



**Before the Oil Conservation Division
Mercury State Com Wells 701H, 702H & 703H**

Case No. 21667

Hearing on March 4, 2021

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

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

CASE NO. 21667

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case: 21667	APPLICANT'S RESPONSE
Date: March 4, 2021	
Applicant	COG Operating LLC
Designated Operator & OGRID (affiliation if applicable)	OGRID #229137
Applicant's Counsel:	Ocean Munds-Dry
Case Title:	Application of COG Operating LLC for Compulsory Pooling, Eddy County, New Mexico.
Entries of Appearance/Intervenors:	EOG Resources, Inc. (Lance D. Hough/Modrall)
Well Family	Mercury
Formation/Pool	
Formation Name(s) or Vertical Extent:	Wolfcamp
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Wolfcamp A
Pool Name and Pool Code:	Purple Sage; Wolfcamp
Well Location Setback Rules:	Purple Sage; Wolfcamp
Spacing Unit Size:	Approx. 640 acres
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal (2 mile)
Size (Acres)	Approx. 640 Acres
Building Blocks:	Quarter-quarter
Orientation:	South to North
Description: TRS/County	yes
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	See Exhibit 1, Attachment B

Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	See Exhibit 1, Attachment A
Well #1	Mercury State Com #701H (API 30-015-47520) SHL: 220 FSL & 1400 FEL, S18-T26S-Range28E BHL:50 FNL & 550 FEL, S7-T26S-R28E Completion Target: Wolfcamp Formation (Approx TVD 9215) Completion Status: Non-Standard
Well #2	Mercury State Com #702H (API 30-015-47521) SHL: 220 FSL & 1430 FEL, S18-T26S-R28E BHL: 50 FNL & 1430 FEL, S7-T26S-R28E Completion Target: Wolfcamp Formation (Approx TVD 9325) Completion Status: Non-Standard
Well #3	Mercury State Com #703H (API 30-015-47522) SHL: 220 FSL & 1460 FEL, S18-T26S-R28E BHL: 50 FNL & 2310 FEL, S7-T26S-R28E Completion Target: Wolfcamp Formation (Approx TVD 9325) Completion Status: Non-Standard
Horizontal Well First and Last Take Points	Exhibit 1, Attachment A
Completion Target (Formation, TVD and MD)	Exhibit 2, Attachment G
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Exhibit 1, Attachment C
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing	Exhibit 3
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit 3
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit 3
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Attachment B

Tract List (including lease numbers and owners)	Attachment B
Pooled Parties (including ownership type)	Attachment B
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	Attachment C
List of Interest Owners (ie Exhibit A of JOA)	Attachment B
Chronology of Contact with Non-Joined Working Interests	Exhibit 1
Overhead Rates In Proposal Letter	N/A
Cost Estimate to Drill and Complete	Attachment C
Cost Estimate to Equip Well	Attachment C
Cost Estimate for Production Facilities	Attachment C
Geology	
Summary (including special considerations)	Exhibit 2
Spacing Unit Schematic	Attachment D
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	Exhibit 2
Target Formation	Wolfcamp
HSU Cross Section	Attachments F and G
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	Attachment A
Tracts	Attachment B
Summary of Interests, Unit Recapitulation (Tracts)	Attachment B
General Location Map (including basin)	Attachment B
Well Bore Location Map	Attachment D
Structure Contour Map - Subsea Depth	Attachment E
Cross Section Location Map (including wells)	Attachment F
Cross Section (including Landing Zone)	Attachment G
Additional Information	
Special Provisions/Stipulations	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Ocean Munds-Dry
Signed Name (Attorney or Party Representative):	<i>Ocean Munds-Dry</i>
Date:	3/2/2021

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

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

CASE NO. 21667

APPLICATION

COG OPERATING LLC ("COG"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order pooling all uncommitted interests in the Wolfcamp formation, Purple Sage Wolfcamp Gas Pool (98220), underlying a standard 640-acre, more or less, horizontal spacing unit comprised of E/2 of Sections 7 and 18, Township 26 South, Range 28 East, NMPM, Eddy County, New Mexico. In support of its application, COG states:

1. COG (OGRID Number 229137) is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.

2. COG proposes to dedicate the above-referenced horizontal spacing unit to the following proposed initial wells, which it proposes to drill simultaneously:

- The **Mercury State Com 701H** well to be horizontally drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NE/4NE/4 (Unit A) of Section 7,
- The **Mercury State Com 702H** well to be horizontally drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NW/4NE/4 (Unit B) of Section 7, and

- The **Mercury State Com 703H** well to be horizontally drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NW/4NE/4 (Unit B) of Section 7.

3. COG has sought and been unable to obtain voluntary agreement for the development of these lands from all the working interest owners in the subject spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

5. In order to permit COG to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in the subject spacing unit should be pooled and COG should be designated the operator of the proposed horizontal wells and spacing unit.

WHEREFORE, COG requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 4, 2021, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Approving the initial wells in the horizontal spacing unit;
- C. Designating COG as operator of this spacing unit and the wells to be drilled thereon;
- D. Authorizing COG to recover its costs of drilling, equipping and completing the wells;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- F. Imposing a 200% penalty for the risk assumed by COG in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

COG OPERATING LLC

/s/ Michael Rodriguez

Ocean Munds-Dry
Michael Rodriguez
COG Operating LLC
1048 Paseo de Peralta
Santa Fe, New Mexico 87501
(505) 780-8000

ATTORNEYS FOR COG OPERATING LLC

CASE _____ :

Application of COG Operating LLC for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled causes seeks an order pooling all uncommitted interests in the Wolfcamp formation, Purple Sage Wolfcamp Gas Pool (98220), underlying a standard 640-acre, more or less, horizontal spacing unit comprised of E/2 of Sections 7 and 18, Township 26 South, Range 28 East, NMPM, Eddy County, New Mexico. COG Operating LLC seeks to dedicate the above-referenced horizontal spacing unit to the following proposed wells:

- The Mercury State Com 701H well to be horizontally drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NE/4NE/4 (Unit A) of Section 7,
- The Mercury State Com 702H well to be horizontally drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NW/4NE/4 (Unit B) of Section 7, and
- The Mercury State Com 703H well to be horizontally drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NW/4NE/4 (Unit B) of Section 7.

Also, to be considered will be the allocation of the cost thereof, the actual operating costs and charges for supervision, the designation of COG Operating LLC as operator of the wells, and the imposition of 200% charge for risk involved in drilling and completing said wells. Said area is located approximately 11.5 miles south of Malaga, New Mexico.

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

**APPLICATIONS OF COG OPERATING LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 21667 & 21668

LANDMAN AFFIDAVIT

Lizzy Laufer, of lawful age and being first duly sworn, declares as follows:

1. My name is Lizzy Laufer, and I am a Landman with COG Operating LLC ("COG"), now a wholly-owned subsidiary of ConocoPhillips.
2. I have testified before the New Mexico Oil Conservation Division ("Division") and my credentials as an expert witness in petroleum land matters and my credentials have been accepted and made a matter of public record.
3. I am familiar with the applications filed by COG in these cases and familiar with the status of the lands in the subject area.
4. None of the parties proposed to be pooled in these cases have indicated opposition to this proceeding, therefore I do not expect any opposition at hearing.
5. COG seeks an order pooling all uncommitted interests in the Wolfcamp formation [Purple Sage Wolfcamp Gas Pool (98220)]:
 - a. In Case No. 21667 underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Sections 7 and 18, Township 26 South, Range 28 East, Eddy County, New Mexico.
 - b. In Case No. 21668 underlying a standard 958.16-acre, more or less, horizontal spacing unit comprised of Lots 1, 2, 3, 4 and the E/2W/2 of Sections 6, 7 and 18, Township 26 South, Range 28 East, Eddy County, New Mexico.
6. In Case No. 21667, COG proposes to dedicate the above-referenced horizontal spacing unit to the following proposed initial wells, which it proposes to drill simultaneously:

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 21667 Exhibit No. 1
Submitted by:
COG OPERATING LLC
Hearing Date: March 4, 2021

