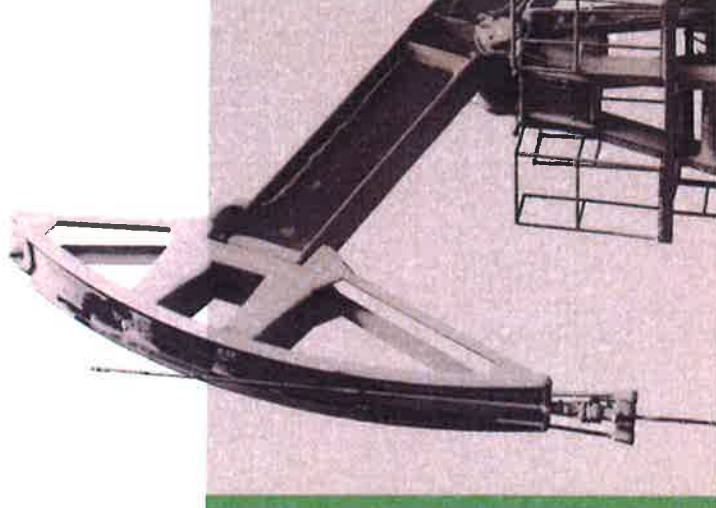




COG OPERATING LLC  
GOOSE STATE COM 601H  
Section 32-T20S-34E  
Lea County, New Mexico



BEFORE THE OIL CONSERVATION DIVISION  
EXAMINER HEARING JANUARY 10, 2019

CASE NO. 20120



**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. 20120**

**AFFIDAVIT OF DANNY KIDWELL  
IN SUPPORT OF CASE NO. 20120**

Danny Kidwell, of lawful age and being first duly sworn, declares as follows:

1. My name is Danny Kidwell. I work for COG Operating LLC ("COG") as a Landman.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by COG in this case, and I am familiar with the status of the lands in the subject area.
4. None of the proposed pool parties in this case has indicated opposition, and therefore I do not expect any opposition at the hearing.
5. COG is seeking an order (a) pooling all uncommitted interests in the Bone Spring formation in the 160-acre horizontal spacing unit comprised of the W/2 E/2 of Section 32, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico; and (b) dedicating the horizontal spacing unit for the proposed **Goose State Com No. 601H Well**.
6. COG has prepared a draft Form C-102 to file with the Division for the proposed Goose State Com No. 601H Well. The draft C-102 is attached as **COG Exhibit A-1**. The assigned Pool Code is 97895.

7. The completed interval for the proposed well will comply with the Division's setback requirements.

8. There are no depth severances in the Bone Spring formation.

9. **COG Exhibit A-2** is an exhibit prepared by me that identifies the tracts of land comprising the horizontal spacing units. This horizontal spacing unit includes state land only. This exhibit shows the interest owners and the percentage of their interest by tract. A unit recapitulation, showing the percentage of ownership interests in the proposed spacing unit, is also included on the exhibit. COG is only seeking to pool working interest owners, in particular only ConocoPhillips Company. There are no unleased mineral interest owners.

10. COG is not seeking to pool any overriding royalty interest owners.

11. COG sent a well proposal letter to ConocoPhillips Company. An AFE was included with the well proposal letter. The costs reflected in the AFE are consistent with what other operators have incurred for drilling similar horizontal wells in the area. A copy of the well proposal letter, along with the AFE, is attached as **COG Exhibit A-3**.

12. COG has made an estimate of overhead and administrative costs for drilling and producing the proposed well. It is \$7,000/month while drilling, and \$700/month while producing. These costs are consistent with what other operators are charging in this area for these types of wells. COG respectfully requests that these administrative and overhead costs be incorporated into any order entered by the Division in this case.

13. In my opinion, COG has made good faith efforts to reach an agreement with the party it is seeking to pool. If COG reaches an agreement with it before the Division enters an order, I will let the Division know.

14. I provided the law firm of Holland & Hart LLP the name and address for the proposed pool party, which is included in Exhibit C. There were no unlocatable parties.

15. COG Exhibits A-1 through A-3 were either prepared by me or compiled under my direction and supervision.

Danny Kidwell  
DANNY KIDWELL

STATE OF TEXAS )

COUNTY OF )

Midland )

SUBSCRIBED and SWORN to before me this 9th day of January 2019 by  
Danny Kidwell.

