

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 SOLL ORLED BY SIGNED ALLIDAVITS				
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	Ness Carlos Carl				
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,	See Exhibit 1, Attachment A
footages, completion target, orientation, completion status (standard or non-standard)	
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
NA/AII #3	Maraury State Com #702H /ADI 20 01E 47E21\ SHI .
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
	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	Attachment B
Land Ownership Schematic of the Spacing Unit	Attachment B

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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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

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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. Jambo Affiant

STATE OF TEXAS

COUNTY OF MIDLAND

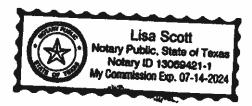
SUBSCRIBED and SWORN to before me this 3

day of March, 2021, by

NOTARY PUBLIC

My Commission Expires:

7-14-2024



District 1

OCD: 3/3/2021 11:48:52 AM

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 ACKLAUL DEDICATION FLAT	<i>N</i> ELI	L LO	CATION	AND	ACREAGE	DEDICATION PL	ΑT
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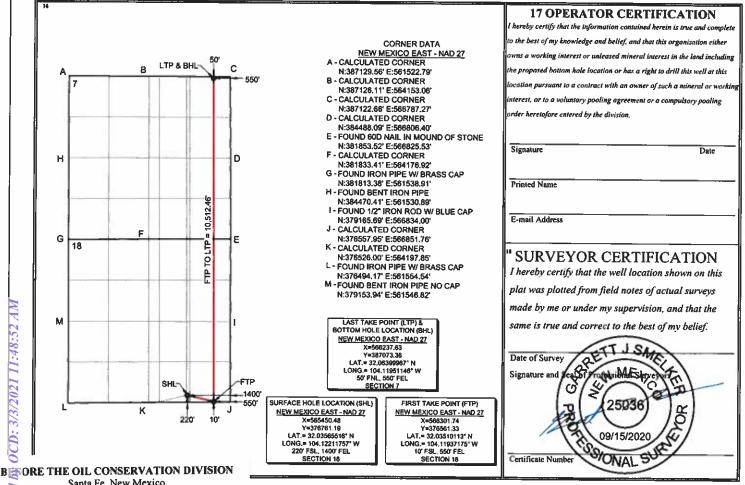
1 API Number	2 Pool Code	3 Pool Name			
4 Property Code					
7 OGRID No.		erator Name RATING LLC	9 Elevation 3070'		
	10 (2.1.00)	age I continu			

Surface Location Range Lot Idn Feet from the North/South line Feet from the East/West line County 0 18 26-S 28-E 220' SOUTH 1400' **EAST EDDY**

" Bottom Hole I continu If Diffe

" Bottom Hole Location if Different From Surface										
UL or lot no.	Section	Township	Range	Lot Idu	Feet from the	North/South line	Feet from the	East/West line	County	
Α	7	26-S	28-E		50'	NORTH	550'	EAST	EDDY	
12 Dedicated Acre	s 13 Joint a	r Infill 14	Consolidation	Code 15 O	rder 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.



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

1 API Number

13 Joint or Infill

14 Consolidation Code

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

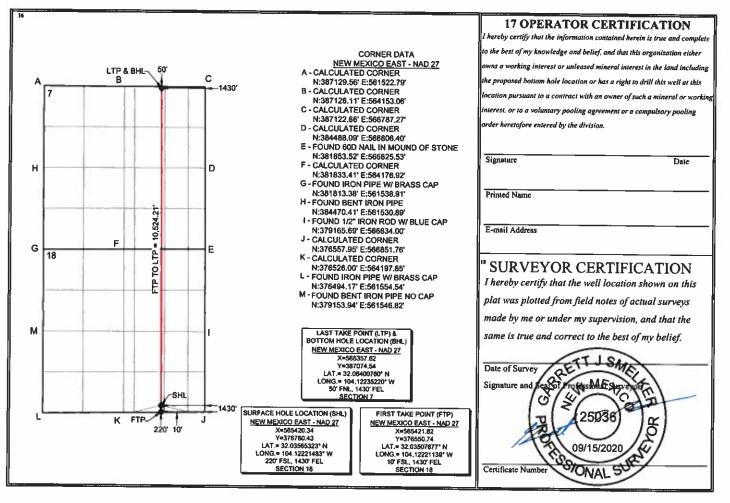
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4 Property				5 Property Name MERCURY STATE COM					6 Well Number 702H	
7 OGRID	No.			8 Operator Name COG OPERATING LLC					9 Elevation 3068'	
*Surface Location										
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
0	18	26-S	26-S 28-E 220' SOUTH 1430' EAS					EAST	EDDY	
			" Bo	ttom Ho	le Location I	f Different Fro	m Surface		·	
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
В	7	26-S	28-E		50'	NORTH	1430'	EAST	EDDY	

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.