- a. **Mercury State Com #701H** to be drilled from a surface hole location in SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NE/4NE/4 (Unit A) of Section 7;
 - b. **Mercury State Com #702H** to be drilled from a surface hole location in SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NW/4NE/4 (Unit B) of Section 7;
 - c. **Mercury State Com #703H** to be drilled from a surface hole location in SW/4SE/4 (Unit O) of Section 18 to a bottom hole location in the NW/4NE/4 (Unit B) of Section 7;
7. In Case No. 21668, COG proposes to dedicate the above-referenced horizontal spacing unit to the following proposed initial wells, which it proposes to drill simultaneously:
 - a. **Mercury State Com #704H** to be drilled from a surface hole location in SE/4SW/4 (Unit N) of Section 18 to a bottom hole location in the NE/4NW/4 (Unit C) of Section 6;
 - b. **Mercury State Com #705H** to be drilled from a surface hole location in SE/4SW/4 (Unit N) of Section 18 to a bottom hole location in Lot 1, Section 6;
 - c. **Mercury State Com #706H** to be drilled from a surface hole location in SE/4SW/4 (Unit N) of Section 18 to a bottom hole location in Lot 1 of Section 6;
8. **Attachment A** contains Form C-102s for the proposed wells.
9. No ownership depth severances exist within the proposed spacing units, and there are no unleased mineral interests in the subject acreage.
10. **Attachment B** depicts the tracts of land comprising the proposed spacing units in these cases. The proposed spacing units include state lands. It also identifies the interest ownership and interest type by tract. COG seeks to pool all uncommitted interests identified in this attachment.
11. All interest owners that COG seeks to pool are locatable. COG has conducted a diligent search of all public records in Eddy County, including phone directories and computer databases.
12. **Attachment C** contains well proposal letters and AFEs for each well provided to the working interest owners COG is seeking to pool. The costs reflected on each AFE are

consistent with what other operators have incurred for drilling similar horizontal wells in the area.

13. In my opinion, COG has made a diligent effort to reach agreement with the non-joined parties as indicated by the following Chronology of Contact:

- 10/28/2020 – Well proposals and AFEs were sent to all uncommitted working interest owners
- 3Q2020 - Present – Ongoing phone and email communication with OXY Y-1 Company regarding the planned development, proposed JOA and their interest in the unit
- 11/9/20 – Email communication with EOG in regards to technical questions in Mercury projects
- 12/15/20 – COG’s proposed form of JOA and Communitization Agreements sent to all uncommitted working interest owners
- 1/28/2020 – Well Proposal Update sent to all uncommitted working interest owners which provided updated total vertical depth for the proposed wells
- 1/28/21 - Email correspondence with Chevron in regards to their working interest. Provided estimated spud dates and ask them to send any proposed JOA changes
- 2/3/2021 – Lunch with EOG. Discussed Mercury timing and development

14. In my opinion, COG has made a good faith effort to obtain voluntary joinder of the parties it is seeking to pool. If COG reaches an agreement with any of the parties it is seeking to pool before the Division enters an order, I will inform the Division that COG is no longer seeking to pool those parties.

15. COG has estimated the overhead and administrative costs for drilling and producing the proposed wells at \$8,000 per month while drilling and \$800 per month while producing. These costs are consistent with what other operators are charging in this area for similar wells.

16. I have provided COG’s legal counsel a list of names and addresses of the owners COG seeks to pool and instructed that they be notified of this hearing. Additionally, notice of this hearing was timely published in a newspaper of general circulation in Eddy County, New Mexico.

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

18. Exhibit 1 and Attachments A through C were either prepared by me or compiled under my direction and supervision.

THIS CONCLUDES AFFIANT'S STATEMENT.

E. Lamyler
Affiant

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

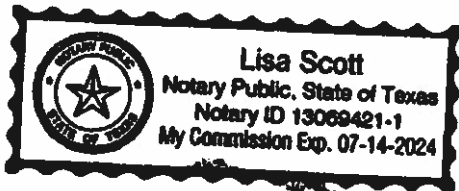
SUBSCRIBED and SWORN to before me this 3rd day of March, 2021, by

Lisa Scott

Lisa Scott
NOTARY PUBLIC

My Commission Expires:

7-14-2024



District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
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, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name			
4 Property Code		5 Property Name MERCURY STATE COM				6 Well Number 701H	
7 OGRID No.		8 Operator Name COG OPERATING LLC				9 Elevation 3070'	

" Surface Location

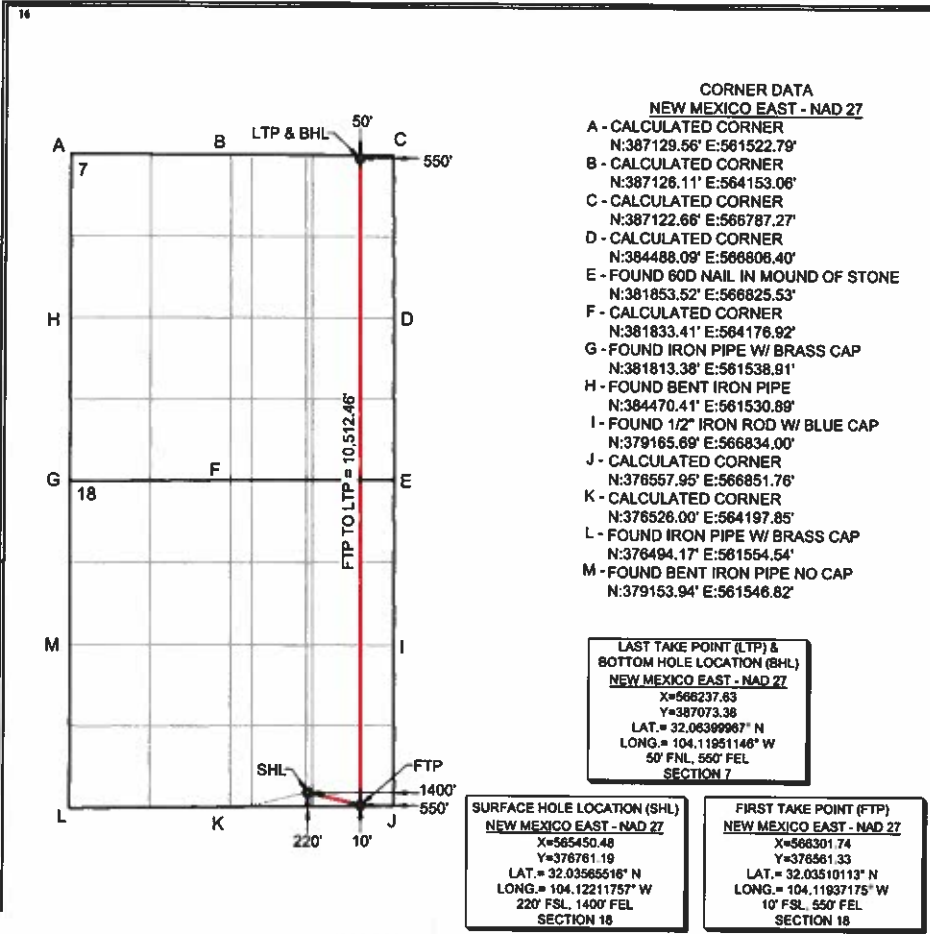
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	18	26-S	28-E		220'	SOUTH	1400'	EAST	EDDY

" Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	7	26-S	28-E		50'	NORTH	550'	EAST	EDDY

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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.



