



001 12 2018-06.02

Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
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www.nmstatelands.org

October 5th, 2018

COG Operating LLC
One Concho Center
600 W Illinois Ave.
Midland, TX 79701

R - 14090
C - 15369

Attn: Ms. Brittney Smith

Re: Resignation/Designation of Successor Unit Operator
Effective October 1st, 2018
Empire South Deep Unit
Eddy County, New Mexico

Dear Ms. Smith:

We are in receipt of your resignation/designation of successor unit operator, wherein Chevron USA Inc resigned as unit operator of the Empire South Deep Unit and designated COG Operating LLC as the successor unit operator.

The Commissioner of Public Lands has approved the resignation of Chevron USA Inc and the designation of COG Operating LLC as the successor unit operator of this unit.

In accordance with this approval, COG Operating LLC is now responsible for all operations of the Empire South Deep Unit and the reporting of all production from the unit effective October 1st, 2018.

If you have any questions, or if we may be of further help, please contact acting Unit Manager, Niranjan Khalsa, at 505-827-6628 or email her at nkhalsa@slo.state.nm.us.

AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/nk

OCD-Santa Fe, Attn: Chief Engineer
TRD-Attn: Ms. Judy Vigil
COG Operating LLC



OCT 12 2018 04:03:12

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Encana Oil & Gas (USA) Inc.
ATTN: Ms. Mona Binion and Ms. Julia Branson
370 17th Street, Suite 1700
Denver, CO 80202

October 3rd, 2018

RE: CROW CANYON UNIT
San Juan County, NM

Dear Ms. Binion and Ms. Branson:

The NMSLO has received Encana's response to the BLM letter requiring diligent progress to be pursued on the Crow Canyon Unit, in which Encana agrees to drill two wells in 2019, but does not want to be held to the drilling schedule that BLM proposed in their letter dated September 21st, 2018. The Commissioner of Public Lands concurs with the BLM requirements and wants to see the proposed 2 wells per year for the next 5 years and the 1 well per year after that be drilled until full development of the unit has been completed. The State Land Office agreed to the commitment of its acreage to the unit project, understanding that the unit requirement of diligent development would be pursued by Encana (see attached conceptual development plan for the unit which was used by Encana to gain SLO's support for the project). This has not happened, and our acreage has not been drilled as of yet. No single well has been drilled since the unit was formed, after the pre-existing well was declared the unit obligation well and was found commercial, even though the plan showed two more expected unit delineation wells would be drilled before full development was pursued.

In addition, Encana has failed to submit the required annual plans of development, the first one of which was due in 2016, and has only submitted one since the unit was formed, in 2018, which has been rejected by both the BLM and the SLO as inadequate.

From section 10 of the unit agreement regarding further development and operation:

"Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for the determination of the area or areas capable of producing unitized substances in paying quantities. This plan shall be as complete and adequate as the AO, the Land Commissioner and the Division, may determine to be necessary for the timely development and proper conservation of the oil and gas resources of the unitized area"

From part 14 of OCD order R-14090, Case No. 15369:

"The correlative rights of all interest owners in the Unit will be protected provided that the Unit is ultimately fully developed in the Unitized Interval."

Encana has not been diligent in developing the unit, and attempts to use progress in developing other units nearby to justify this fact. The BLM and SLO are within their rights to terminate this unit, but are instead asking for diligent progress in the development of the unit going forward. If Encana wishes to keep the unit, the drilling plan as outlined by the BLM will need to be adhered to.

If you have any questions or if we may be of assistance, please contact acting Units Manager Niranjn Khalsa at 505.827.6628 or nkhalsa@slo.state.nm.us.

Respectfully,

A handwritten signature in black ink, appearing to read 'Aubrey Dunn', written over the printed name.

AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/nk

cc: OCD – Attn: Chief Engineer
BLM – Attn: Mr. Richard Fields
OGMD & Units Reader Files