15 Order No.



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

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WELL LOCATION	AND ACREAGE	DEDICATION PLAT
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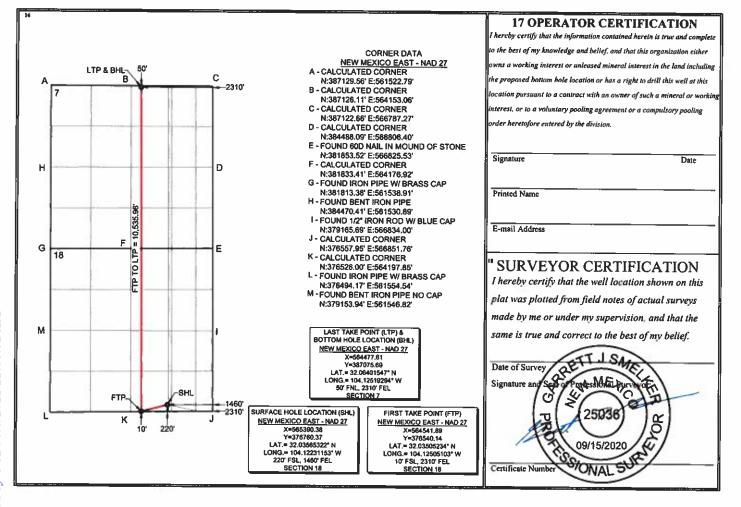
I API Numbe	r	2 Pool Code 3 Pool N		3 Pool Name	Name				
4 Property Code			roperty Name RY STATE COM	6 Well Number 703H					
7 OGRID No.			perator Name ERATING LLC		9 Elevation 3067'				
		0	Contract At						

Surface Location

UL or lot no.	Section 18	Township 26-S	Range 28-E	Lot idn	Feet from the 220'	North/South line SOUTH	Feet from the 1460'	EAST	County EDDY
" Pottom Hole I postion IS Different From Co. C.									

UL or lot no.	Section 7	Township 26-S	Range 28-E	Lot Idn	Feet from the 50'	North/South line NORTH	Feet from the 2310'	East/West line EAST	County EDDY
12 Dedicated Acre	s 13 Joint o	or Infill 14 (Consolidation	Code 15 O	rder 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.



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0.033854649 0.00597968 0.00000000 0.13418669 0.02128715

INTEREST TYPE

WI/RT

Chevron U.S.A. Inc 6301 Deauville

PARTIES TO POOL

Midland, TX 79706

UNIT RECAP

WORKING INTEREST OWNER

COG OPERATING LLC
CONCHO OIL & GAS LLC
CHEVRON U.S.A. INC.
EOG RESOURCES, INC.

OXY Y-1 COMPANY

SEC 7, 1266-	SEC 18 17265- RZBE
TINU S	E2 SPACING

5509 Champions Blvd. Midland, TX 79706 OXY Y-1 COMPANY 5 Greenway Plaza, Suite 110 Houston, TX 77046 WI Well proposal sent Communitization Agreement sent VES Joint Operating Agreement sent VES	EOG RESOURCES, INC.	
Suite 110 greement sent eement sent	5509 Champions Blvd.	
Suite 110 greement sent	Midland, TX 79706	WI/RT
Suite 110 greement sent	OXY Y-1 COMPANY	
greement sent	5 Greenway Plaza, Suite 110	
greement sent	Houston, TX 77046	N.
greement sent eement sent		
	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 afenojymcbu@chevron.com Chevron U.S.A. Inc. 6301 Deauville Midland, TX 79706 Attn: Kaitlyn Kaker Griffin

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:

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

> > Released to Imaging: 3/3/2021 11:49:30 AM

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 he sitate 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:

WELL NAME	PARTICIPATE Elect to participate in drilling & completion of well	DO NOT PARTICIPATE 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.

Ву:	 		
Name: _	 		
Title:	 	. <u>.</u> .	
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: 50 FNL, 550 FEL, OR UNIT A
Formation WOLFCAMP A
Legal 7 & 18, T26S-R28E
AFE Numbers