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____
Printed Name _____
E-mail Address _____

" SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey _____
Signature and Seal of Professional Surveyor _____



Certificate Number

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 21667 Attachment No. A
Submitted by:
COG OPERATING LLC
Hearing Date: March 4, 2021

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
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, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name			
4 Property Code		5 Property Name MERCURY STATE COM				6 Well Number 702H	
7 OGRID No.		8 Operator Name COG OPERATING LLC				9 Elevation 3068'	

*** Surface Location**

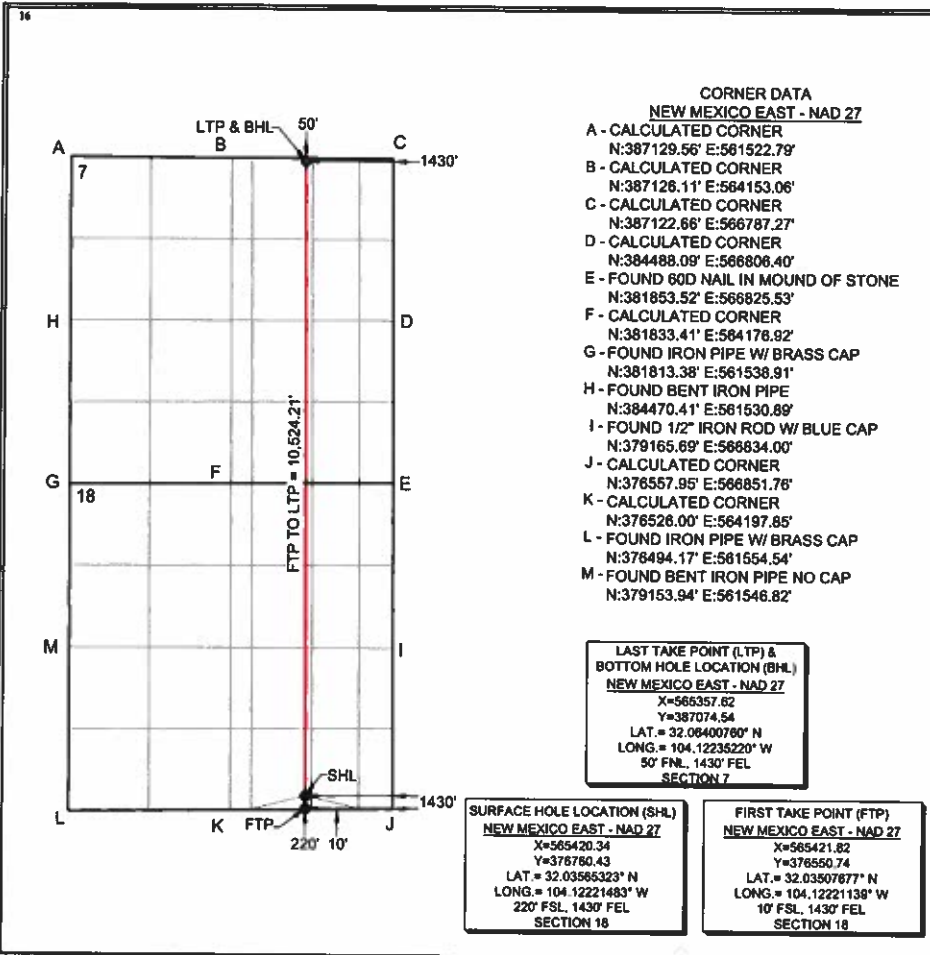
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	18	26-S	28-E		220'	SOUTH	1430'	EAST	EDDY

**** Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	7	26-S	28-E		50'	NORTH	1430'	EAST	EDDY

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order 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.



17 OPERATOR CERTIFICATION

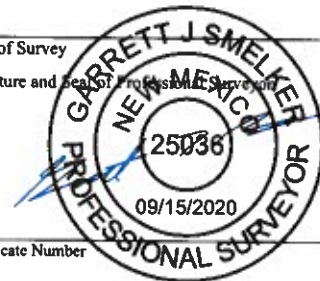
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____
Printed Name _____
E-mail Address _____

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey _____
Signature and Seal of Professional Surveyor _____



Certificate Number _____

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
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, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name MERCURY STATE COM			6 Well Number 703H
7 OGRID No.		8 Operator Name COG OPERATING LLC			9 Elevation 3067'

10 Surface Location

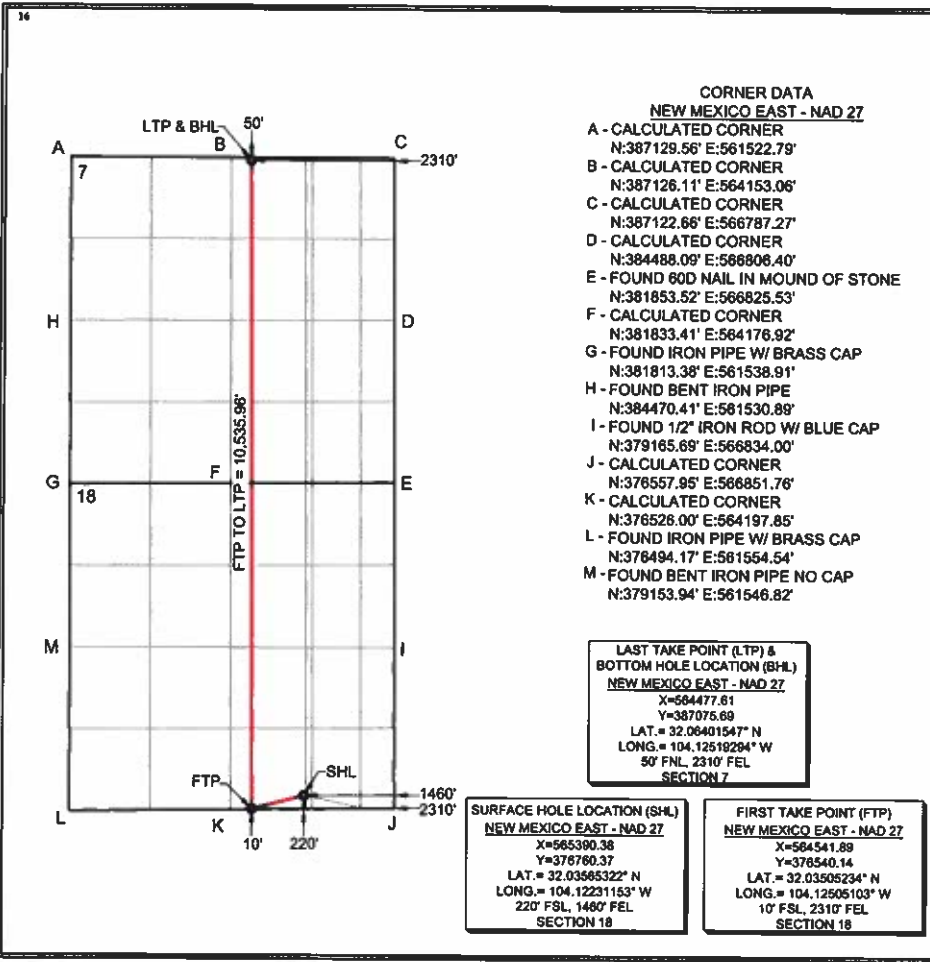
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	18	26-S	28-E		220'	SOUTH	1460'	EAST	EDDY

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	7	26-S	28-E		50'	NORTH	2310'	EAST	EDDY

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order 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.



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey _____

Signature and Seal of Professional Surveyor _____

GARRETT J. SMELKER
NEW MEXICO
25036
PROFESSIONAL SURVEYOR
09/15/2020

Certificate Number _____

SEC 7, T285-R28E

SEC 18, T285-R28E

E2 SPACING UNIT	
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SEC 7, T285-R28E

SEC 18, T285-R28E

TRACT 1 STATE OF NM V0-7465 320 AC	TRACT 2 STATE OF NM V0-7448 320 AC
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WORKING INTEREST OWNER	TRACT 1	TRACT 2	UNIT RECAP
COG OPERATING LLC	0.33854649	0.00000000	0.33854649
CONCHO OIL & GAS LLC	0.00597968	0.00000000	0.00597968
CHEVRON U.S.A. INC.	0.00000000	0.50000000	0.50000000
EOG RESOURCES, INC.	0.13418669	0.00000000	0.13418669
OXY Y-1 COMPANY	0.02128715	0.00000000	0.02128715
	TOTAL		1.00000000

PARTIES TO POOL	INTEREST TYPE
Chevron U.S.A. Inc 6301 Deauville Midland, TX 79706	WI/RT
EOG RESOURCES, INC. 5509 Champions Blvd. Midland, TX 79706	WI/RT
OXY Y-1 COMPANY 5 Greenway Plaza, Suite 110 Houston, TX 77046	WI

Well proposal sent	YES
Communitization Agreement sent	YES
Joint Operating Agreement sent	YES

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 21667 Attachment No. B
 Submitted by:
COG OPERATING LLC
 Hearing Date: March 4, 2021



October 28, 2020

Via CMRRR No. 9489 0090 0027 6261 7585 64
And electronic mail to afenojvmcbu@chevron.com
Chevron U.S.A. Inc.
6301 Deauville
Midland, TX 79706
Attn: Kaitlyn Kaker Griffin

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 21667 Attachment No. C
Submitted by:
COG OPERATING LLC
Hearing Date: March 4, 2021

Re: **E/2 Mercury State Com Unit**
Mercury State Com 701H-703H
E/2 Sections 7 & 18, T26S-R28E
Eddy County, New Mexico

Dear Kaitlyn:

COG Operating, LLC ("COG"), as Operator, hereby proposes the drilling of the following horizontal wells:

E/2 MERCURY STATE COM UNIT

The following wells will have productive laterals located in the E/2 of Sections 7 and 18, Township 26 South, Range 28 East, Eddy County, New Mexico. The surface pad locations will be located in Unit O of Section 18, T26S-R28E (subject to change).

