

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

NMOCD - ACOI-260

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") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use the wells identified herein pursuant to the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to enter into any further agreed compliance orders with Operator if Operator fails to meet the schedule set out in this Order.

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 intends to acquire more than 300 wells from Three Rivers Operating Company LLC ("3ROC") in early July, 2012.
4. Operator is, or will be after the acquisition described above, the operator of record under OGRID 229137 for the wells identified in Exhibit "A," attached.
5. 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.”

6. At the time of signing this Order Operator does not exceed the number of inactive wells allowed and is not out of compliance with the requirements of Subsection A.(4) of 19.15.5.9 NMAC. The acquisition of more than 300 wells, as aforesaid, causes Operator to be concerned about remaining in compliance in the near future following the 3ROC acquisition and for that reason Operator chooses to enter into this Order.
7. The wells identified in Exhibit “A”
 - (a) have been continuously inactive for a period of one year plus 90 days (or within the next six months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);
 - (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.

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 with OCD Rule 19.15.25.8 NMAC or will fall out of compliance with OCD Rule 19.15.25.8 NMAC in the next six months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.
3. As operator of the wells identified in Exhibit “A,” Operator is or will be (after the 3ROC acquisition) responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.

ORDER

1. Operator agrees to bring at least 8 wells identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC by January 18, 2013 by

- (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. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a compliance report 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 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 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 January 18, 2013. 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.
5. Thirty days after the compliance deadline set by this Order, 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.
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 at least 8 wells identified in Exhibit "A" by January 18, 2013;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 so that it is received by OCD by the January 18, 2013 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; 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.
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 29th day of June, 2012

By: Jami Bailey
Jami Bailey
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.

COG Operating LLC

By: Erick W. Nelson
(Please print name) Erick W. Nelson
Title: UP operations
Date: 6-29-12

Exhibit A to Agreed Compliance Order for COG Operating LLC

- | | |
|-----------------|-----------------------|
| 1) 30-015-23088 | ABO #002 |
| 2) 30-025-04242 | ALASKA COOPER #004 |
| 3) 30-015-25508 | AMOCO STATE A #002 |
| 4) 30-015-20428 | BURCH KEELY UNIT #015 |
| 5) 30-015-04202 | BURCH KEELY UNIT #056 |
| 6) 30-015-03118 | BURCH KEELY UNIT #130 |
| 7) 30-015-33277 | BURCH KEELY UNIT #367 |

8) 30-025-36469	CAP FEDERAL #001
9) 30-015-33682	CHICKEN HAWK STATE #001
10) 30-015-24011	CHOCTAW STATE #001
11) 30-015-24022	COLLIER STATE #010
12) 30-015-35726	DASHER 16 STATE #001
13) 30-015-02733	DAVIS FEDERAL #006
14) 30-015-23070	DELHI STATE #005
15) 30-015-21279	EMPIRE SOUTH DEEP UNIT #005
16) 30-015-23470	EMPIRE SOUTH DEEP UNIT #021
17) 30-025-01336	FEE MA B #003
18) 30-025-36495	FEE MA B #005
19) 30-015-03163	G J WEST COOP UNIT #125
20) 30-015-33066	JR'S HORZ FEDERAL #001
21) 30-015-33578	LIGHTNING 24 FEDERAL COM #002
22) 30-005-63179	MCCLELLAN MOC COM #015
23) 30-005-61305	MCCLELLAN MOC FEDERAL #001
24) 30-005-61650	MCCLELLAN MOC FEDERAL #002
25) 30-005-61793	MCCLELLAN MOC FEDERAL #003
26) 30-005-61827	MCCLELLAN MOC FEDERAL #004
27) 30-005-62006	MCCLELLAN MOC FEDERAL #005
28) 30-005-62007	MCCLELLAN MOC FEDERAL #006
29) 30-005-62159	MCCLELLAN MOC FEDERAL #007
30) 30-005-62170	MCCLELLAN MOC FEDERAL #008
31) 30-005-62339	MCCLELLAN MOC FEDERAL #009
32) 30-005-62442	MCCLELLAN MOC FEDERAL #010
33) 30-005-62443	MCCLELLAN MOC FEDERAL #011
34) 30-005-63163	MCCLELLAN MOC FEDERAL #012
35) 30-005-63176	MCCLELLAN MOC FEDERAL #014
36) 30-005-63197	MCCLELLAN MOC FEDERAL #017
37) 30-005-63224	MCCLELLAN MOC FEDERAL #018
38) 30-005-63227	MCCLELLAN MOC FEDERAL #019
39) 30-005-63228	MCCLELLAN MOC FEDERAL #020
40) 30-005-63255	MCCLELLAN MOC FEDERAL #021
41) 30-005-63254	MCCLELLAN MOC FEDERAL COM #022
42) 30-015-20749	MCINTYRE DK FEDERAL #005

43) 30-015-37034	MYOX 21 STATE COM #008H
44) 30-015-01569	N G PHILLIPS ST #001
45) 30-025-25788	PETRUS D #002
46) 30-015-33110	RED LAKE SAND UNIT #037
47) 30-015-03778	RJ UNIT #130
48) 30-015-22232	SHELL FEDERAL #001
49) 30-025-22117	STATE CF #001
50) 30-015-04226	W D MCINTYRE C #002
51) 30-025-38079	WEST PEARL 36 STATE #001

COG Operating LLC

By: *[Signature]*

Title: *VP operations*