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

st Description angible Costs	Ondal										
	C006	PreSpud (P8) Pre-Set Casing	(PC)	Drilling (DR)	Co	ompletions (C)	Tank Bit	Constrctn(TB)	Pmpq Equip (PEQ)	Revision	
ctn/Ptts/Roads	205		14	89.000.00	-		-	CHARLES AND			
			- \$				-				\$ 89,0
rilling Overhead	206		- 1	7,000.00			1			\$.	\$ 7,0
aywork Contract	209	C 39 4-1 10-1	\$	484,000.00							\$ 484,0
rectional Drig Services	210	Annual Control of the	- 15	258,000.00	-				T		
el & Power	211		13	84,000.00			_				
ater	212						-				\$ 84,0
			- 8	70,000.00			_			\$	\$ 70.0
ls	213	24 C/A	- 5	89,000.00			37.31		10.	3 .	\$ 89,0
ud & Chemicals	214		3	152,000.00							\$ 182,0
ement Surface	217		- 1	18,000.00					-		
ement intermed	218						_				\$ 18,0
			5	70,000.00						3	\$ 70,0
rod-2nd Int Cmt	219		- 3	103,000.00			5 00000			\$.	\$ 103,0
out Equipment & Centralizers	221	200	1 8	58,000.00	$\overline{}$				-		\$ 56,0
sg Crews & Equip	222		3	61,000.00			_				9 30,0
ontract Labor	225		13				-				\$ 61,0
				7,000.00			_		1	\$	\$ 7,0
ompany Sprvsn	226		\$	41,000.00	_			1285 9			\$ 41.0
ontract Serven	227		8	101,000.00	$\overline{}$						\$ 101,0
tg Csg/Tbg	228		3	38,000.00	_						
	229				-		-				\$ 38.0
ud Logging Unit			8	38,000.00	_	-			127		\$ 38,0
entals-Surface	235		- \$	157,000.00	1		2 -		10		\$ 157,0
entals-Subsrfc	236	Company of the compan	3	73,000.00					1		\$ 73.0
ucking/Forklift/Rig Mob	237		- 15	150,000.00	+						
					+		_				\$ 150,0
elding Services	238			3,000.00					0.00	\$.	\$ 3,0
ontingency	243		- 1	58,000.00		23-7		1000			\$ 56,0
vmmtl/Clad Loop	244	S 2002	- 8	247,000.00							
elibore Frac Prep	304		- 1	,	1	95,000.00		-			
	204		\rightarrow		15						\$ 95,0
tnPits/Roeds	305				1.5	10,000.00	1	- ii	3.20	1	\$ 10,0
empletion OH	306	17.5			\$	15,000.00		12.70			\$ 15,0
ac Equipment	307				1	646,000.00					
ac Chemicals	308		-		-		_				\$ 646,0
			_		\$	410,000.00					\$ 410,0
ac Proppant	309			-7.	3	188,000.00	100	2001 3	- V	\$.	\$ 188,0
ac Proppent Transportation	310	Company Park			15	289,000,00					\$ 289,0
el Delivery & Services	311		_		8	42,000.00					
ster			_								\$ 42,0
	312				\$	273,000.00				8	\$ 273,0
ac Surface Rentals	315		100		\$	258,000.00				\$.	\$ 258,0
ntract Labor	325	7 1	2		\$	10,000.00					
mpany Sprvsn	326		_				_				\$ 10,0
	320		_		5	10,000,00				3	\$ 10,0
intract Sprvsn	327				3	138,000.00		100	V	\$	\$ 138.0
lificial Lift Install	329	12/8	200		3	45,000.00					\$ 45.0
rf/Wireline Svc	331				\$	317,000.00					
ucking/Forklift/Rig Mob	337		\rightarrow								\$ 317,0
COMPAND OF CHARLES					\$	10,000.00				\$	\$ 10,0
ater Disposal	339				\$	40,000.00	-	125	30 1	\$.	\$ 40.0
intingency	343	6 20 miles		7.00	8	74,000.00				\$.	\$ 74,0
ed Diesel	345				8	155,000.00					
illout			$\overline{}$				_		-	-	\$ 155,0
	346		_		3	295,000.00			10.00	\$ -	\$ 295,0
amages/Right of Way	351		_				\$	2,000.00	1,500	\$ -	\$ 2.0
ocation/Pits/Roads	353	6 8					\$	34,000.00	100		\$ 34,0
ontract Lebor	356				_		\$	180,000.00		-	
			-		-		*	100,000.00	-		\$ 180,0
Contract Labor	374		1 12		_		5.00	E-MARINE - C. C.	\$ 39,000.00		\$ 39,0
-Water Disposal	367			1.70.00			271		\$ 179,000,00		\$ 179,0
HRZ Well Offset Frac	391		- 1						\$ 18,000.00		7.110
	STATE OF THE PERSON NAMED IN		- 1	0 400 000 00		0.040.000.00					\$ 18,0
Intangible Costs		- 1	. 1	2,482,000.00	19	3,318,000.00	3	218,000.00	\$ 236,000.00		6 6,252,0
ble Costs		200			- Total	U			77		
Flowback Crews & Equip	392								\$ 108,000.00		
rface Casing	401		3	20,000,00					100,000,00		\$ 108,0
ermed Cag					-		000				\$ 20,0
	402			155,000.00		1.00	1		7 100	3	\$ 155,0
duction Casing/Liner	403	*1 < 5	3	385,000.00		200000	is the				\$ 385,0
ilhead Equip	405		- \$	70,000.00				W. 100			
olng	504		-	,200.00	\$	52,000,00	-				- 14/4
ilhead Equip			_		_		_				\$ 52,0
	505				\$	28,000.00	V 4550	-		\$	\$ 28,0
inks	510		23.5			20	\$	58,000.00			\$ 58,0
owlines/Pipelines	511						\$	26,000.00			
r Trtr/Seprtr	512		-				\$				\$ 26,0
ectrical System/Equipment			-					185,000.00		\$	\$ 185,0
	513					-7	\$	114,000,00	- N	\$	\$ 114,0
rs/Anchors/Hars	514	- 22/5/102		67.2	\$	64,000.00	25%			\$.	\$ 64,0
puplings/Fittings/Valves	515	100					\$	192,000.00		8	
imps-Surface	521		$\overline{}$			100					
			_		-			26,000.00			26,0
strumentation/SCADA/POC	522		_				\$	20,000.00		\$	\$ 20,0
iscellaneous	523						\$	20,000.00			\$ 20,0
elers/Lacts	525		-		-	100	\$	28,000.00			
area/Combusters/Emission	528		-		-						\$ 26,0
	320		_		-		\$	31,000.00	- 2-	\$	\$ 31,0
s Lift/Compression	527				\$	25,000.00	W 1711			\$	\$ 25,0
	531	200 100,000	- 5			5/21	1	100	\$ 39,000,00		\$ 39,0
Welfhoad Equipment			-	630,000,00	-	169,000.00	4	205 000 00			
				400,000,00		100,000,00	•	898,000.00	\$ 147,000.00		1,644,0
Wellhead Equipment Tangible Costs	-	and the second s			_						
			- 1	3,112,000.00	\$	3,487,000.00	\$	914,000.00	\$ 383,000,00		\$ 7,896,0

