

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

**APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION COMPLIANCE
AND ENFORCEMENT BUREAU FOR A
COMPLIANCE ORDER AGAINST COBALT
OPERATING, LLC, FOR WELLS OPERATED
IN LEA COUNTY, NEW MEXICO.**

APR 26 2018 PM03:39

CASE NO. 16048

COBALT'S PRE-HEARING STATEMENT

Cobalt Operating, LLC ("Cobalt") (OGRID No. 286255), the respondent in the above referenced matter, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Oil Conservation Division
Compliance and Enforcement
Bureau

ATTORNEY

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OPPONENT

Cobalt Operating, LLC

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COBALT'S STATEMENT OF CASE

Cobalt Operating, LLC ("Cobalt") (OGRID No. 286255) opposes the remedy proposed by the Bureau in its prehearing statement because the relief requested is premature, excessive, and contrary to the interests of conservation and prevention of waste. Due to a series of financial setbacks to Cobalt, Security Bank in Midland, Texas, froze Cobalt's accounts and foreclosed on its properties in 2017. Subsequently, the principle of Cobalt, Mark Burkett, obtained a new loan in January 2018 from Security Bank with the intent of operating Cobalt's properties under a new entity, Copper Ridge Resources, LLC. However, the Division will not approve transfer of operatorship due to Cobalt's non-compliance with 19.15.5.9(A)(4) NMAC. Mr. Burkett has been diligent in responding to the Bureau's identified compliance issues and has filed a notice of intent to return one of the three wells on Cobalt's inactive well list to temporary abandonment status. Cobalt and Mr. Burkett should be permitted additional time to address the identified compliance issues and should be permitted to transfer operatorship to Copper Ridge Resources, LLC so that the newly funded entity can properly attend to these matters of operatorship. The Bureau's request for an order to shut in Cobalt's producing wells when Cobalt is working cooperatively with the Bureau would be counter-productive and would impose unnecessary expenses on Cobalt that would be better put to use resolving the Bureau's compliance issues.

PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mark Burkett, Engineer	Approx. 30	Approx. 5

PROCEDURAL MATTERS

Cobalt requests that Case No. 16048 be continued to the May 17, 2018 hearing docket to give it time to complete the work and obtain the Division approvals necessary to resolve the compliance issues identified by the Division and to work out a resolution permitting Cobalt to transfer operatorship to Copper Ridge Resources, LLC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on April 26, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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