

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



December 26, 2018

COG Operating, LLC
ATTN: Brian Maiorino
600 W Illinois
Midland, TX 79701

Re: ACOI No. 288-I
Operator: COG Operating, LLC; OGRID No. 229137

Dear Operator:

Thank you for returning the signed agreed compliance order regarding inactive wells operated by COG Operating, LLC (COG). Enclosed is a copy of the fully executed order.

The Order requires COG to bring 30 of the wells identified in the Order into compliance with Rule 19.15.4.201 NMAC (Rule 201) by **June 22, 2019**. Please remember that to bring a well into compliance under the order, COG must not only plug the wellbore, place the well on approved temporary abandonment, or return it to production or other beneficial use, COG must also file the appropriate paperwork. For example, if COG plugs the wellbore of a well, it must also file a C-103 subsequent report on the plugging. You may wish to confirm the status of each well on the list with the appropriate district office prior to the expiration of the Order.

The Order also requires COG to file a compliance report with the Oil Conservation Division (OCD) Compliance and Enforcement Manager, Daniel Sanchez, by **June 22, 2019**. This means **the compliance report must be received by the OCD by June 22, 2019**. I will review the report to determine whether the wells have been returned to compliance. If you have questions about how to file a compliance report, please contact me at (505) 476-3493.


As COG works to fulfill its obligations under the order, it should also monitor the status of its other wells to ensure that wells do not remain inactive for a period exceeding 15 months. Remember that you can search the OCD's Inactive Well List for wells that are inactive, but not yet out of compliance.

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The OCD appreciates COG's commitment to bringing its inactive wells into compliance. If you have any questions, or if I can help you in any way, please do not hesitate to call. My email address is daniel.sanchez@state.nm.us.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", with a stylized flourish extending from the end.

Daniel Sanchez
NMOCD Compliance & Enforcement Manager

Encl. ACOI No. 288-I

CC: Maxey Brown, OCD District I Supervisor
Michael Bratcher, OCD District II Supervisor
Charlie Perrin, OCD District III Supervisor
Will Jones, OCD District IV Supervisor

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

NMOCD – ACOI- 288-I

IN THE MATTER OF COG OPERATING LLC

Respondent.

**INACTIVE WELL
AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and COG Operating LLC ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI"). Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein in accordance with the following agreed schedule and procedures, or face the possibility of no further agreed compliance orders. See 19.15.25.8 NMAC

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a limited liability company doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID **229137** for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

"A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.

B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....

....

(3) a period of one year in which a well has been continuously inactive."

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5. The wells identified in Exhibit “A”
 - (a) have been continuously inactive for a period of one year plus 90 days;
 - (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
 - (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
6. An operator faces sanctions if it is out of compliance with OCD Rule 19.15.5.9 NMAC. Sanctions include possible denial of registration by operator or certain related entities (OCD Rule 19.15.9.8B NMAC), possible denial of change of operator that would transfer wells to the noncompliant operator (OCD Rule 19.15.9.9C.1 NMAC), mandatory denial of injection permits (OCD Rule 19.15.26.8A NMAC), possible revocation of injection permits after notice and hearing (OCD Rule 19.15.26.8A NMAC), possible denial of applications for a drilling permit (OCD Rule 19.15.14.10A NMAC), and mandatory denial of allowable and authorization to transport (OCD Rule 19.15.16.19A NMAC).
7. Operator is currently out of compliance with OCD Rule 19.15.5.9.A(4) NMAC because it has too many wells out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule) that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with the inactive well rule and imposing sanctions if the schedule is not met. See OCD Rule 19.15.5.9(A)(4) NMAC.
8. As the operator of record of **4107** wells, to be in compliance with OCD Rule 19.15.5.9.A(4) NMAC, Operator may have no more than **10** wells out of compliance with OCD Rule 19.15.25.8 NMAC (inactive well rule). See OCD Rule 19.15.5.9A(4)(b) NMAC. According to the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, as of **December 18, 2018** Operator has **55** inactive wells currently subject to the terms of ACOI 288-H. The number of inactive wells will increase to **105** in the next six months. The Operator’s inactive well list, dated **December 18, 2018** is attached as Exhibit “A.” Operator faces sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.
9. Operator intends to seek privileges from the OCD that would be subject to sanction due to Operator being out of compliance with OCD Rule 19.15.5.9 NMAC. By placing the wells identified in Exhibit “A” under this Order, Operator will not face sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit "A" are out of compliance or will be out of compliance with OCD Rule 19.15.25.8 NMAC.
3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.
4. The OCD and Operator enter into this Order to remove the wells identified in Exhibit "A" from the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC and consideration of Operator's compliance with the inactive well rule for purposes of Operator's compliance with OCD Rule 19.15.5.9 NMAC. Operator remains subject to sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC IF Operator becomes out of compliance with OCD Rule 19.15.5.9 NMAC for any reason other than the inactive wells identified in Exhibit "A."