COG Operating LLC	
Ву:	Date Prepared:
We approve:	COG Operating LLC
% Working Interest	By:
Company: By:	
By:	
Printed Name:	
Title	The Application of the second

COG OPERATING LLC AUTHORITY FOR EXPENDITURE Drill & Complete

Well Name MERCURY STATE COM 702H 8HL SEC 18: 220 FSL, 1430 FEL, OR UNIT O 8HL SEC 7: 50 FNL, 1430 FEL, OR UNIT 8 Formation WOLFCAMP A Legal 7 & 18, T28S-R28E

Prospect ATLAS 2028 State & County NEW MEXICO, EDDY Objective ORILL & COMPLETE Depth 19,000 TVD 9,190

cost Description financible Costs	205 206 209 210 211 212	PreSpud (P8)		\$ 89,000.00	100000000000000000000000000000000000000	Tank Stty Constroin(TB	Pmpq Equip (PEQ		To
-Lctn/Pits/Roads -Dirding Overhead -Daywork Contract -Directional Drig Services -Fuel & Power -Water -Bits -Mud & Chemicals -Cement Surface -Cement Intermed -Prod-Znd Int Cent -Float Equipment & Centralizers -Cag Crews & Equip	206 209 210 211 212								
-Deywork Contract -Directional Drig Services -Fuel & Power -Water -Bits -Mud & Chemicals -Cement Surface -Cement Intermed -Prod-Znd Int Cmt -Float Equipment & Centralizers -Cag Crew's & Equip	209 210 211 212						The second secon	13 . 15	89,000.0
- Directional Drig Services - Fuel & Power - Water - Bits - Mud & Chemicals - Cement Surface - Cement Intermed - Prod-2nd Int Cent - Float Equipment & Centralizers - Cag Crews & Equip	210 211 212			\$ 7,000.00			10000	3	
-Fuel & PowerWaterBitsMud & ChemicalsCement SurfaceCement IntermedProd-2nd Int CrntFloat Equipment & CentralizersCag Crews & Equip	211 212			\$ 484,000.00				\$	
	212			\$ 258,000.00		-50		3 - 1	
-Bits -Mud & Chemicals -Cement Surface -Cement Intermed -Prod-2nd Int Cent -Float Equipment & Centralizers -Cay Crew's & Equip				\$ 84,000.00				3 5	
-Mud & Chemicals -Cement Surface -Cement Intermed -Prod-2nd Int Cmt -Float Equipment & Centralizers -Cag Crews & Equip	242			70,000.00				\$ \$	
-Cement Surface -Cement Intermed -Prod-Znd Int Cmt -Float Equipment & Centralizers -Cag Crews & Equip	213			89,000.00				3 3	
Cament Intermed Prod-2nd Int Cmt Float Equipment & Centralizers Cag Crews & Equip	214			\$ 182,000.00				8 8	
-Prod-2nd Int Cmt -Float Equipment & Centralizers -Csg Crews & Equip	218			\$ 18,000.00			-	5 1	
-Float Equipment & Centralizers -Csg Crews & Equip	219			\$ 70,000.00 \$ 103,000.00	_			3 3	
-Csg Crews & Equip	221			\$ 58,000.00				\$	
Contract Labor	222			\$ 61,000.00				3 4	
	225			\$ 7,000.00				\$ 3	
-Company Sprvsn	228			\$ 41,000.00				8 . 3	
-Contract Sprysn	227	7		\$ 101,000.00				1	
-Tstg Csg/Tbg	228			\$ 38,000.00				1 1	
-Mud Logging Unit	229			\$ 38,000.00				1	
-Rentals-Surface	236			\$ 157,000.00				1	
-Rentals-Subsrfc	236			\$ 73,000.00				1	
-Trucking/Forklift/Rig Mob	237	y 200 a		\$ 150,000.00				1 1	
-Weiding Services	238			\$ 3,000.00			THE CHARLES	3 3	
-Contingency	243	- 120 E	6.04	\$ 58,000.00				1 1	
-Envmmtl/Clsd Loop	244		200 - 10	\$ 247,000.00	0.2	5 1979:07 3	70/45	3 5	