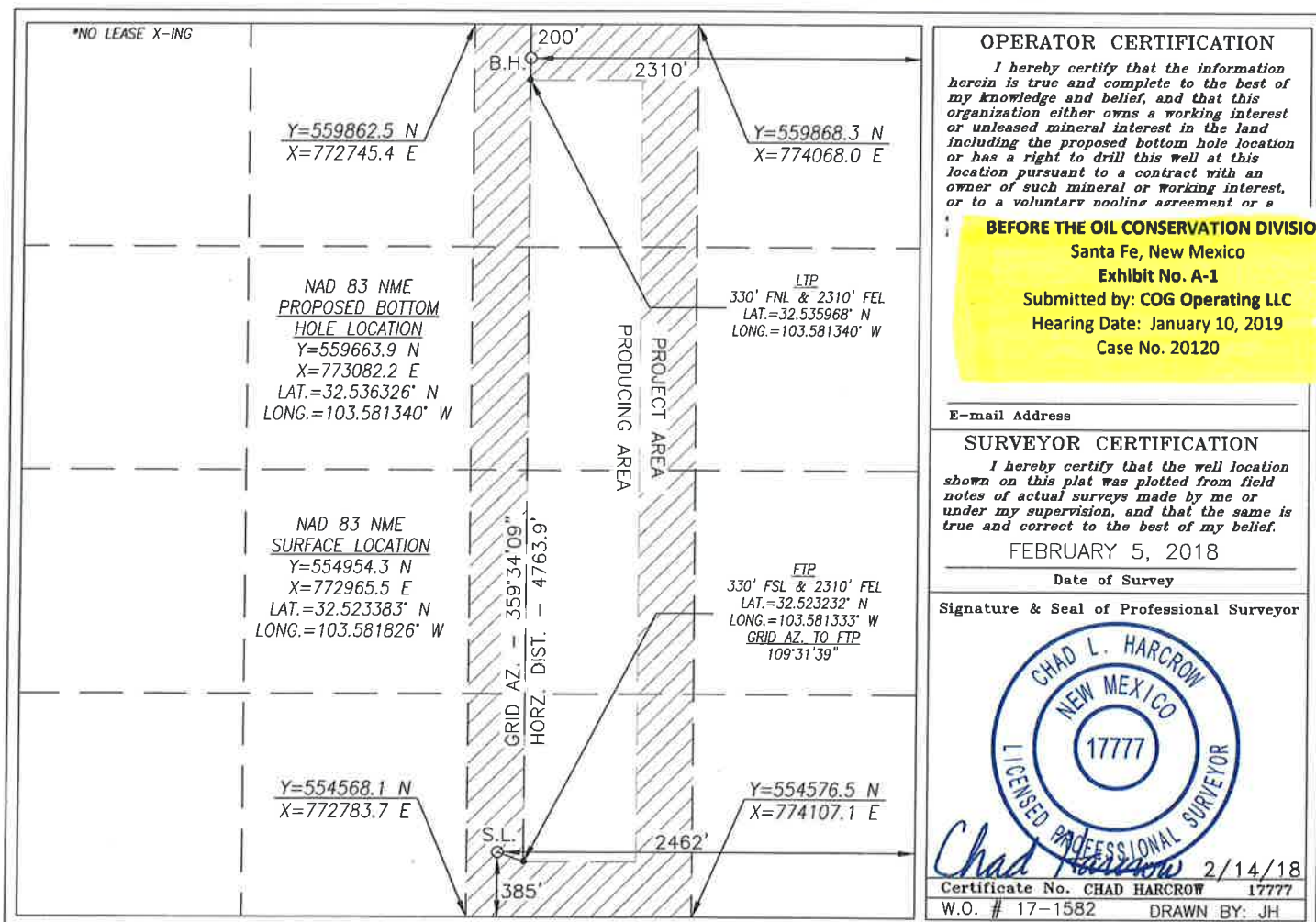
Becky Zindel  
NOTARY PUBLIC

My Commission Expires:

7/10/21



**DISTRICT IV**  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505  
Phone: (505) 478-3460 Fax: (505) 478-3462



Goose State Com 601H  
T20S-R34E-Section 32, W/2E/2  
Lea County, NM

32		<b>TRACT 1</b> W/2NE/4 80 AC.	
		<b>TRACT 2</b> W/2SE/4 80 AC.	

**Tract 1: W/2NE/4 Section 32-T20S-R34E (80 ACRES)**

COG Operating LLC	75.000000%
<u>Rubicon Oil &amp; Gas II, LP</u>	<u>25.000000%</u>
Total	100.000000%

**Tract 2: W/2SE/4 Section 32- T20S-R34E (80 ACRES)**

<u>ConocoPhillips Company</u>	<u>100.000000%</u>
Total	100.000000%

UNIT RECAPITULATION  
T20S-R34E-Section 32, W/2E/2  
Lea County, NM

COG Operating LLC	37.500000%
ConocoPhillips Company	12.500000%
Rubicon Oil & Gas II, LP	50.000000%
Total:	100.000000%

***Interest seeking to Compulsory Pool***

***ConocoPhillips Company***



September 18, 2018

ConocoPhillips Company  
P.O. Box 2197  
Houston, Texas 77252-2197

**Re: Well Proposal – Goose State Com 601H**

Sec 32: W/2E/2

Township 20 South, Range 34 East, N.M.P.M.