- **Mercury State Com 701H**, to be drilled to a depth sufficient to test the Wolfcamp A formation at an approximate total vertical depth of 9,190'. The surface location for this well is proposed at a legal location in Unit O of Section 18, and a bottom hole location at a legal location in Unit A of Section 7. The dedicated horizontal spacing unit will be the E/2 of Sections 7 & 18, T26S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,896,000.00, as shown on the attached Authority for Expenditure ("AFE").
- **Mercury State Com 702H**, to be drilled to a depth sufficient to test the Wolfcamp A formation at an approximate total vertical depth of 9,190'. The surface location for this well is proposed at a legal location in Unit O of Section 18, and a bottom hole location at a legal location in Unit B of Section 7. The dedicated horizontal spacing unit will be the E/2 of Sections 7 & 18, T26S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,896,000.00, as shown on the attached AFE.
- **Mercury State Com 703H**, to be drilled to a depth sufficient to test the Wolfcamp A formation at an approximate total vertical depth of 9,190'. The surface location for this well is proposed at a legal location in Unit O of Section 18, and a bottom hole location at a legal location in Unit B of Section 7. The dedicated horizontal spacing unit will be the E/2 of Sections 7 & 18, T26S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,896,000.00, as shown on the attached AFE.

COG is proposing to drill these wells under the terms of a new Operating Agreement which will follow under separate cover.

October 28, 2020
E/2 Mercury State Com Unit

In the interest of time, if we do not reach an agreement 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 horizontal spacing unit for the proposed wells.

Please indicate your participation elections in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFEs and a copy of your geologic requirements, to my attention at the letterhead address or by email to elaufer@concho.com. Should you have any questions, please do not hesitate to contact me at 432.221.0470.

Sincerely,

COG Operating LLC

//Lizzy Laufer//

Lizzy Laufer
Landman II

LL:bh
Enc

Please Indicate your election below:

<u>WELL NAME</u>	<u>PARTICIPATE</u> Elect to participate in drilling & completion of well	<u>DO NOT PARTICIPATE</u> Elect NOT to participate in drilling & completion of well
Mercury State Com 701H		
Mercury State Com 702H		
Mercury State Com 703H		

CHEVRON U.S.A. INC.

By: _____
Name: _____
Title: _____
Date: _____

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
Drill & Complete**

Well Name MERCURY STATE COM 701H
SHL SEC 18: 220 FSL, 1400 FEL, OR UNIT O
BHL SEC 7: 60 FNL, 550 FEL, OR UNIT A
Formation WOLF CAMP A
Legal 7 & 18, T26S-R28E
AFE Numbers

Prospect ATLAS 2828
State & County NEW MEXICO, EDDY
Objective DRILL & COMPLETE
Depth 19,000
TVD 9,190

Cost Description	Code	PreSpud (PS)	Pre-Set Casing(PC)	Drilling (DR)	Completions (C)	Tank Btry Constructn (TB)	Pmpq Equip (PEQ)	Revision	Total
Intangible Costs									
D-Ldn/Pits/Roads	205			\$ 89,000.00					\$ 89,000.00
D-Drilling Overhead	206			\$ 7,000.00					\$ 7,000.00
D-Daywork Contract	209			\$ 484,000.00					\$ 484,000.00
D-Directional Drig Services	210			\$ 258,000.00					\$ 258,000.00
D-Fuel & Power	211			\$ 84,000.00					\$ 84,000.00
D-Water	212			\$ 70,000.00					\$ 70,000.00
D-Bits	213			\$ 89,000.00					\$ 89,000.00
D-Mud & Chemicals	214			\$ 182,000.00					\$ 182,000.00
D-Cement Surface	217			\$ 18,000.00					\$ 18,000.00
D-Cement Intermed	218			\$ 70,000.00					\$ 70,000.00
D-Frod-2nd Int Cmt	219			\$ 103,000.00					\$ 103,000.00
D-Float Equipment & Centralizers	221			\$ 56,000.00					\$ 56,000.00
D-Csg Crews & Equip	222			\$ 81,000.00					\$ 81,000.00
D-Contract Labor	225			\$ 7,000.00					\$ 7,000.00
D-Company Sprvsn	226			\$ 41,000.00					\$ 41,000.00
D-Contract Sprvsn	227			\$ 101,000.00					\$ 101,000.00
D-Tatg Csg/Tbg	228			\$ 38,000.00					\$ 38,000.00
D-Mud Logging Unit	229			\$ 38,000.00					\$ 38,000.00
D-Rentals-Surface	235			\$ 157,000.00					\$ 157,000.00
D-Rentals-Subsrfc	236			\$ 73,000.00					\$ 73,000.00
D-Trucking/Forklift/Rig Mob	237			\$ 150,000.00					\$ 150,000.00
D-Welding Services	238			\$ 3,000.00					\$ 3,000.00
D-Contingency	243			\$ 56,000.00					\$ 56,000.00
D-Envmntl/Cldd Loop	244			\$ 247,000.00					\$ 247,000.00
C-Wellbore Frac Prep	304				\$ 95,000.00				\$ 95,000.00
C-Ldn/Pits/Roads	305				\$ 10,000.00				\$ 10,000.00
C-Completion OH	306				\$ 15,000.00				\$ 15,000.00
C-Frac Equipment	307				\$ 648,000.00				\$ 648,000.00
C-Frac Chemicals	308				\$ 410,000.00				\$ 410,000.00
C-Frac Proppant	309				\$ 186,000.00				\$ 186,000.00
C-Frac Proppant Transportation	310				\$ 289,000.00				\$ 289,000.00
C-Fuel Delivery & Services	311				\$ 42,000.00				\$ 42,000.00
C-Water	312				\$ 273,000.00				\$ 273,000.00
C-Frac Surface Rentals	315				\$ 258,000.00				\$ 258,000.00
C-Contract Labor	325				\$ 10,000.00				\$ 10,000.00
C-Company Sprvsn	326				\$ 10,000.00				\$ 10,000.00
C-Contract Sprvsn	327				\$ 138,000.00				\$ 138,000.00
C-Artificial Lift Install	329				\$ 45,000.00				\$ 45,000.00
C-Perf/Wireline Svc	331				\$ 317,000.00				\$ 317,000.00
C-Trucking/Forklift/Rig Mob	337				\$ 10,000.00				\$ 10,000.00
C-Water Disposal	339				\$ 40,000.00				\$ 40,000.00
C-Contingency	343				\$ 74,000.00				\$ 74,000.00
C-Dyed Diesel	345				\$ 155,000.00				\$ 155,000.00
C-Drillout	348				\$ 295,000.00				\$ 295,000.00
TB-Damages/Right of Way	351					\$ 2,000.00			\$ 2,000.00
TB-Location/Pits/Roads	353					\$ 34,000.00			\$ 34,000.00
TB-Contract Labor	356					\$ 180,000.00			\$ 180,000.00
PEQ-Contract Labor	374					\$ 39,000.00			\$ 39,000.00
PEQ-Water Disposal	387					\$ 179,000.00			\$ 179,000.00
PEQ-HRZ Well Offset Frac	391					\$ 18,000.00			\$ 18,000.00
Total Intangible Costs		\$ -	\$ -	\$ 2,482,000.00	\$ 3,318,000.00	\$ 218,000.00	\$ 236,000.00		\$ 6,262,000.00
Tangible Costs									
PEQ-Flowback Crews & Equip	392						\$ 108,000.00		\$ 108,000.00
D-Surface Casing	401			\$ 20,000.00					\$ 20,000.00
D-Intermed Csg	402			\$ 155,000.00					\$ 155,000.00
D-Production Casing/Liner	403			\$ 385,000.00					\$ 385,000.00
D-Wellhead Equip	405			\$ 70,000.00					\$ 70,000.00
C-Tubing	504				\$ 52,000.00				\$ 52,000.00
C-Wellhead Equip	505				\$ 26,000.00				\$ 26,000.00
TB-Tanks	510					\$ 58,000.00			\$ 58,000.00
TB-Flowlines/Pipelines	511					\$ 26,000.00			\$ 26,000.00
TB-Htr Trtr/Septic	512					\$ 185,000.00			\$ 185,000.00
TB-Electrical System/Equipment	513					\$ 114,000.00			\$ 114,000.00
C-Pckrs/Anchors/Mjrs	514			\$ 64,000.00					\$ 64,000.00
TB-Couplings/Fittings/Valves	515					\$ 192,000.00			\$ 192,000.00
TB-Pumps-Surface	521					\$ 28,000.00			\$ 28,000.00
TB-Instrumentation/SCADA/POC	522					\$ 20,000.00			\$ 20,000.00
TB-Miscellaneous	523					\$ 20,000.00			\$ 20,000.00
TB-Meters/Lacts	525					\$ 26,000.00			\$ 26,000.00
TB-Flares/Cambusters/Emission	526					\$ 31,000.00			\$ 31,000.00
C-Gas Lift/Compression	527			\$ 25,000.00					\$ 25,000.00
PEQ-Wellhead Equipment	531					\$ 39,000.00			\$ 39,000.00
Total Tangible Costs		\$ -	\$ -	\$ 630,000.00	\$ 169,000.00	\$ 698,000.00	\$ 147,000.00		\$ 1,844,000.00
Total Gross Cost		\$ -	\$ -	\$ 3,112,000.00	\$ 3,487,000.00	\$ 914,000.00	\$ 383,000.00		\$ 7,894,000.00

