

# 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.

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BEFORE THE OIL CONSERVATION DIVISION

- 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 \_\_\_\_\_\_ day of January 2019 by Danny Kidwell.

Buly Sindy NOTARY PUBLIC

My Commission Expires:

7/10/21



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DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240 Phone: (675) 393-6161 Fax: (576) 393-0720

DISTRICT II 811 S. FIRST ST., ARTESIA, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III 1000 RIO BRAZOS RD., AZTEC, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV 1220 S. ST. FRANCIS DR., SANTA FE, NM 67505 Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico

Energy, Minerals & Natural Resources Department OIL 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 Property Code Property Name Well Number GOOSE STATE COM 601H OGRID No. Operator Name Elevation COG OPERATING, LLC 3789.7

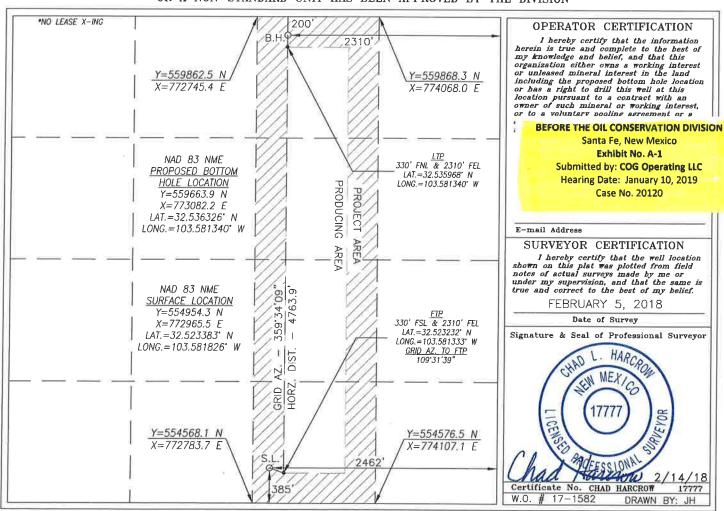
#### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	32	20-S	34-E		385	SOUTH	2462	EAST	LEA

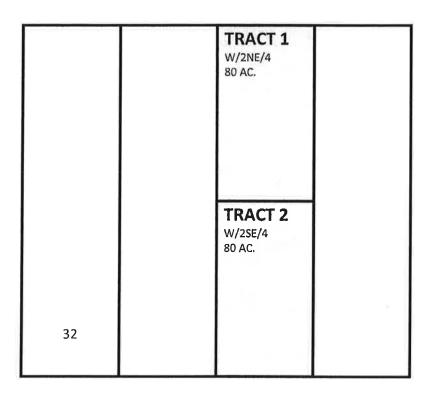
#### Bottom Hole Location If Different From Surface

ĺ	UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	В	32	20-S	34-E		200	NORTH	2310	EAST	LEA
	Dedicated Acres	Joint o	r Infill Co	nsolidation (	Code Or	der No.				

#### 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



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



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

COG Operating LLC	75.000000%
Rubicon Oil & Gas II, LP	25.000000%
Total	100.000000%

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

ConocoPhillips Company	100.000000%
Total	100.000000%

Submitted by: COG Operating LLC
Hearing Date: January 10, 2019
Case No. 20120

#### **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

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\$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.

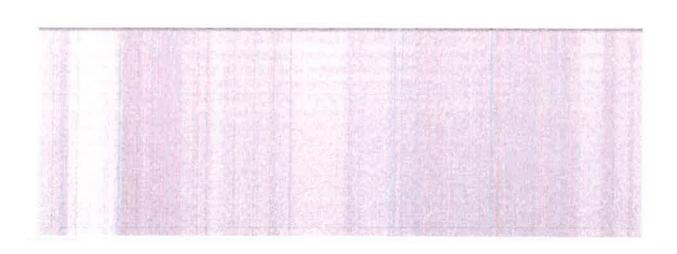
If you have any questions, please do not hesitate to contact the undersigned at (432) 685-2535 or dkidwell@concho.com.