SHL: 385' FSL and 2462' FEL, or a legal location in Sec32 (Unit O)

BHL: 200' FNL and 2310' FEL, or a legal location in Sec 6 (Unit B)

Lea County, New Mexico

Dear Sir/Madam:

COG Operating LLC ("COG"), as Operator, hereby proposes to drill the **Goose State Com 601H** well as a horizontal well at the above-captioned location, or at a legal location as approved by the governing regulatory agency, to a TVD of approximately **11,444'** and a MD of approximately **15,800'** to test the **Bone Spring** Formation ("Operation"). The total cost of the Operation is estimated to be **\$8,133,003.00**, and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement which is enclosed for your review and approval. The Operating Agreement covers W/2E/2 of Section 32 - T20S-R34E. It has the following general provisions:

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

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE and a copy of your geologic well requirements. A self-addressed, postage paid envelope is enclosed for your convenience. If you do not wish to participate, COG proposes to acquire your interest via term assignment. It has the following general provisions:

- 3 year primary term
- Delivering a 75% NRI, proportionately reduced
- \$750 per net acre bonus consideration



The Term Assignment offer terminates November 30, 2018 and is subject to the approval of COG's management and verification of title.

If an agreement cannot be reached 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 spacing unit for the proposed well if uncommitted at such time.

If you have any questions, please do not hesitate to contact the undersigned at (432) 685-2535 or [dkidwell@concho.com](mailto:dkidwell@concho.com).

Respectfully,



Danny Kidwell  
Senior Staff Landman  
Delaware Basin East – New Mexico

\_\_\_\_\_ I/We hereby elect to participate in the **Goose State Com 601H**.

\_\_\_\_\_ I/We hereby elect **not** to participate in the **Goose State Com 601H**.

Company: ConocoPhillips Company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

<b>WELL NAME:</b>	<b>Goose State #601H</b>	<b>PROSPECT NAME:</b>	<b>Zeus 2034 (717082)</b>
<b>SHL:</b>	<b>Sec 32: 385 FSL &amp; 2462 FEL</b>	<b>STATE &amp; COUNTY:</b>	<b>New Mexico, Lea</b>
<b>BHL:</b>	<b>Sec 32: 200 FNL &amp; 2310 FEL</b>	<b>OBJECTIVE:</b>	<b>Drill and Complete</b>
<b>FORMATION:</b>	<b>3rd Bone Spring</b>	<b>DEPTH:</b>	<b>15,800</b>
<b>LEGAL:</b>	<b>Sec 32: T20S-R34E</b>	<b>TVD:</b>	<b>11,444</b>