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: _____

Date Prepared: _____

We approve:
% Working Interest

COG Operating LLC

By: _____

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.

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
Drill & Complete**

Well Name MERCURY STATE COM 702H
 8HL SEC 18: 220 FSL, 1430 FEL, OR UNIT C
 BHL SEC 7: 50 FNL, 1430 FEL, OR UNIT B
 Formation WOLFCAMP A
 Legal 7 & 18, T26S-R26E
 AFE Numbers

Prospect ATLAS 2628
 State & County NEW MEXICO, EDDY
 Objective DRILL & COMPLETE
 Depth 19,000
 TVD 9,190

Cost Description	Code	PreSpud (PS)	Pre-Set Casing(PC)	Drilling (DR)	Completions (C)	Tank Strc Constrcn(TB)	Pmpq Equip (PEQ)	Revision	Total
Intangible Costs									
D-Loth/Pits/Roads	205			\$ 89,000.00					\$ 89,000.00
D-Drilling Overhead	206			\$ 7,000.00					\$ 7,000.00
D-Daywork Contract	208			\$ 484,000.00					\$ 484,000.00
D-Directional Drig Services	210			\$ 258,000.00					\$ 258,000.00
D-Fuel & Power	211			\$ 84,000.00					\$ 84,000.00
D-Water	212			\$ 70,000.00					\$ 70,000.00
D-Bits	213			\$ 89,000.00					\$ 89,000.00
D-Mud & Chemicals	214			\$ 182,000.00					\$ 182,000.00
D-Cement Surface	217			\$ 18,000.00					\$ 18,000.00
D-Cement Intermed	218			\$ 70,000.00					\$ 70,000.00
D-Prod-2nd Int Cmt	219			\$ 103,000.00					\$ 103,000.00
D-Float Equipment & Centralizers	221			\$ 56,000.00					\$ 56,000.00
D-Csg Crews & Equip	222			\$ 81,000.00					\$ 81,000.00
D-Contract Labor	225			\$ 7,000.00					\$ 7,000.00
D-Company Svrvin	226			\$ 41,000.00					\$ 41,000.00
D-Contract Svrvin	227			\$ 101,000.00					\$ 101,000.00
D-Trip Csg/Tbg	228			\$ 38,000.00					\$ 38,000.00
D-Mud Logging Unit	229			\$ 38,000.00					\$ 38,000.00
D-Rentals-Surface	235			\$ 157,000.00					\$ 157,000.00
D-Rentals-Subsric	236			\$ 73,000.00					\$ 73,000.00
D-Trucking/Forklfr/Rlg Mob	237			\$ 150,000.00					\$ 150,000.00
D-Welding Services	238			\$ 3,000.00					\$ 3,000.00
D-Contingency	243			\$ 56,000.00					\$ 56,000.00
D-Envmnt/Clsd Loop	244			\$ 247,000.00					\$ 247,000.00
C-Wellbore Frac Prep	304				\$ 95,000.00				\$ 95,000.00
C-Loth/Pits/Roads	305				\$ 10,000.00				\$ 10,000.00
C-Completion OH	306				\$ 15,000.00				\$ 15,000.00
C-Frac Equipment	307				\$ 648,000.00				\$ 648,000.00
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C-Frac Surface Rentals	315				\$ 258,000.00				\$ 258,000.00
C-Contract Labor	325				\$ 10,000.00				\$ 10,000.00
C-Company Svrvin	326				\$ 10,000.00				\$ 10,000.00
C-Contract Svrvin	327				\$ 138,000.00				\$ 138,000.00
C-Artificial Lift Install	329				\$ 45,000.00				\$ 45,000.00
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C-Drillout	348				\$ 285,000.00				\$ 285,000.00
TB-Damages/Right of Way	351					\$ 2,000.00			\$ 2,000.00
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Tangible Costs									
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TB-Flowlines/Pipelines	511					\$ 28,000.00			\$ 28,000.00
TB-Htr Trn/Segtr	512					\$ 185,000.00			\$ 185,000.00
TB-Electrical System/Equipment	513					\$ 114,000.00			\$ 114,000.00
C-Pkrs/Anchors/Hgts	514				\$ 64,000.00				\$ 64,000.00
TB-Couplings/Fittings/Valves	515					\$ 192,000.00			\$ 192,000.00
TB-Pumps-Surface	521					\$ 26,000.00			\$ 26,000.00
TB-Instrumentation/SCADA/POC	522					\$ 20,000.00			\$ 20,000.00
TB-Miscellaneous	523					\$ 20,000.00			\$ 20,000.00
TB-Meters/Lacts	525					\$ 26,000.00			\$ 26,000.00
TB-Flares/Combusters/Emission	526					\$ 31,000.00			\$ 31,000.00
C-Gas Lift/Compression	527				\$ 25,000.00				\$ 25,000.00
PEQ-Wellhead Equipment	531						\$ 39,000.00		\$ 39,000.00
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Total Gross Cost		\$ -	\$ -	\$ 3,112,000.00	\$ 3,487,000.00	\$ 914,000.00	\$ 383,000.00		\$ 7,896,000.00

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: _____

Date Prepared: _____

We approve:
% Working Interest

COG Operating LLC

By: _____

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.