ORDER

1. Operator agrees to bring **30** wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by **June 22, 2019** via
 - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
 - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. **Prior to completing the term of this agreement, the operator agrees to provide a comprehensive plan, acceptable to the division, as to how it will address the remaining inactive wells on Exhibit "A". Failure to provide such a plan may result in the division denying future amendments to this agreement.** Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a **monthly** compliance report, **due on the last day of each month**, identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return

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- wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The final written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of **June 22, 2019**. The total length of this Agreed Compliance Order is six months.
4. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator. **If any more wells become inactive during the duration of this ACOI or the operator is in any other way in violation of OCD Rule 19.15.5.9 NMAC, this ACOI may terminate, at the sole discretion of the Division. The Operator may seek an exception to termination if more inactive wells are the result of an acquisition.**
 5. This Order shall expire on **July 22, 2019**. At that time, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, and will be considered when determining Operator's compliance with OCD Rule 19.15.5.9 NMAC.
 6. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to return to compliance **30** wells identified in Exhibit "A" by **June 22, 2019**;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the **June 22, 2019** compliance deadline set by this Order;
 - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order other than a hearing on a request for waiver; and
 - (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
 7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.

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8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 26th day of December, 2018

By: [Signature] for
Heather Riley
Director, Oil Conservation Division

ACCEPTANCE

COG Operating LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

By: [Signature]
(Please print name) CLAY BATEMAN
Title: VP OF DELAWARE BASIN
Date: 12-19-2018

