	COG OPERATING LLC	F	G	07/2015	PADDOCK
2	30-015-36417	THUNDER ROAD FEDERAL #007	B-20-17S-30E	B	229137	COG OPERATING LLC	F	G	03/2015	LOCO HILLS; GLORIETA-YESO
2	30-015-31777	WESTERN FEDERAL #005	G-30-17S-29E	G	229137	COG OPERATING LLC	F	O	07/2015	EMPIRE YESO
2	30-015-30304	WHITE STAR FEDERAL #002	J-29-17S-29E	J	229137	COG OPERATING LLC	F	O	01/2015	YESO
2	30-015-30356	WHITE STAR FEDERAL #005	G-29-17S-29E	G	229137	COG OPERATING LLC	F	O	06/2015	YESO
1	30-025-40933	WILD COBRA 1 STATE SWD #001	3-01-19S-34E	C	229137	COG OPERATING LLC	S	S	08/2015	SWD DELAWARE SWD 1377 SPUD 06/10/2013
2	30-015-35342	WINCHESTER 5 STATE #001	K-05-25S-28E	K	229137	COG OPERATING LLC	S	G	09/2012	INT TO P8 TO WC 3-5-12
2	30-015-30502	WOOLLEY FEDERAL #005	14-21-17S-30E		229137	COG OPERATING LLC	F	O	11/2014	PADDOCK
2	30-015-31258	WOOLLEY FEDERAL #007	14-21-17S-30E	K	229137	COG OPERATING LLC	F	O	07/2015	LOCO HILLS PADDOCK
2	30-015-32194	WOOLLEY FEDERAL #008	13-21-17S-30E	K	229137	COG OPERATING LLC	F	O	03/2015	LOCO HILLS PADDOCK
2	30-015-32976	ZARAF A FF FEDERAL #002	K-12-21S-24E	K	229137	COG OPERATING LLC	F	O	10/2014	BONE SPRING

WHERE Ogrid:229137, County:All, District:All, Township:All, Range:All, Section:All, Production(months):9, Includes Wells Under ACOI, Excludes Wells in Approved TA Period

By: C. B. B. B. B. Title: VP- New Mexico 6-23-2016  
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