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
Drill & Complete**

Well Name MERCURY STATE COM 703H
 8HL SEC 18: 220 FSL, 1460 FEL, OR UNIT C
 BHL SEC 7: 50 FNL, 2310 FEL, OR UNIT B
 Formation WOLFCAMP A
 Legal 7 & 18, T26S-R28E
 AFE Numbers

Prospect ATLAS 2628
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 Depth 19,000
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Cost Description	Code	PreSpud (PS)	Pre-Set Casing(PC)	Drilling (DR)	Completions (C)	Tank Btty Constrcn(TB)	Pmpq Equip (PEQ)	Revision	Total
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D-Lcns/Pits/Roads	205			\$ 89,000.00					\$ 89,000.00
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D-Daywork Contract	209			\$ 484,000.00					\$ 484,000.00
D-Directional Drly Services	210			\$ 258,000.00					\$ 258,000.00
D-Fuel & Power	211			\$ 84,000.00					\$ 84,000.00
D-Water	212			\$ 70,000.00					\$ 70,000.00
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D-Mud & Chemicals	214			\$ 182,000.00					\$ 182,000.00
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C-Company Sprvsn	326				\$ 10,000.00				\$ 10,000.00
C-Contract Sprvsn	327				\$ 138,000.00				\$ 138,000.00
C-Artificial Lift Install	329				\$ 45,000.00				\$ 45,000.00
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C-Dyed Diesel	345				\$ 155,000.00				\$ 155,000.00
C-Drillout	348				\$ 295,000.00				\$ 295,000.00
TB-Damages/Right of Way	351					\$ 2,000.00			\$ 2,000.00
TB-Location/Pits/Roads	353					\$ 34,000.00			\$ 34,000.00
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D-Production Casing/Liner	403			\$ 385,000.00					\$ 385,000.00
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C-Wellhead Equip	505				\$ 28,000.00				\$ 28,000.00
TB-Tanks	510					\$ 58,000.00			\$ 58,000.00
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TB-Electrical System/Equipment	513					\$ 114,000.00			\$ 114,000.00
C-Pckrs/Anchors/Hgts	514				\$ 84,000.00				\$ 84,000.00
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TB-Pumps-Surface	521					\$ 26,000.00			\$ 26,000.00
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C-Gas Lift/Compression	527				\$ 25,000.00				\$ 25,000.00
PEQ-Wellhead Equipment	531						\$ 39,000.00		\$ 39,000.00
Total Tangible Costs				\$ 630,000.00	\$ 169,000.00	\$ 698,000.00	\$ 147,000.00		\$ 1,644,000.00
Total Gross Cost				\$ 3,112,000.00	\$ 3,487,000.00	\$ 914,000.00	\$ 383,000.00		\$ 7,896,000.00

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COG Operating LLC

By: _____

Date Prepared: _____

We approve:
% Working Interest

COG Operating LLC

Company: _____

By: _____

Printed Name: _____

Title: _____

Date: _____

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January 28, 2021

Via CMRRR No. 9489 0090 0027 6261 7582 50

And electronic mail to afenojvmcbu@chevron.com & BennettMassie@chevron.com

Chevron U.S.A. Inc.

6301 Deauville

Midland, TX 79706

Attn: Bennett Massie

**Re: E/2 Mercury State Com Units
Mercury State Com 701H-703H
E/2 Sections 7 & 18, T26S-R28E
Eddy County, New Mexico**

Dear Bennett:

Reference is herein made to well proposals previously mailed on October 28, 2020, covering the above-referenced E/2 Mercury State Com Unit wells. The total vertical depths of the wells are being revised slightly as highlighted below. The AFEs have also been updated to show these revised TVDs. No other changes have been made at this time.

- **Mercury State Com 701H**, to be drilled to a depth sufficient to test the Wolfcamp A formation at an approximate **total vertical depth of 9,215'**. The surface location for this well is proposed at a legal location in Unit O of Section 18, and a bottom hole location at a legal location in Unit A of Section 7. The dedicated horizontal spacing unit will be the E/2 of Sections 7 & 18, T26S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,896,000.00, as shown on the attached Authority for Expenditure ("AFE").
- **Mercury State Com 702H**, to be drilled to a depth sufficient to test the Wolfcamp A formation at an approximate **total vertical depth of 9,325'**. The surface location for this well is proposed at a legal location in Unit O of Section 18, and a bottom hole location at a legal location in Unit B of Section 7. The dedicated horizontal spacing unit will be the E/2 of Sections 7 & 18, T26S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,896,000.00, as shown on the attached AFE.
- **Mercury State Com 703H**, to be drilled to a depth sufficient to test the Wolfcamp A formation at an approximate **total vertical depth of 9,200'**. The surface location for this well is proposed at a legal location in Unit O of Section 18, and a bottom hole location at a legal location in Unit B of Section 7. The dedicated horizontal spacing unit will be the E/2 of Sections 7 & 18, T26S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$7,896,000.00, as shown on the attached AFE.

Please allow this correspondence to serve as an informational letter regarding the wells outlined above. Should you have any questions, please do not hesitate to contact me at 432.221.0470.

Sincerely,

COG Operating LLC



Lizzy Laufer
Landman II

LL:bh
Enc

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
Drill & Complete

Well Name MERCURY STATE COM 702B
SNL SEC 10: 220 FSL, 1430 FEL, OR UNIT C
SNL SEC 7: 60 FNL, 1430 FEL, OR UNIT B
Formation WOLFCAMP A
Legal 7 & 16, T263-R288
APE Numbers

Prospect ATLAS 2625
State & County NEW MIDCO, EDDY
Objective DRILL & COMPLETE
Depth 19,000
TVD 9,325

Table with columns: Description, Unit, Quantity, Unit Price, Total Price, and Total. Rows include various equipment and material items like Drilling Overhead, Cement, Frac Fluid, etc.

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

Sr. _____

Date Prepared: Revised 1.29.21

We approve: % Working Interest

COG Operating LLC

Company: _____

Sr. _____

Printed Name: _____

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

Title: _____

Date: _____

COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
Drill & Complete

Well Name MERCURY STATE COM 703H
BHL SEC 18, 220 FSL, 1400 FEL, OR UNIT O
BHL SEC 7, 50 FNL, 2310 FEL, OR UNIT B
Formation WOLFCAMP A
Legal 7 & 18, T288-R28E
AFB Numbers

Project ATLAS 2828
State & County NEW MEXICO, EDDY
Objective DRILL & COMPLETE
Depth 19,000
TYD 0.200

Table with multiple columns: Description, Quantity, Unit, Price, Amount, etc. Lists various equipment and materials like Drilling Bits, Cement, and Tools.

Note: The above costs are estimates only. Actual costs will be billed as incurred.

COG Operating LLC

By: _____

Date Prepared: Revised 1.28.21

We approve:
% Working Interest

COG Operating LLC

By: _____

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**

**APPLICATIONS OF COG OPERATING LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 21667 & 21668

GEOLOGIST AFFIDAVIT

Travis Sparks, of lawful age and being first duly sworn, declares as follows:

1. My name is Travis Sparks, and I am a Geologist with COG Operating LLC ("COG").

2. I have previously testified before the New Mexico Oil Conservation Division ("Division") as an expert witness in petroleum geology matters and my credentials have been accepted and made a matter of public record.

3. I am familiar with the applications filed by COG in these cases and I have conducted a geologic study of the lands in the subject area.

4. COG is targeting the Wolfcamp formation with its proposed Mercury State Com 701H, 702H, 703H, 704H, 705H and 706H wells (collectively the "Wells").

5. Attachment D is a locator map displaying COG's acreage in yellow for the Wolfcamp formation. Existing producing wells in the Wolfcamp interval are represented by solid lines. The approximate wellbore paths for the Wells are marked by dashed lines.

6. Attachment E is a subsea structure map that I prepared for the top of the Wolfcamp that is representative of the targeted interval within the Wolfcamp interval. The data points are indicated by crosses. I used the Wolfcamp structure because it is a reliable regional marker and the target intervals lie near this marker. The approximate wellbore paths for the proposed Wells are depicted by dashed lines. The map shows that the formation is gently dipping to the southwest in this area. I do not observe any faulting, pinch-outs, or other geologic impediments to developing the targeted intervals with horizontal wells in this area.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 21667 Exhibit No. 2
Submitted by:
COG OPERATING LLC
Hearing Date: March 4, 2021

7. Attachment F overlays a cross-section line consisting of three wells penetrating the Wolfcamp formation that I used to construct a stratigraphic cross-section from A to A'. I consider these well logs to be representative of the geology in the area.

8. Attachment G is a stratigraphic cross-section using the representative wells depicted on Attachment F. Each well in the cross-section contains gamma ray, resistivity, and porosity logs. The proposed target intervals in the Wolfcamp formation are labeled on the exhibit. The cross-section demonstrates that the targeted intervals are continuous across the proposed spacing units.

