

**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 Nos. 20923-20926

COG OPERATING LLC'S CLOSING STATEMENT

The Oil and Gas Act provides when an interest owner with the right to drill has proposed to drill a well, and other interest owners in the proposed spacing unit have not agreed to pool their interests, the Division shall compulsory pool those interests to avoid the drilling of unnecessary wells, protect correlative rights and prevent waste. N.M.S.A. §70-2-17 (1978). In Cases 20923-20926, COG Operating LLC ("Concho") has the right to drill wells in the proposed spacing units and has proposed a development program to the other interest owners that will avoid the drilling of unnecessary wells, protect correlative rights and prevent waste in the Wolfcamp and Bone Spring formation. However, after a good faith effort, Concho has been unable to reach agreement with some of the parties. *See* Reporter's Transcript of Proceedings Examiner Hearing dated February 20, 2020 at Tr. 15. Specifically, Concho has made good faith efforts to reach a voluntary agreement with EOG Resources ("EOG") since first sending out its initial well proposals to EOG in October 2018. Tr. 15-16.

However, EOG wants the Division to reject Concho's applications and proposes a development program of its own. EOG based its development proposal exclusively on its leasehold ownership. Tr. 98-99. This plan results in a development pattern that would box Concho into a one-mile spacing unit in the W/2 of Section 33, and 1.5-mile unit in the E/2 of Sections 4 and 9. Tr. 44-46. At the same time, EOG's development plan would allow it to drill two-mile wells on its leases

located in Sections 28 and 33 and 1.5-mile wells in Sections 9 and 16. Tr. 48. EOG admitted that it plans to drill 1.5-mile wells instead of 2-mile wells merely because its leasehold only allows for 1.5-mile well development. Tr. 57-58 (“EOG is not seeking two-mile laterals because that leasehold doesn’t allow for two-mile laterals.”). In other words, EOG wants to confine both parties to an area of development based on ownership and not on the most economic and efficient way to develop the area. However, EOG conceded that it can also drill productive 1-mile wells in its own acreage if the Division granted Concho’s applications. Tr. 57, 80. Instead of focusing on ownership boundaries, Concho proposes a development plan that looks at the reservoir and provides an efficient and economical way for all operators in the reservoir to produce their reserves, avoid the drilling of unnecessary wells, prevent waste and protect correlative rights of all owners in the reservoir.

Further, Concho is prepared to commence drilling operations this year once an order has been approved. Conversely, EOG does not appear ready to move forward with its development plan this year nor does it have voluntary agreement from all interest owners. Tr. 69-70. While EOG based its development proposal exclusively on its ownership, EOG does not own 100% of the acreage and does not have voluntary agreement of all the interest owners in the spacing units it proposes to develop. Tr. 53-54. Thus, EOG may still have to seek compulsory pooling from the Division at some point in the future.

In Case Numbers 16115 and 16116, Premier Oil and Gas, Inc. (“Premier”) objected to Chisholm Energy Operating’s (“Chisholm”) applications for compulsory pooling. *See* Order No. R-14876-A (attached), Finding 12. Premier did not file competing applications but wanted the Oil Conservation Commission to adopt a different plan of development. Finding 12, Conclusion 16. Chisholm provided evidence that showed its proposed development would efficiently produce the

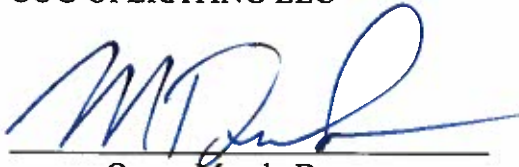
reserves underlying the proposed unit. Conclusion 25. The Oil Conservation Commission concurred and granted Chisholm's application.

In this case, Concho filed applications for compulsory pooling and presented an efficient plan to develop the underlying reserves in its proposed spacing units. As in Chisolm, EOG does not have a competing compulsory pooling application and seeks a well development plan limited to acreage where Concho does not own an interest. EOG offered testimony alleging that EOG's plan was more economic than COG's plan. However, EOG's claims hinge on interpretative testimony and the data used to develop the evidence presented at hearing has not been made available and remains unverified. Tr. 84. Additionally, EOG's witness selected wells for its comparisons that were six to fifteen miles away from Concho's proposed development area and did not establish that the geology was the same as the subject area. Tr 94. With only unverified, conclusory and incongruent interpretations, EOG has failed to substantiate its claims that Concho's applications would cause waste, harm correlative rights, or prevent the drilling of unnecessary wells. Tr. 102.

In conclusion, Concho has the right to drill the subject acreage, has proposed the wells to all interest owners, and has made good faith efforts for over a year to reach an agreement with EOG and other interest owners in these proposed spacing units. Concho also demonstrated that its well development plan will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights. Further, Concho is ready to move forward with its development plan this year if an order is granted. In light of Concho meeting its statutory preconditions for compulsory pooling and its current position to timely develop the subject area, Concho respectfully requests the Division grant its applications to compulsory pool the uncommitted interest owners in the above-referenced cases.

Respectfully submitted,

COG OPERATING LLC



Ocean Munds-Dry
William F. Carr
Elizabeth A. Ryan
Michael Rodriguez
1048 Paseo de Peralta
Santa Fe, New Mexico 87501
(505) 780-8000
(505) 428-0485 Facsimile
omundsdry@concho.com
wcarr@concho.com
eryan@concho.com
mrodriguez@concho.com

ATTORNEYS FOR COG OPERATING LLC

CERTIFICATE OF SERVICE

I hereby certify that on March 5, 2020, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Ernest Padilla
Padilla Law Firm
1512 South St. Francis Drive
Santa Fe, New Mexico 87505
padillalaw@qwestoffice.net



William F. Carr
Elizabeth A. Ryan
Ocean Munds-Dry
Michael Rodriguez