-Welbore Frac Prep	304		- 1		\$ 95,000.00		- 1	1 1	
-Lctn/Pits/Roads	305		0.5		\$ 10,000.00			3 3	
-Completion OH	306	- 4	F 800 8		\$ 15,000.00			\$ \$	
-Frec Equipment	307				\$ 646,000.00	C 00 - 32 - 2		\$. \$	
rac Chemicals	308	2		12000	\$ 410,000.00			8 8	
-Frac Proppent	309		1323		\$ 156,000.00			5 5	
Frac Proppant Transportation	310				\$ 289,000.00			3 - 3	
Fuel Delivery & Services	311				\$ 42,000.00		-7.5	3	
-Water	312				\$ 273,000.00			\$	
-Frac Surface Rentals	315				\$ 258,000.00		2 22	3	
Contract Labor	325				\$ 10,000.00			5 5	10,000.
Company Sprvan	326				\$ 10,000.00			5 5	
-Contract Sprvsn	327				\$ 138,000.00			\$ \$	
Artificial Lift Install -Perl/Wireline Svc	329				\$ 45,000.00	10/11	12.00	\$ \$	
	331				\$ 317,000.00			\$ 5	
Trucking/Forklift/Rig Mob -Water Disposal	337 339				\$ 10,000.00 \$ 40,000.00			\$ \$	
-Contingency	343	_		-	\$ 40,000.00 \$ 74,000.00			3 3	
Dyed Diesel	345				\$ 155,000.00			8 8	
-Drillout	348				\$ 295,000.00			8 8	
9-Demages/Right of Way	351		0.000		4 243,000.00	\$ 2,000.00		5 - 5	
3-Location/Pits/Roads	353	A 256 E			100	\$ 34,000.00		3 3	
B-Contract Labor	358					\$ 180,000.00			
Contract Labor	374			_		4 100,000,00	\$ 39,000.00	5 5	
EQ-Water Disposal	387	9-8			1000		\$ 179,000.00	\$ 8	
EQ-HRZ Well Offset Fred	391						\$ 18,000.00		
otal Intangible Costs	State of Land		\$.	\$ 2,482,000.00	\$ 3,318,000.00	\$ 216,000.00			
					4 0,010,000.00	210,000.00	230,000.00		6,252,000.
angible Coets EQ-Flowback Crews & Equip	392						\$ 108,000.00	18 18	108,000.0
Surface Casing	401		- 10 mg 6	\$ 20,000.00		DEPT-		\$ \$	
Intermed Csg	402		10.50	155,000.00	172 (17	70		\$ \$	
Production Casing/Liner	403			\$ 385,000.00				3 5	
Welhead Equip	405		10-1	\$ 70,000.00	Carlo San			3 8	
Tubing	504			Order Commence	\$ 52,000.00	E 12.00 TO 10.00		5 5	
Wellhead Equip	505	ST. []			\$ 28,000.00			3 3	
3-Tanks	510			10.5		\$ 58,000.00		\$ 5	
3-Flowlines/Pipelines	511		- 500			\$ 28,000.00		\$ 8	
-Htr Trir/Seprir	512		100			\$ 185,000.00	- 20	5 5	
3-Electrical System/Equipment	513					\$ 114,000.00	97	8 8	
Pckrs/Anchors/Hgrs	514	-	971		\$ 64,000.00	V 765		\$ \$	
-Couplings/Fittings/Valves	515				100 000	\$ 192,000.00		\$	
3-Pumps-Surface	521		145-7	3.7		\$ 26,000.00		\$ \$	
I-Instrumentation/SCADA/POC	522		100 F			\$ 20,000.00		3 5	
3-Miscellaneous	523					\$ 20,000.00	200	5 . \$	
-Meters/Lacts	525		2 1		502	\$ 26,000.00	100 mm 100 mm	\$ \$	
Flares/Combusters/Emission	526				11/2	\$ 31,000.00	- 100	\$ 8	31,000.
Gas Lift/Compression	527				\$ 25,000.00			5 5	25,000.
CO-Wellhead Equipment	531	(0.000.0					\$ 39,000.00		39,000.
tal Tangible Costs		-		\$ 630,000.00	\$ 169,000,00	\$ 698,000.00	\$ 147,000.00	\$ 2200	1,644,000.0
ital Gross Cost				\$ 3,112,000.00	\$ 3,487,000.00	\$ 914,000.00	\$ 283,000,00		7 888 200
			billed as incurred.	4 4114200000	· •,••• 1000.00	714,000.00	\$ 383,000.00	. \$	7,896,000.0