Respectfully,

Danny Kishwell
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 <u>not</u> to participate in the Goose State Com 601H.
Company:	ConocoPhillips Company
Ву:	
Title:	
Date:	



#### COG OPERATING LLC AUTHORITY FOR EXPENDITURE DRILLING

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

INTANGIBLE COSTS Title/Curetive/Permit	201	Drig - Rig Release(D) 20,000		Completion(C)		Tank Bity Constrctn(TB)		Pmpg Equipment(PEQ)	TOTA
Insurance	202			2					
Damages/Right of Way	203		303	3	351				
Survey/Stake Location	204				352				
.ocation/Pits/Road Expense	205				353	45,000	366		19
Drilling / Completion Overhead	206	6,900	306	15,000					- 2
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ootage Contract	208								
Daywork Contract	209	608,000	2						60
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rac Chemicals	¥.		308						
rac Proppant			309						21
rac Proppant Transportation	7.1		310						37
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ement 2nd Intermediate/Production	219	95,000							9
ement Squeeze & Other (Kickoff Plug)	220	0					371		
lost Equipment & Centralizers	221	40,000					٠, .		4
asing Crews & Equipment	222	40,000							
ishing Tools & Service	223	0					372		41
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ompany Supervision				20,000	356	122,935	374	6,500	15
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imulation/Treating			332	12,000			380		12
ompletion Unit			333	50,000			381	8,800	56
valishing Unit			334		( 8		382	- 0,000	
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entals-Subsurface	236	80,000			338		383	7,000	417
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	237	200,000		20,000	360		385	3,000	223
elding Services	238			5,000	361		386		
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# 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:

- 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-1is 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

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B
Submitted by: COG Operating LLC
Hearing Date: January 10, 2019

Case No. 20120

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 4th day of January 2019 by Cody Bacon.

NOTARY PUBLIC

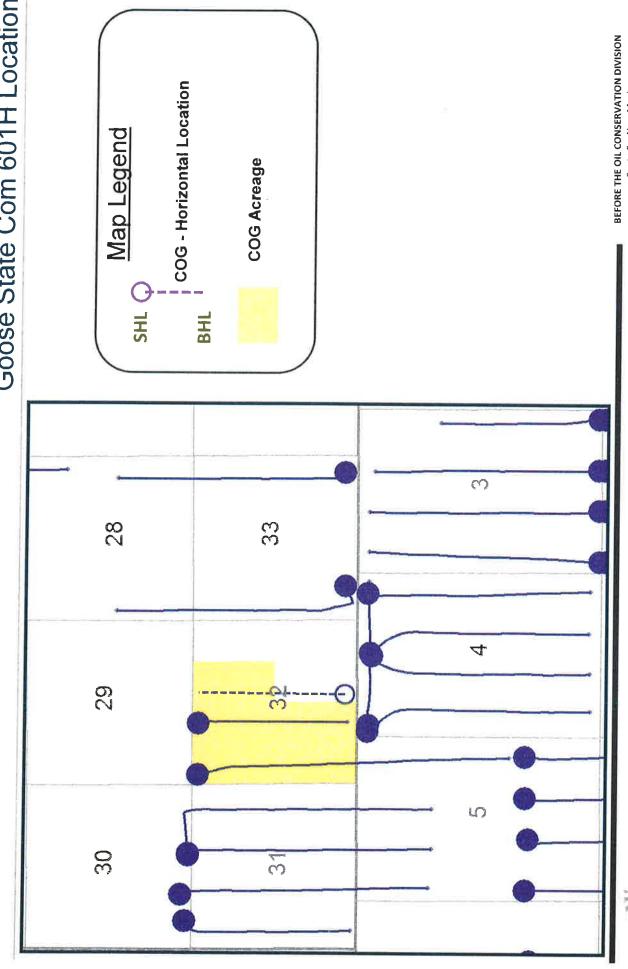
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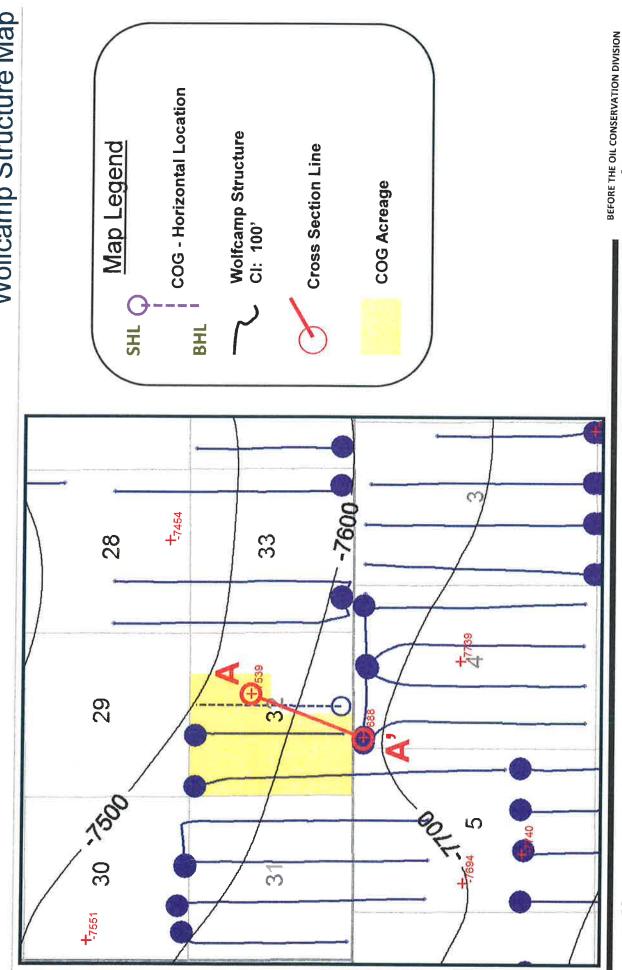
Becky Zindel
Notary Public, State of Texas
Notary ID 12941587-2
My Commission Exp. 07-10-2021