		<b>Drig - Rig Release(D)</b>	<b>Completion(C)</b>	<b>Tank Btty Constricn(TB)</b>	<b>Pmpg Equipment(PEQ)</b>	<b>TOTAL</b>
<b>INTANGIBLE COSTS</b>						
Title/Curative/Permit	201	20,000				20,000
Insurance	202	2,500	302			2,500
Damages/Right of Way	203	20,000	303			20,000
Survey/State Location	204	7,000		351		7,000
Location/Pits/Road Expense	205	135,000	305	10,000	353	190,000
Drilling / Completion Overhead	206	6,900	306	15,000	366	21,900
Turnkey Contract	207	0				0
Footage Contract	208	0				0
Daywork Contract	209	608,000				608,000
Directional Drilling Services	210	186,000				186,000
Frac Equipment			307	840,000		840,000
Frac Chemicals			308	215,000		215,000
Frac Proppant			309	370,000		370,000
Frac Proppant Transportation			310	180,000		180,000
Fuel & Power	211	125,000	311	35,000	354	160,000
Water	212	88,000	312	478,000		566,000
Bits	213	74,000	313	4,500		78,500
Mud & Chemicals	214	55,000	314	25,000		80,000
Drift Stem Test	215	0	315			0
Coring & Analysis	216	0				0
Cement Surface	217	37,000				37,000
Cement Intermediate	218	60,000				60,000
Cement 2nd Intermediate/Production	219	95,000				95,000
Cement Squeeze & Other (Kickoff Plug)	220	0				0
Float Equipment & Centralizers	221	40,000			371	40,000
Casing Crews & Equipment	222	40,000				40,000
Fishing Tools & Service	223	0	323			0
Geologic/Engineering	224	3,600	324			3,600
Contract Labor	225	8,500	325	20,000	356	28,500
Company Supervision	226	41,400	326	15,000	357	56,400
Contract Supervision	227	104,000	327	168,000	358	272,000
Testing Casing/Tubing	228	30,000	328	5,000		35,000
Mud Logging Unit	229	26,000	329			26,000
Logging	230	0				0
Perforating/Wireline Services	231	4,000	331	279,000		283,000
Stimulation/Treating			332	12,000		12,000
Completion Unit			333	80,000		80,000
Swabbing Unit			334			0
Rentals-Surface	235	110,000	335	300,000	359	410,000
Rentals-Subsurface	236	80,000	336	30,000		110,000
Trucking/Forklift/Rig Mobilization	237	200,000	337	20,000	360	220,000
Welding Services	238	3,000	338	5,000	361	8,000
Water Disposal	239	0	339	60,000	362	60,000
Plug to Abandon	240	0	340		367	0
Seismic Analysis	241	0	341			0
Miscellaneous	242	0	342			0
Contingency	243	45,100	343	100,000	363	145,100
Closed Loop & Environmental	244	225,000	344	5,000	364	230,000
Dyed Diesel	245		345	220,000		220,000
Cell Tubing			346	350,000		350,000
Flowback Crews & Equip			347	48,000		48,000
Offset Directional/Frac	248		348		391	0
<b>TOTAL INTANGIBLES</b>		<b>2,476,000</b>	<b>3,861,500</b>	<b>302,935</b>	<b>30,300</b>	<b>6,672,735</b>
<b>TANGIBLE COSTS</b>						
Surface Casing	401	65,000				65,000
Intermediate Casing	402	169,000				169,000
Production Casing/Liner	403	262,000				262,000
Tubing			504	52,030		52,030
Wellhead Equipment	405	28,000	505	22,000	530	50,000
Pumping Unit				0	531	0
Prime Mover				0	506	0
Rods				0	507	0
Pumps-Sub Surface (RH)			509		508	0
Tanks					532	0
Flowlines				63,645		63,645
Heater Treater/Separator				26,593		26,593
Electrical System				140,007		140,007
Packers/Anchors/Hangers	414		514	66,000	533	66,000
Couplings/Fittings/Valves	415				534	0
Dehydration					515	0
Injection Plant/CO2 Equipment					517	0
Pumps-Surface					518	0
Instrumentation/SCADA/POC					521	0
Miscellaneous	419		519		522	0
Contingency	420		520		523	0
Meters/LACT					524	0
Flares/Combustors/Emission					525	0
Gas Lift/Compression			527	15,000	528	0
<b>TOTAL TANGIBLES</b>		<b>524,000</b>	<b>155,030</b>	<b>590,238</b>	<b>191,000</b>	<b>1,460,268</b>
<b>TOTAL WELL COSTS</b>		<b>3,000,000</b>	<b>4,017,000</b>	<b>893,173</b>	<b>221,300</b>	<b>8,133,003</b>
<b>% of Total Well Cost</b>		<b>37%</b>	<b>49%</b>	<b>11%</b>	<b>3%</b>	

COG Operating LLC

Date Prepared: 9/5/18

COG Operating LLC

We approve:  
\_\_\_\_\_% Working Interest

By: PS-KL-AB-SM

Company: ConocoPhillips Company

By:

Printed Name:

Title:

Date:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

**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. 20120**

**AFFIDAVIT OF CODY BACON  
IN SUPPORT OF CASE NO. 20120**

Cody Bacon, of lawful age and being first duly sworn, declares as follows:

1. My name is Cody Bacon. I work for COG Operating LLC ("COG") as a Geologist.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology. My credentials as a petroleum geologist have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by COG in this case, and I have conducted a geologic study of the lands in the subject area.
4. COG is targeting the Bone Spring formation.
5. **COG Exhibit B-1** is a locator map. It shows COG's acreage in yellow. The path of the proposed wellbore for the proposed **Goose State Com No. 601H Well** is marked by a dashed line, and the surface hole location is denoted by a circle.
6. **COG Exhibit B-2** is a subsea structure map that I prepared off the top of the Wolfcamp. Even though COG is targeting the 3rd Bone Spring formation, I used the Wolfcamp structure because it is a reliable regional marker and the target interval lies just above this marker. As with the locator map, the proposed wellbore path for the proposed **Goose State Com No. 601H Well** is depicted by a dashed line. The structure map shows that the area is gently

sloping down to the south-southwest. It also shows nearby 3rd Bone Spring producing wells. The structure appears consistent in this section. I do not observe any faulting, pinchouts, or other geologic hazards to developing a horizontal well.