Exhibit "A" to Agreed Compliance Order for COG Operating, LLC

**Total Well Count: 4107 Inactive Well Count: 105
Printed On: Tuesday, December 18 2018**

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-35333	AMIGO FEE #001	C-10-22S-27E	C	229137	COG OPERATING LLC	P	O	11/2017	BONE SPRING		
2	30-015-42004	ARABIAN 6 FEE #010H	4-31-18S-26E	M	229137	COG OPERATING LLC		O	11/2014	YESO FORMATION		
2	30-015-04204	BURCH KEELY UNIT #095	J-19-17S-30E	J	229137	COG OPERATING LLC	F	I	10/2017			
2	30-015-10267	CANTER FEDERAL #002	A-10-20S-29E	A	229137	COG OPERATING LLC	F	G	03/2017			
1	30-025-36469	CAP FEDERAL #001	3-06-20S-32E	C	229137	COG OPERATING LLC		O	02/2018	MORROW INT TO RECOMPLETE BLM 02/24/12		
2	30-015-33987	CHARLES FEE #001	C-10-22S-27E	C	229137	COG OPERATING LLC		O	01/2018	ESPERANZA DELAWARE 22640 40		
2	30-015-32958	COINFLIP STATE #001	1-18-20S-30E	D	229137	COG OPERATING LLC		O	10/2017	MORROW		
2	30-015-02953	DODD FEDERAL UNIT #014	O-11-17S-29E	O	229137	COG OPERATING LLC		O	10/2017			
2	30-015-25340	DODD FEDERAL UNIT #026	D-14-17S-29E	D	229137	COG OPERATING LLC	F	O	04/2017			
2	30-015-32815	DRY LAND SHINER FEDERAL #001	1-03-21S-25E	A	229137	COG OPERATING LLC	F	G	09/2014	BONE SPRING		
1	30-025-31976	EMERALD FEDERAL #001	M-10-22S-32E	M	229137	COG OPERATING LLC		O	07/2016	DELAWARE		
2	30-015-39515	FALABELLA 31 FEE #008H	P-31-18S-26E	P	229137	COG OPERATING LLC		O	09/2014	YESO FORMATION		
1	30-025-02426	FEDERAL 11 20 34 #001	F-11-20S-34E	F	229137	COG OPERATING LLC		O	04/2016			
1	30-025-32975	FEDERAL 12 #002	H-12-19S-32E	H	229137	COG OPERATING LLC		O	02/2017	BONE SPRING		
1	30-025-33066	FEDERAL 12 #004	B-12-19S-32E	B	229137	COG OPERATING LLC		O	02/2018	DELAWARE		
1	30-025-30890	FEDERAL 30 #001	G-30-23S-34E	G	229137	COG OPERATING LLC		O	04/2017	DELAWARE		
1	30-025-26184	FEDERAL 7 #002	2-07-19S-33E	E	229137	COG OPERATING LLC		O	11/2016	PENNSYLVANIAN		
1	30-025-32276	FEDERAL 7 #005	3-07-19S-33E	L	229137	COG OPERATING		O	11/2016	DELAWARE		