COG Operating LLC	
Ву:	Date Prepared:
Ma anangun	COG Operating LLC
We approve: % Working Interest	<u> Ву:</u>
Company:	
Ву:	
Printed Name:	
litie:	This AFE is only an estimate. By signing you agree to pay

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

Well Name MERCURY STATE COM 703H
8ML SEC 18: 220 FSL, 1480 FEL, OR UNIT O
BML SEC 7: 50 FML, 2310 FEL, OR UNIT B
Formation WOLFCAMP A
Legal 7 & 18, 128S-R28E
AFE Numbers

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

Cost Description Intangible Costs	Cod	e PreSpud (PS) Pre-Set Casing(PC) Onling (DR	Completions (C)	Tank Sitty Constrctn(TB	Pmpq Equip (PEQ)	Revision	Total
D-Littn/Pits/Roads	20	6	\$ 89,000.00	T		T	3	\$ 89,000.00
D-Drilling Overhead	20		\$ 7,000.00		2475		\$	\$ 7,000.00
D-Daywork Contract	20		\$ 484,000.00				8 -	\$ 484,000.00
O-Directional Dring Services	21		\$ 258,000.00			30 - 3	\$	\$ 258,000.00
D-Fuel & Power	21		\$ 84,000.00			A 717 9	\$	\$ 84,000.00
D-Water D-Bits	21:		\$ 70,000.00				\$.	\$ 70,000.00
D-Mud & Chemicals	21		\$ 89,000.00		6. 75		\$	\$ 89,000.00
D-Cement Surface	21		\$ 182,000.00 \$ 18,000.00	_		-	3 .	\$ 182,000.00
D-Coment Intermed	21		\$ 70,000.00				3 .	\$ 18,000.00
D-Prod-2nd int Crnt	219		\$ 103,000.00				\$.	\$ 70,000.00 \$ 103,000.00
D-F loat Equipment & Centralizers D-Csg Craws & Equip	22	1	\$ 58,000.00				1	\$ 56,000.00
D-Csg Craws & Equip	22		\$ 61,000.00				\$.	\$ 61,000.00
D-Contract Labor	22:	5	\$ 7,000.00				3	\$ 7,000.00
D-Company Sprvan	220		\$ 41,000.00				\$.	\$ 41,000.00
D-Contract Sprvsn	22		\$ 101,000.00		- 8		\$.	\$ 101,000.00
D-Tstg Csg/Tbg	220		\$ 38,000.00				\$.	\$ 38,000.00
D-Mud Logging Unit D-Rentals-Surface	23		\$ 38,000.00				\$	\$ 38,000.00
D-Rentals-Subsrfc	236		\$ 157,000.00 \$ 73,000.00				1 .	\$ 157,000.00
D-Trucking/Forklift/Rig Mob	237	7	\$ 150,000.00				1	\$ 73,000.00
D-Welding Services	238		\$ 3,000.00					\$ 150,000.00 \$ 3,000.00
D-Contingency	243		\$ 56,000.00				1	\$ 3,000.00 \$ 56,000.00
D-Envmmtl/Clsd Loop	244		\$ 247,000.00				\$.	\$ 247,000.00
C-Wellbore Frac Prep	304			\$ 95,000.00			3 .	\$ 95,000.00
C-Lctn/Pits/Roads	305			\$ 10,000.00		S 20 1	\$	\$ 10,000.00
C-Completion OH	300			\$ 15,000.00			\$.	\$ 15,000,00
C-Frac Equipment C-Frac Chemicals	307		_	\$ 646,000.00			\$	\$ 646,000.00
C-Frac Proppant	308			\$ 410,000.00			\$	\$ 410,000.00
C-Frac Proppant Transportation	310		+	\$ 188,000.00 \$ 289,000.00				\$ 186,000.00
C-Fuel Delivery & Services	311		_	\$ 42,000.00			1	\$ 289,000.00
C-Water	31			\$ 273,000.00			\$:	\$ 42,000.00 \$ 273,000.00
C-Frec Surface Rentals	315			258,000.00				\$ 273,000.00 \$ 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	320		5 100	\$ 45,000.00			\$.	\$ 45,000.00
C-Pert/Wireline Svc	331			\$ 317,000.00			\$.	\$ 317,000.00
C-Trucking/ForUMVRig Mob C-Water Disposal	337		-	\$ 10,000,00				\$ 10,000.00
C-Contingency	343		-	\$ 40,000.00 \$ 74,000.00			\$ -	\$ 40,000,00
C-Dyed Diesel	345			\$ 155,000.00				\$ 74,000.00
C-Drillout	346			\$ 295,000.00				\$ 155,000.00 \$ 295,000.00
TB-Damages/Right of Way	351			200,000	\$ 2,000.00		1	\$ 295,000.00 \$ 2,000.00
TB-Location/Pits/Roads	353				\$ 34,000.00			\$ 34,000.00
TB-Contract Labor	356		W 500 m	4.	\$ 180,000.00			\$ 180,000.00
PEQ-Contract Labor	374					\$ 39,000,00	\$.	\$ 39,000.00
PEQ-Water Disposal	357					179,000.00	5	\$ 179,000.00
PEQ-HRZ Well Offset Frac	391					\$ 18,000.00		\$ 18,000.00
Total Intangible Costs	40× 1	1	\$ 2,482,000.00	\$ 3,318,000.00	\$ 216,000.00	\$ 238,000.00	•	\$ 6,252,000.00
Tangible Costs	_							
PEQ-Flowback Crews & Equip	392							
D-Surface Casing	401		\$ 20,000.00			\$ 168,000.00		108,000.00
O-Intermed Cag	402		\$ 155,000.00					\$ 20,000.00
O-Production Casing/Liner	403		\$ 385,000.00					\$ 155,000.00 \$ 385,000.00
D-Wellhead Equip	405		\$ 70,000.00				3	\$ 70,000.00
C-Tubing	504			\$ 52,000.00				\$ 52,000.00
C-Wellhead Equip	505			\$ 28,000.00	Knight Today K		\$.	\$ 28,000.00
TB-Tanks	510				\$ 58,000.00		\$	\$ 58,000.00
TB-Flowlines/Pipelines	511		2,000		\$ 26,000.00			\$ 28,000.00
TB-Hir Trir/Seprir TB-Electrical System/Equipment	512 513				185,000.00			\$ 185,000.00
C-Pckrs/Anchors/Higrs	514		-	\$ 64,000.00	\$ 114,000.00			\$ 114,000.00
TB-Couplings/Fittings/Valves	515		+	3 64,000.00	. 100,000,00			\$ 64,000.00
TB-Pumps-Surface	521				\$ 192,000.00 \$ 26,000.00			\$ 192,000.00
TB-Instrumentation/SCADA/POC	522				\$ 20,000.00			\$ 26,000.00 \$ 20,000.00
TB-Miscellaneous	523				20,000.00			
TB-Meters/Lacts	525			- 1970	\$ 26,000.00			\$ 20,000.00 \$ 26,000.00
T8-Flares/Combusters/Emission	526			12 - 13 1	\$ 31,000.00			\$ 31,000.00
C-Gas Lift/Compression	527		5 (5.8)	\$ 25,000.00	- 1,500.00		i .	\$ 25,000.00
PEQ-Welfhead Equipment	531					\$ 39,000.00		\$ 39,000.00
Total Tangible Costs		\$	\$ 630,000.00	\$ 169,000.00	\$ 698,000.00			\$ 1,644,000.00
								.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Total Gross Cost	- 5	\$	\$ 3,112,000.00	\$ 3,487,000.00	\$ 914,000.00	\$ 383,000.00		\$ 7,898,000.00
The state of the s								