7. The subsea structure map, marked as COG Exhibit No. B-2, shows two wells used to construct a cross-section from A to A'. I consider these wells to be representative of the geology of the area.

8. **COG Exhibit No. B-3** is a cross section prepared by me for the two representative wells from A to A'. For each well in the cross-section, the COG Exhibit shows the following logs: gamma ray, resistivity, and porosity. The proposed target interval is labeled and depicted in green. The logs in the cross-section demonstrate that the target interval within the 3rd Bone Spring is consistent in thickness, across the entire proposed spacing unit.

9. Based on my geologic study of the areas, I have not identified any geologic impediments to drilling horizontal wells in the area.

10. In my opinion, each quarter-quarter section will be productive and contribute more-or-less equally to each 40-acre unit comprising the spacing unit.

11. In my opinion, horizontal drilling will be the most efficient method to develop this acreage, to prevent the drilling of unnecessary wells, and to result in the greatest ultimate recovery.

12. In my opinion, the granting of COG's application in this case will be in the best interest of conservation, the prevention of waste, and protection of correlative rights.

13. **COG Exhibit B-1 through B-3** were either prepared by me or compiled under my direction and supervision.

M. Cody Bacon  
CODY BACON

STATE OF TEXAS )  
COUNTY OF Midland )

SUBSCRIBED and SWORN to before me this 9th day of January 2019 by  
Cody Bacon.

Becky Zindel  
NOTARY PUBLIC

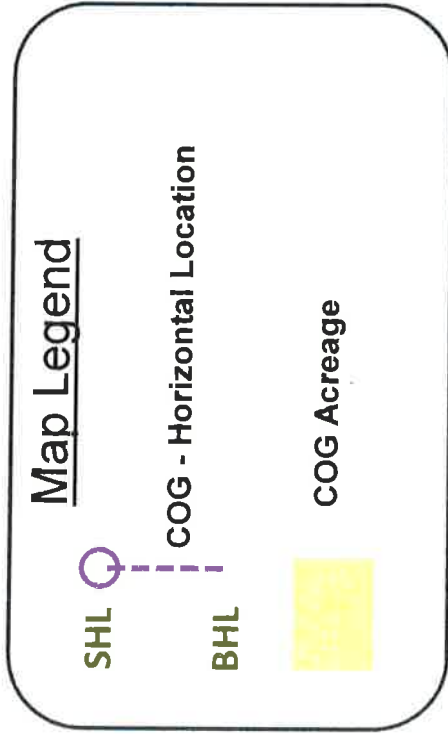
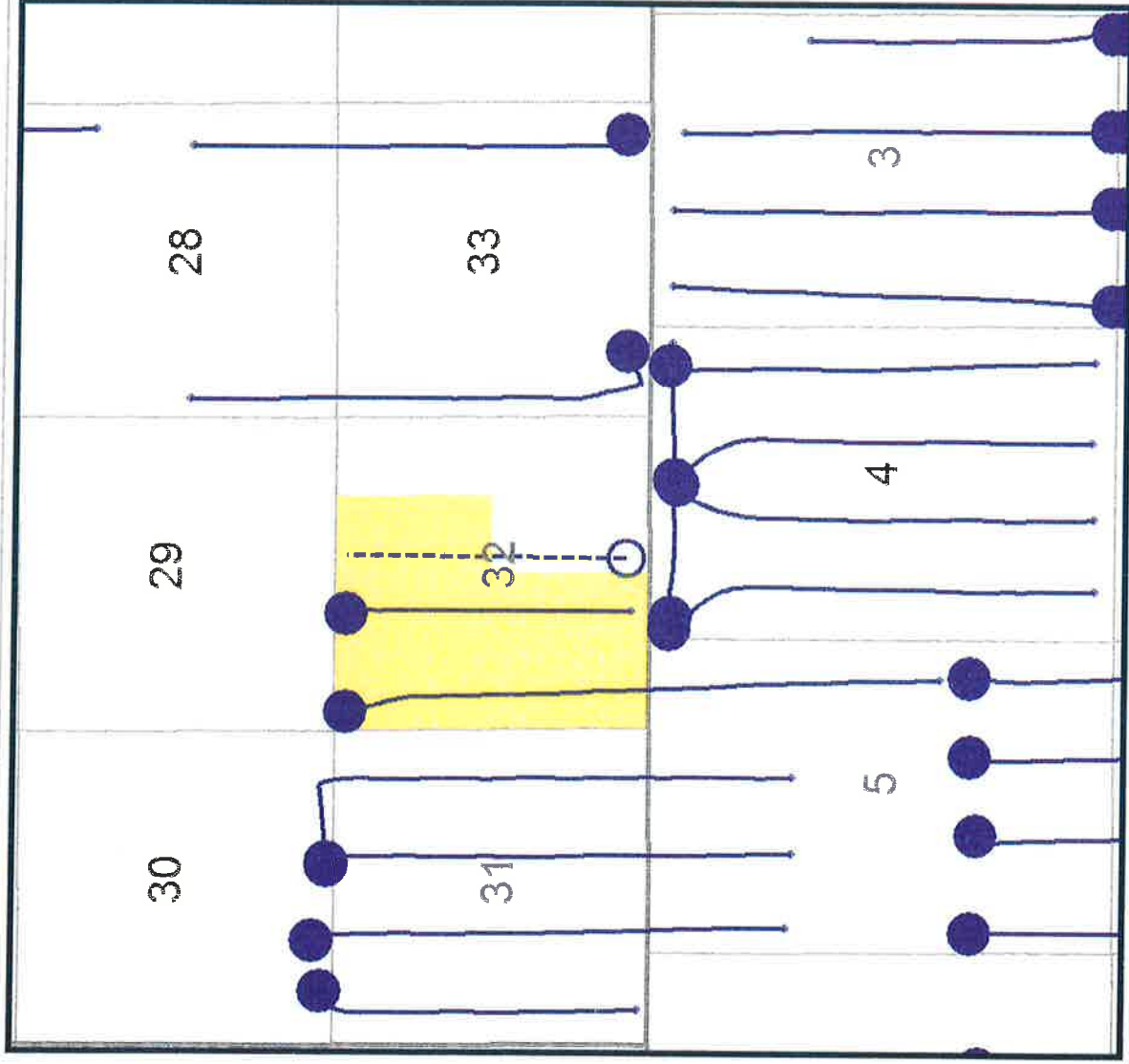
My Commission Expires:

7/10/21

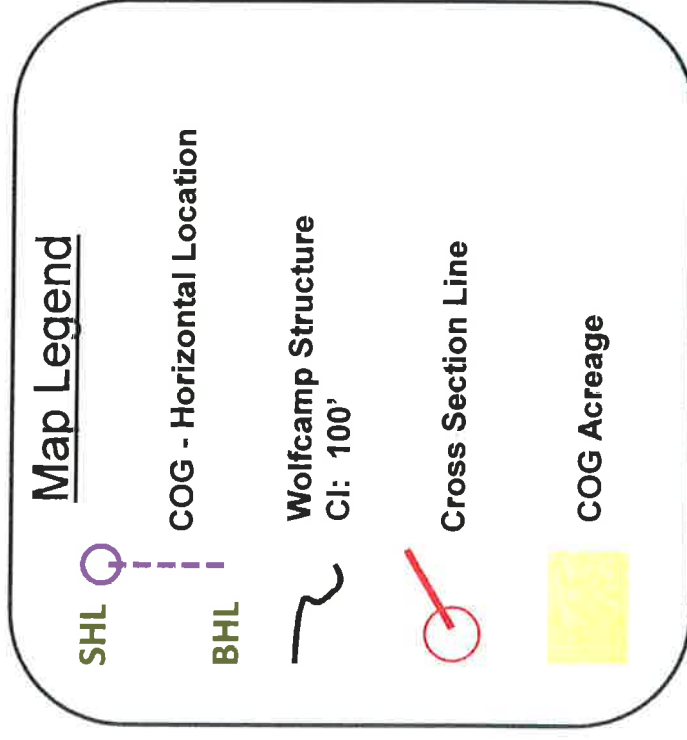
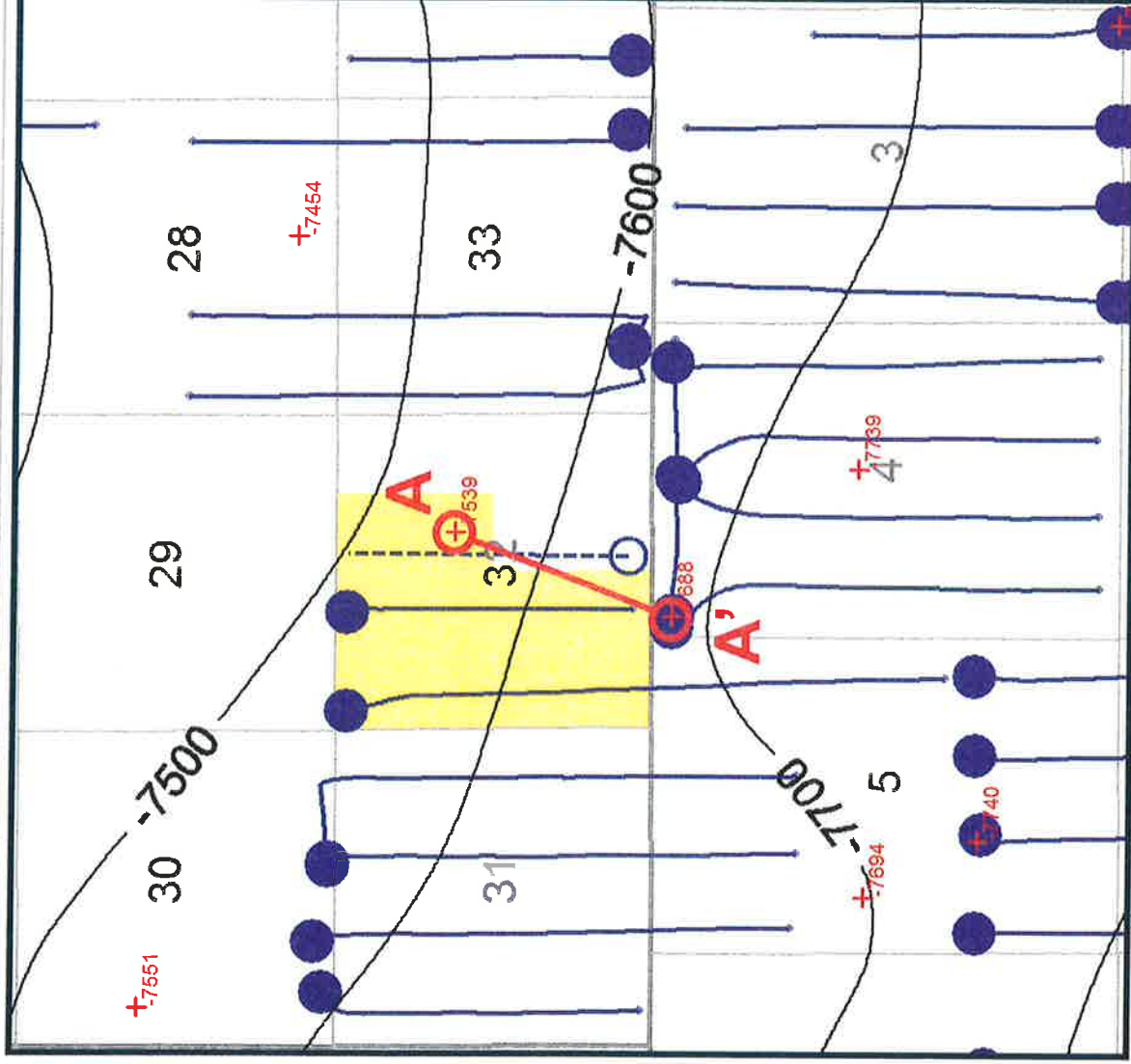


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# Bone Spring Pool Goose State Com 601H Location