9. In my opinion, the stand-up orientation of the proposed wells is the preferred orientation for horizontal well development in this area and is appropriate to efficiently and effectively develop the subject acreage.

10. Based on my geologic study, the targeted interval underlying the subject area is suitable for development by horizontal wells, and the acreage comprising the proposed spacing units will contribute, more-or-less, equally to the production from the wellbores.

11. In my opinion, the granting of COG's applications will be in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

12. Exhibit 2 and Attachments D through G were either prepared by me or compiled under my direction and supervision.

THIS CONCLUDES AFFIANT'S STATEMENT.

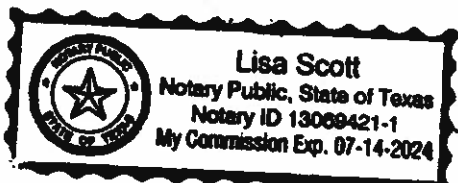
Affiant

STATE OF) New Mexico)
COUNTY OF Eddy)

SUBSCRIBED and SWORN to before me this 3rd day of 2021,
by Lisa Scott

NOTARY PUBLIC

My Commission Expires:



Page 31 of 40

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

**APPLICATIONS OF COG OPERATING LLC
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NOS. 21667 & 21668

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Affiant

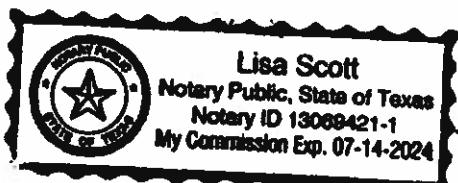


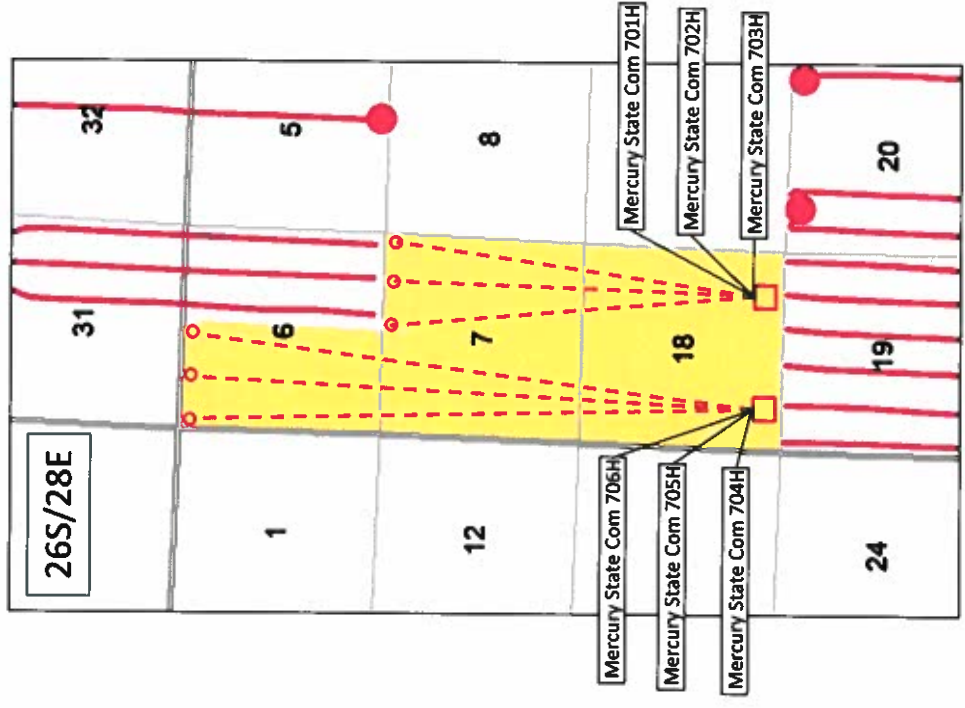
STATE OF New Mexico
COUNTY OF Eddy

SUBSCRIBED and SWORN to before me this 3rd day of 2021,
by Lisa Scott

NOTARY PUBLIC

My Commission Expires:





Map Legend

SHL COG - Wolfcamp A Horizontal Location

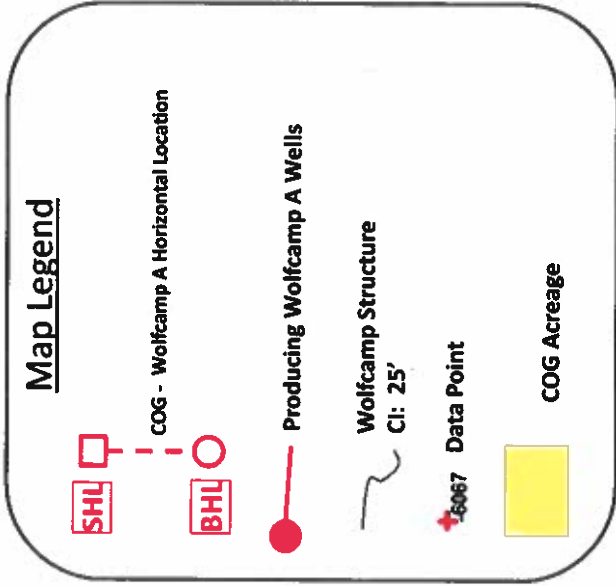
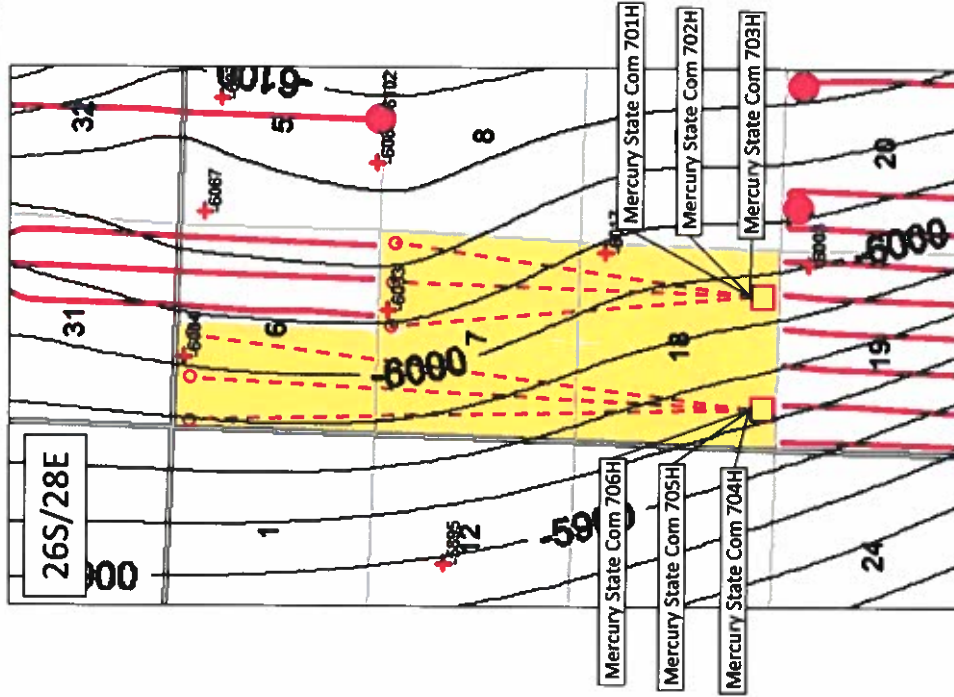
BHL Producing Wolfcamp A Wells

COG Acreage

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 21667 Attachment No. D
 Submitted by:
COG OPERATING LLC
 Hearing Date: March 4, 2021