COG Operating LLC	
Ву:	Date Prepared:
We approva:	COG Operating LLC
% Working Interest	By:
Company: By:	
Printed Name: Title:	This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.



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 701H
SHL SEC 18: 220 FSL, 1900 FEL, OR UNIT O
BHL SEC 7: 00 FRL, 550 FEL, OR UNIT A
Fermation WOLFCAMP A
Legal 7: 2: 16, T285-R206
AFE Numbers

Prospect ATLAS 2629
State & County NEW MEDICO, EDDY
Objective DRILL & COMPLETE
Depth 18,000
TVD 9,215

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C-Rankin-Burace	1			1700	9				
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COG OPERATING LLC AUTHORITY FOR EXPENDITURE Drill & Complete

Well Rems MERCURY STATE COM 702R SHL SEC 16: 220 FSL, 1430 FEL, OR UNIT O SHL SEC 7: 80 FNL, 1430 FEL, OR UNIT B Formation WOLFCAMP A Legal 7 & 18, 7265-R288

Prospect ATLAS 2626

Blate & County NEW MIDICO, EDOY

Objective DRILL & COMPLETE

Depth 19,000

TVD 9.225

AFE Humbers			140 4.223	
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O-Directional Orio Services 210	18 208,000.00		- 18 -	\$ 208,000.00
O-Fuel & Power 2111 O-Water 2121	\$ 84.000.00 \$ 70.000.00			\$ 94,000,00 \$ 70,000,00
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D-Mud & Chemicals 2141 D-Cement Surlang 2171	3 192,000,00			182,000,00
D-Current Intermed 218	18,000,00			18,000,00
D-Pres-Smillin Cmt 219				103,000,00
C-Pool Egypment & Controllers 2(1) C-Con Court & Einste 221	\$ \$6,060.00 \$ \$1,000.00			\$4,000.00
D-Contract Leber 255	[\$ \ \footnote{\pi_{\text{(i)}}}			7,000,00 484,005,00 208,000,00 44,000,00 38,000,00 182,000,00 182,000,00 504,000,00 54,000,00 54,000,00 54,000,00 54,000,00 54,000,00 54,000,00 56,000,00 57,000,00 57,000,00
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C-Frac Chamicals 308		410,000,00		410,000,00
C-Frac Propert 300 C-Frac Propert Transportation 310		186,000.00		188,000.00
C-Fuel Derivery & Services 311		39100(0) 42600(0)		186 000.00 288,000.00 42,000.00
C-Weller 353 C-Proc Surface Rentine 519		271,000,00		273,000,00
C-Contract Labor 313	8	71 (00),00 10 (00) (00)		\$73,000,00 \$48,000,00 \$0,000,00
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C Performance Suc 331		317,000.00		317,000,00
C-Trucking/Fortcht/lig Mob 337 C-Water Obscool 339		10,000,00		10,000,00
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TB-levelor/Fts/Reads 355		1,00,00		34,000,00
TR-Contract Labor 306		180,000,00		180,000,00
PEC-Water Discount 947 PEC-1912 Well Others Proc 971			36,000,000 3 3 170,000,000 3	3 39,000,00 3 179,000,00
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Tile By 1 (15 com Stell)		\$ 26,000,00		18,000,00
TO Electrical System Contoment 513		\$ 114,000,00		L 5 114.000L00
C-Sertices Casing C-Transed Cas C-Transed Cas C-Transed Cas C-Transe C-Tran		64,000,00		£ (4.000.00)
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COG OPERATING LLC AUTHORITY FOR EXPENDITURE Drill & Complete

Well Name MERCURY STATE COM 765H
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BHL 8EC 7: 50 FKL, 2310 FEL, OR UNIT 8
Formation WOLFCAMP A
Logal 7 & 18, 7265-R28E
AFE Numbers

Prospect ATLAS 2529

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Objective ORGL & COMPLETE
Depth 19,000

TVD 9,200

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This AFE is only an estimate. By algaing 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").
- Attachment D is a locator map displaying COG's acreage in yellow for 5. 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.
- Attachment E is a subsea structure map that I prepared for the top of 6. 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

My Commission Expires: Lisa Scott

- 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.
- 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.
- In my opinion, the stand-up orientation of the proposed wells is the 9. 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.
- Exhibit 2 and Attachments D through G were either prepared by me or 12. compiled under my direction and supervision.