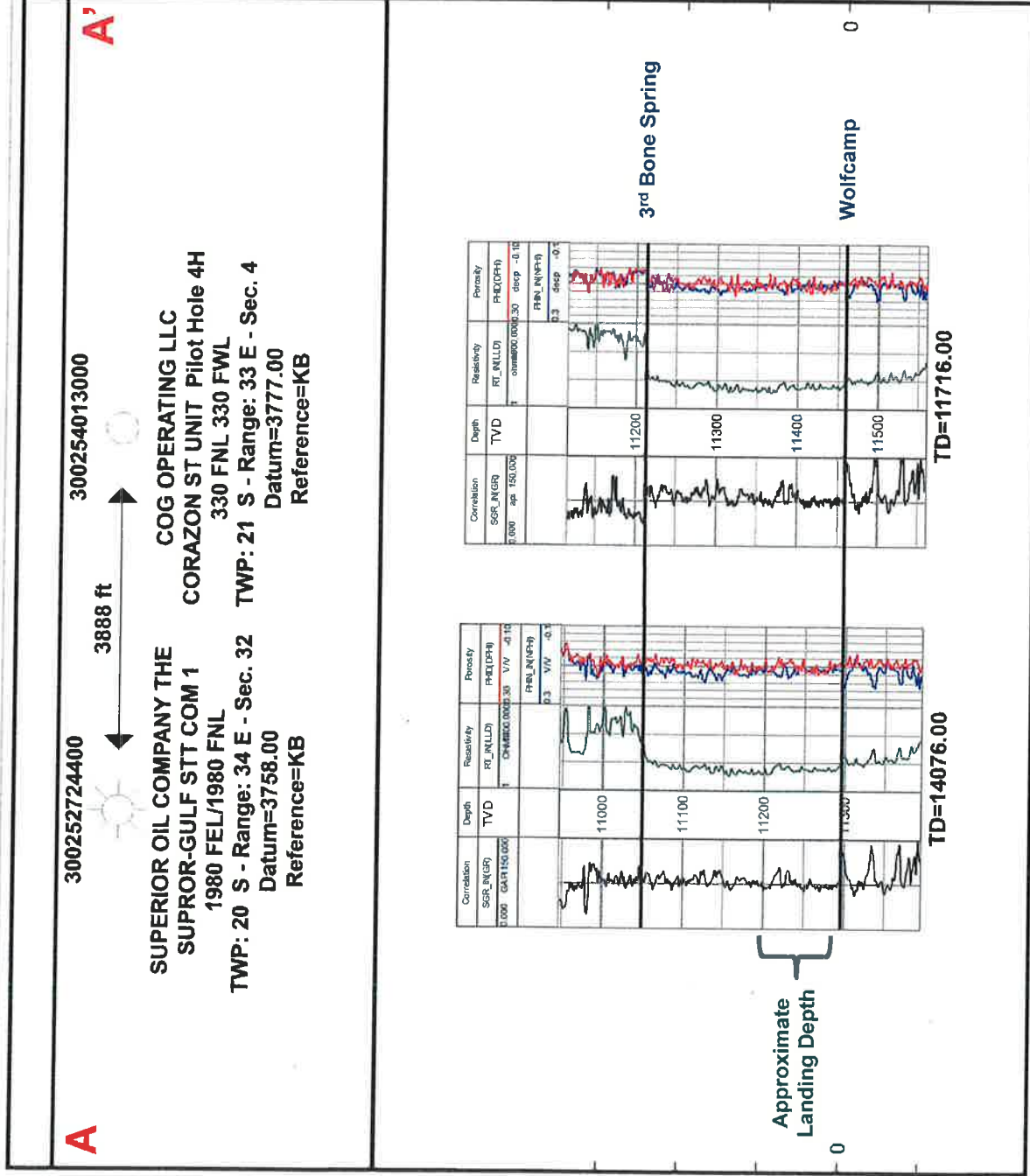


# Bone Spring Pool Wolfcamp Structure Map





# Stratigraphic Cross Section A – A'





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

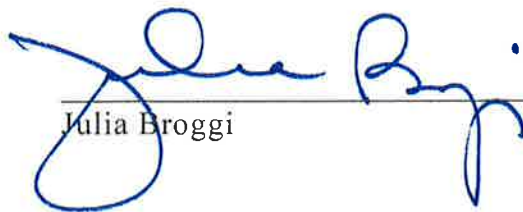
**APPLICATION COG OPERATING LLC  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 20120**

**AFFIDAVIT**

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

Julia Broggi, attorney in fact and authorized representative of **COG OPERATING LLC**,  
the Applicant herein, being first duly sworn, upon oath, states that the above-referenced  
Application has been provided under the notice letters and proof of receipts attached hereto.

  
\_\_\_\_\_  
Julia Broggi

SUBSCRIBED AND SWORN to before me this 9th day of January 2019 by Julia Broggi.





**Jordan L. Kessler**  
**Associate**  
**Phone** (505) 988-4421  
**Fax** (505) 983-6043  
JLKessler@hollandhart.com

December 21, 2018

**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.  
Goose State No. 601H Well**

Ladies & Gentlemen:

This letter is to advise you that COG Operating LLC has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on January 10, 2019. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices, located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. 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 by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Danny Kidwell at (432) 685-2535 or [dkidwell@concho.com](mailto:dkidwell@concho.com).

Sincerely,

Jordan L. Kessler

**ATTORNEY FOR COG OPERATING LLC**

	A	B	C	F	G	I	J	K
1	<b>CustomField1</b>	<b>MailClass</b>	<b>TrackingNo</b>	<b>ToName</b>	<b>DeliveryAddress</b>	<b>City</b>	<b>St</b>	<b>Zip</b>
2	65179 - Goose State Com 601H - 1	Certified with Return Receipt (Signature)	9414810898765023666605	Rubicon Oil & Gas II LP	508 W Wall Street	Midland	TX	79701
3	65179 - Goose State Com 601H - 2	Certified with Return Receipt (Signature)	9414810898765023666612	ConocoPhillips Company	PO Box 2197	Houstong	TX	77252

	N	U
1	<b>USPS_Status</b>	
2	12/24/2018	Your item was delivered to an individual at the address at 11:05 am on December 31, 2018 in MIDLAND, TX 79701.
3	12/24/2018	Your item has been delivered to an agent at 7:14 am on December 31, 2018 in HOUSTON, TX 77210.