3/2/2021

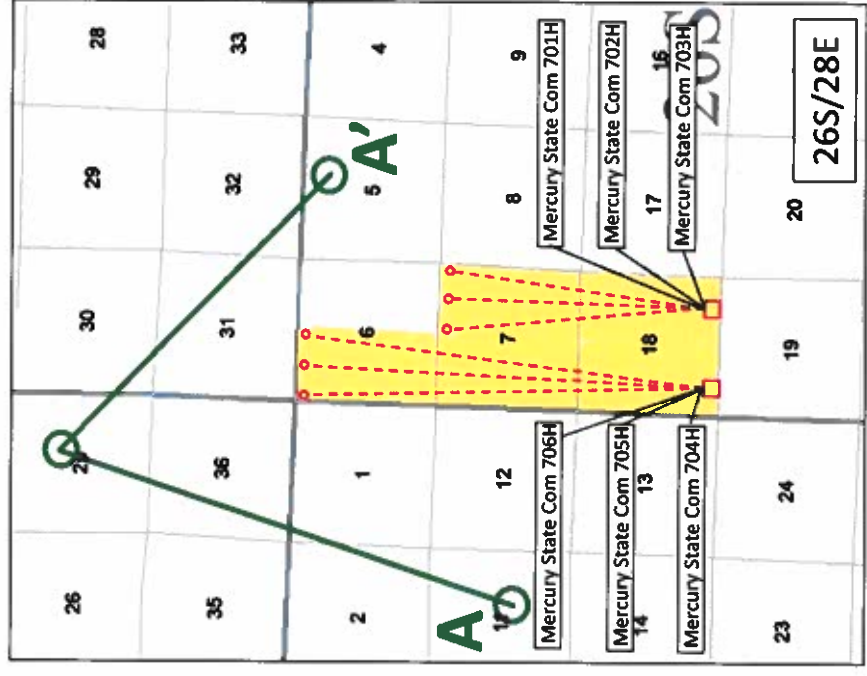
Wolfcamp Pool WFMP Structure Map



BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 21667 Attachment No. E
 Submitted by:
COG OPERATING LLC
 Hearing Date: March 4, 2021

3/2/2021

Wolfcamp Pool Cross Section Map



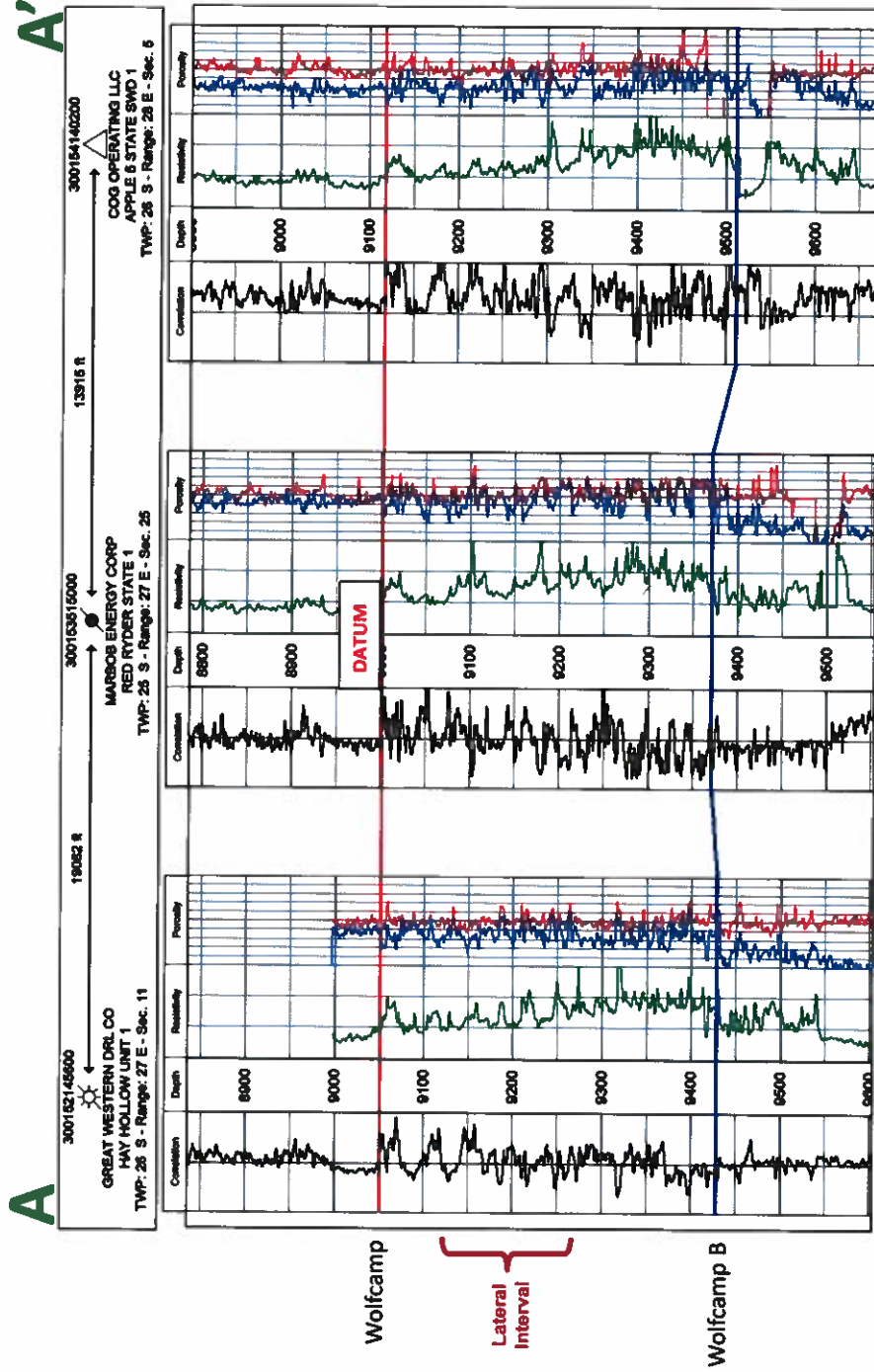
Map Legend

- SHL (red square with 'SHL' text)
- BHL (red circle with 'BHL' text)
- COG - Wolfcamp A Horizontal Location (dashed red line)
- Cross Section Line (green line with circular endpoints)
- COG Acreage (yellow rectangle)

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 21667 Attachment No. F
 Submitted by:
COG OPERATING LLC
 Hearing Date: March 4, 2021

3/2/2021

Wolfcamp Pool Stratigraphic Cross Section A-A'



BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 21667 Attachment No. G
 Submitted by:
COG OPERATING LLC
 Hearing Date: March 4, 2021

3/2/2021



Michael Rodriguez
Attorney

February 12, 2021

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Case No. 21667: Application of COG Operating, LLC for Compulsory Pooling, Eddy County, New Mexico.

To Whom It May Concern:

This letter is to advise you that COG Operating LLC has filed the enclosed application with the New Mexico Oil Conservation Division. The hearing will be conducted on **March 4, 2021** beginning at 8:15 a.m.

During the COVID-19 Pubic Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: <http://www.emnrd.state.nm.us/OCD/announcements.html>. 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.

Pursuant to Division Rule 19.135.4.13.B, parties appearing in a case are required to file a pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5:00 p.m. mountain time, on the Thursday preceding the scheduled hearing date. The statement must be filed at the Division's Santa Fe office or electronically submitted to ocd.hearings@state.nm.us 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 Lizzy Laufer at (432) 221-0470 or elaufer@concho.com.

Sincerely,

/s/ Michael Rodriguez
Michael Rodriguez
COG OPERATING LLC

CORPORATE ADDRESS

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701
P 432.683 7443 | F 432 683 7441

SANTA FE OFFICE

1048 Paseo De Peralta | Santa Fe, New Mexico 87501
P 505 780 8000 | F 505.428.0485

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 Attn: Courtney Carr

7501-9998

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PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

7020 0640 0000 1386 1563

SENDER: COMPLETE THIS SECTION

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

COMPLETE THIS SECTION ON DELIVERY

A. Signatures
 Agent
 Addressee

B. Received by (Printed Name) Chell Date of Delivery 2/20/21

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Collect on Delivery Restricted Delivery
 all Restricted Delivery
 Priority Mail Express®
 Registered Mail™
 Registered Mail Restricted Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Complete items 1, 2, and 3.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

OXY Y-1 Company
 5 Greenway Plaza, Suite 110
 Houston, TX 77046
 Attn: Courtney Carr

9590 9402 5941 0062 9262 40

Article Number (Transfer from services label)
 7020 0640 0000 1386 1563

PS Form 3811, July 2015 PSN 7530-02-000-9053 Domestic Return Receipt