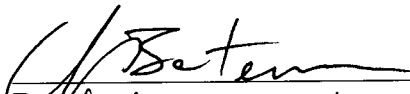
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2	30-015-36492	MESILLA STATE #011	D-16-17S-30E	D	229137	COG OPERATING LLC		O	10/2017	Yeso Formation
2	30-015-30941	MESQUITE STATE #009	D-20-17S-29E	D	229137	COG OPERATING LLC	S	O	03/2017	E EMPIRE YESO
2	30-015-35878	MICHALADA FEDERAL #004D	G-03-22S-25E	G	229137	COG OPERATING LLC		O	10/2017	AZOTEA MESA
2	30-015-21841	N G PHILLIPS ST #020	P-27-17S-28E	P	229137	COG OPERATING LLC	S	O	09/2017	
1	30-025-28223	NEW MEXICO DL STATE #001	I-18-23S-33E	I	229137	COG OPERATING LLC		O	09/2015	
1	30-025-28607	NEW MEXICO DL STATE #002	O-18-23S-33E	O	229137	COG OPERATING LLC		O	10/2013	04/22/2010 RET TO PROD
1	30-025-28609	NEW MEXICO DL STATE #004	N-18-23S-33E	N	229137	COG OPERATING LLC		O	09/2015	
1	30-025-28680	NEW MEXICO EF STATE #001	L-17-23S-33E	L	229137	COG OPERATING LLC		O	04/2013	
1	30-025-28697	NEW MEXICO EF STATE #003	M-17-23S-33E	M	229137	COG OPERATING LLC		I	10/2017	
1	30-025-23155	PAN AM FEDERAL 25 SWD #001	L-25-25S-33E	L	229137	COG OPERATING LLC		S	07/2015	RE ENTRY ENDEAVOR SWD 1304
2	30-015-32196	PAPPYS PREFERENCE FEDERAL #001	C-04-26S-29E	C	229137	COG OPERATING LLC		O	07/2016	
1	30-025-30956	PHILLIPS STATE #001	O-17-21S-35E	O	229137	COG OPERATING LLC		G	12/2017	PLUGBACK BONE SPRING 08/29/2011
1	30-025-41208	PINTAIL 3 FEDERAL SWD #001	J-03-26S-32E	J	229137	COG OPERATING LLC		S	01/2018	CHERRY CANYON SWD-1396 SPUD 07/16/13
2	30-015-36005	PIPER FEDERAL #003	J-12-19S-31E	J	229137	COG OPERATING LLC	F	O	08/2015	LUSK BONE SPRING
2	30-015-35699	POLARIS B FEDERAL #007	N-09-17S-30E	N	229137	COG OPERATING LLC		O	12/2017	LOCO HILLS; GLORIETTA YESO
1	30-025-36508	PONTHOMME STATE #001	A-16-19S-33E	A	229137	COG OPERATING LLC		O	07/2015	SEVEN RIVERS
1	30-025-31137	PROHIBITION FEDERAL UNIT #001	E-12-22S-32E	E	229137	COG OPERATING LLC		O	02/2017	
1	30-025-31716	PROHIBITION FEDERAL UNIT #002	K-11-22S-32E	K	229137	COG OPERATING LLC		S	12/2017	SWD,DELAWARE
1	30-025-32142	PROHIBITION FEDERAL UNIT #003	H-12-22S-32E	H	229137	COG OPERATING LLC		O	01/2017	BONE SPRING-DHC-3716
2	30-015-38506	RANDALL FEDERAL #005	P-07-17S-30E	P	229137	COG OPERATING LLC		O	02/2018	L HILLS; GL-YESO SPUD 06/08/11
1	30-025-29141	RED RAIDER BKS STATE #001	J-25-24S-33E	J	229137	COG OPERATING LLC		O	10/2016	REENTRY YATES
2	30-015-32694	REDBUD FEDERAL #001	C-25-17S-27E	C	229137	COG OPERATING LLC		O	02/2018	LOGAN DRAW WOLFCAMP
2	30-015-39489	REDBUD FEDERAL #002	C-25-17S-27E	C	229137	COG OPERATING LLC		O	10/2017	RED LAKE; GLORIETTA-YESO, NE
2	30-015-34840	SAVE D A 21 FED #001	D-21-25S-29E	D	229137	COG OPERATING LLC	F	O	05/2016	WILLOW LAKE BONE SPRING SE
2	30-015-35102	SCARED HAWK STATE COM #001	I-04-25S-28E	A	229137	COG OPERATING LLC		O	02/2018	WILLOW LAKE; DELAWARE, SW
2	30-015-36559	SHOWSTOPPER 7 FEDERAL COM #001H	A-07-25S-29E	A	229137	COG OPERATING LLC		O	08/2016	DELAWARE
2	30-015-39697	SKELLY UNIT #659	P-14-17S-31E	P	229137	COG OPERATING LLC		O	02/2018	GLOR-YESO
2	30-015-31385	SKELLY UNIT #907	K-21-17S-31E	K	229137	COG OPERATING LLC	F	O	10/2017	GLOR-YESO
2	30-015-31375	SKELLY UNIT #908	E-21-17S-31E	E	229137	COG OPERATING LLC		O	01/2018	FREN PADDOCK
2	30-015-32599	SKELLY UNIT #940	A-22-17S-31E	A	229137	COG OPERATING LLC		O	01/2018	BLINEBRY
2	30-015-32600	SKELLY UNIT #941	C-22-17S-31E	C	229137	COG OPERATING LLC		O	10/2016	FREN PADDOCK
2	30-015-34326	SKELLY UNIT	L-14-17S-31E	L	229137	COG OPERATING	F	O	10/2016	FREN PADDOCK