# Bone Spring Pool Goose State Com 601H Location



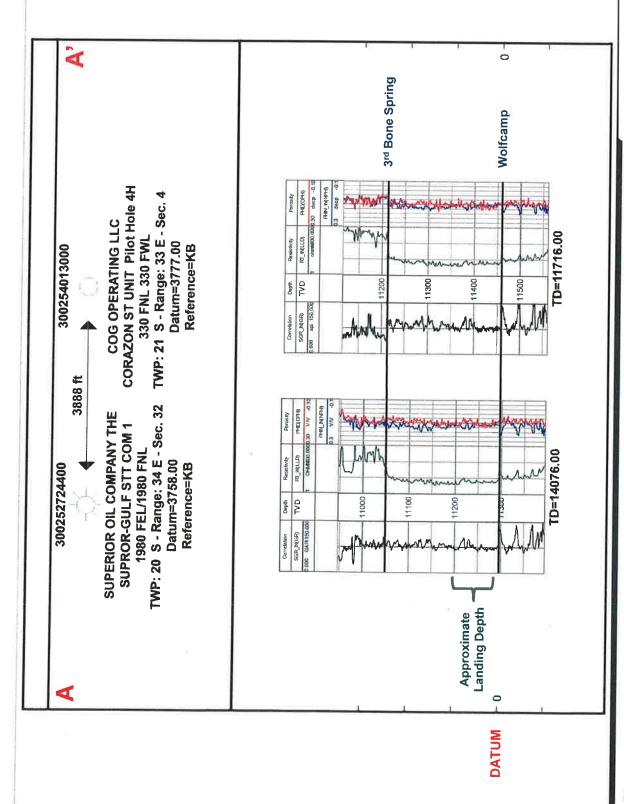


BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B-1
Submitted by: COG Operating LLC
Hearing Date: January 10, 2017\*\*\*
Case No. 20120





Santa Fe, New Mexico
Santa Fe, New Mexico
Exhibit No. B-2
Submitted by: COG Operating LLC
Hearing Date: January 10, 2019
Case No. 20120





BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. B- 3
Submitted by: COG Operating LLC
Hearing Date: January 10, 2017
Case No. 20120

# 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** 

#### <u>AFFIDAVIT</u>

STATE OF NEW MEXICO	
COUNTY OF SANTA FE	) ss )

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.

Vulia Broggi

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

Notary Public
My Commission Expiros
August 28, 2021



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.

Sincerely.

Jordan L. Kessler

ATTORNEY FOR COG OPERATING LLC

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