		#960				LLC						
2	30-015-34647	SKELLY UNIT #965	M-15-17S-31E	M	229137	COG OPERATING LLC	F	O	10/2016	FREN PADDOCK		
2	30-015-38251	SKELLY UNIT #976	D-22-17S-31E	D	229137	COG OPERATING LLC	F	O	01/2017	GLORIETA YESO SPUD 02/14/2011		
2	30-015-36462	SKITTLES FEDERAL #002	H-10-22S-27E	H	229137	COG OPERATING LLC		O	12/2017	DELAWARE ADD PERFS 11/12/10		
2	30-015-23938	SOUTH SHUGART DEEP #001	3-04-19S-31E	C	229137	COG OPERATING LLC		G	04/2015			
2	30-015-37548	SRO STATE COM #008H	P-02-26S-28E	P	229137	COG OPERATING LLC		O	11/2017	BONE SPRING SEE-F9		
2	30-015-21398	SRO SWD #102	G-16-26S-28E	G	229137	COG OPERATING LLC		S	11/2017	SWD:DEVONIAN		
2	30-015-34558	SS SNAKEBITE FEE #002	B-09-22S-27E	B	229137	COG OPERATING LLC	P	O	04/2017	DELAWARE		
2	30-015-34512	SS SNAKEBITE FEE #003	G-09-22S-27E	G	229137	COG OPERATING LLC	P	O	04/2017	DELAWARE		
2	30-015-39144	TEX MACK 11 FEDERAL #063	I-11-17S-31E	I	229137	COG OPERATING LLC		O	10/2017	GLRT-YESO SPUD 09/07/11		
2	30-015-37419	TEX-MACK #239	G-02-17S-31E	G	229137	COG OPERATING LLC		O	11/2016	Yeso Formation		
2	30-015-36352	TEXACO BE #009	B-16-17S-30E	B	229137	COG OPERATING LLC		O	10/2017	Yeso Formation		
1	30-025-30943	TEXACO FEDERAL #002	G-14-19S-33E	G	229137	COG OPERATING LLC		S	10/2017	DELAWARE INT REMEDIAL WORK 05/05/2011		
2	30-015-32384	THUNDER ROAD FEDERAL #005	G-20-17S-30E	G	229137	COG OPERATING LLC		G	10/2017	LOCO HILLS PADDOCK		
1	30-025-25984	TONTO FEDERAL #001	J-12-19S-32E	J	229137	COG OPERATING LLC		O	03/2017	DELAWARE		
1	30-025-33590	TONTO FEDERAL #002	I-12-19S-32E	I	229137	COG OPERATING LLC		O	12/2016	DELAWARE		
1	30-025-35072	TRISTE DRAW 3 FEDERAL #003	P-03-25S-33E	P	229137	COG OPERATING LLC		G	09/2017	WOLFCAMP		
2	30-015-37645	TUNA 28 FEDERAL #001	A-28-26S-25E	A	229137	COG OPERATING LLC	F	G	05/2017	BONE SPRING		
2	30-015-26774	UNOCAL-HPC FEDERAL #001	G-01-22S-31E	G	229137	COG OPERATING LLC		O	03/2017			
2	30-015-04236	W D MCINTYRE C #001	D-21-17S-30E	D	229137	COG OPERATING LLC		O	10/2016			
2	30-015-04226	W D MCINTYRE C #002	A-20-17S-30E	A	229137	COG OPERATING LLC		O	10/2017			
2	30-015-32187	W D MCINTYRE E #009	N-20-17S-30E	N	229137	COG OPERATING LLC		O	04/2016	LOCO HILLS PADDOCK		
1	30-025-42147	WEST PEARL 36 STATE COM #005H	N-25-19S-34E	N	229137	COG OPERATING LLC		O	12/2017			
1	30-025-26241	WISH FEDERAL #001	G-27-20S-33E	G	229137	COG OPERATING LLC		O	05/2017			
2	30-015-31256	WOOLLEY FEDERAL #006	14-21-17S-30E	K	229137	COG OPERATING LLC	F	O	04/2016	LOCO HILLS PADDOCK		
2	30-015-32976	ZARAF A FF FEDERAL #002	K-12-21S-24E	K	229137	COG OPERATING LLC	F	O	10/2014	BONE SPRING		

WHERE Operator:229137, County:All, District:All, Township:All, Range:All, Section:All, Production(months):9, Includes Wells Under ACOI, Excludes Wells in Approved TA Period


 By: CLAY BATEMAN
 Title: VP OF DELAWARE BASIN

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