THIS CONCLUDES AFFIANT'S STATEMENT.

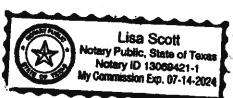
Affiant

STATE OF) NEW MEXICO

COUNTY OF Eddy)

SUBSCRIBED and SWORN to before me this 3

NOTARY PUBLIC



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

Released to Imaging: 3/3/2021 11:49:30 AM

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.

My Commission Expires: Lisa Scott

- 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.
- Attachment G is a stratigraphic cross-section using the representative 8. 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.
- In my opinion, the granting of COG's applications will be in the best interest 11. 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.

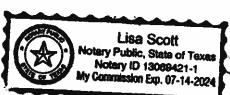
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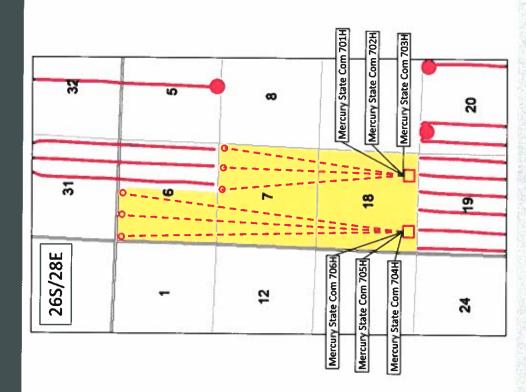
STATE OF) NEW MEXICO

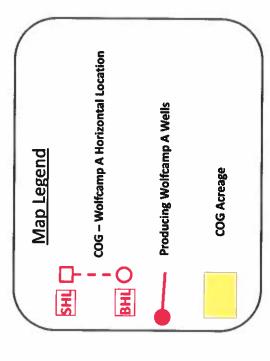
COUNTY OF Eddy)

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NOTARY PUBLIC

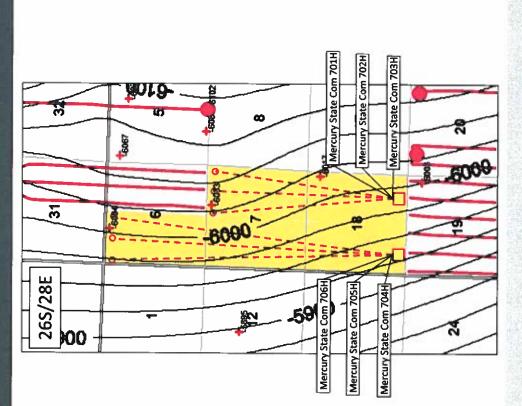


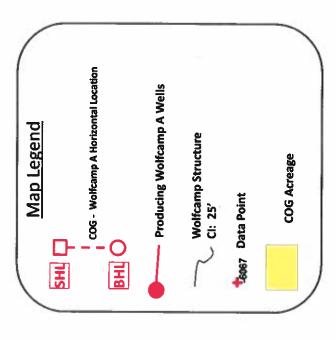




BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 21667 Attachment No. D
Submitted by:
COG OPERATING LLC
Hearing Date: March 4. 2021

WFMP Structure





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

Mercury State Com 703H Mercury State Com 701H 88 Mercury State Com 702H 8 26S/28E 8 S 17 ଷ 8 5 **9** 5 Mercury State Com 704H Mercury State Com 706H Mercury State Com 705H 8 4 2 8 ×

8

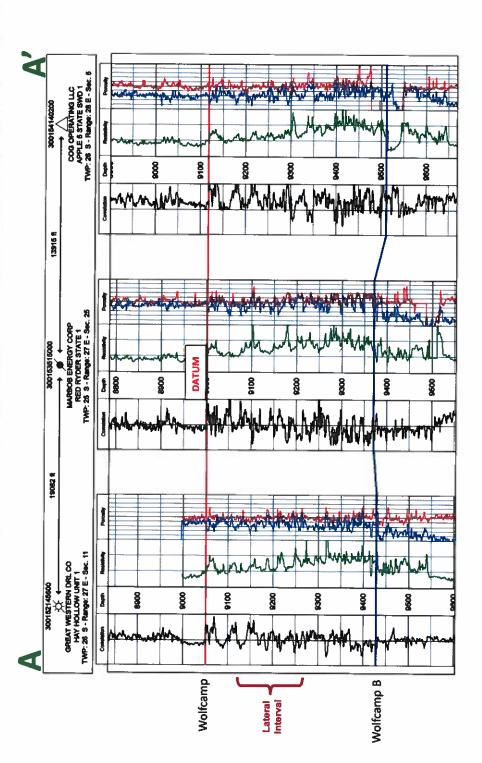
COG - Wolfcamp A Horizontal Location Map Legend **Cross Section Line** COG Acreage BHLO SHI C

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

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Wolfcamp Poo Stigraphic Cross Section A-A



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

3/2/2021

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

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

CASE NO. 21667

<u>AFFIDAVIT</u>

STATE OF NEW MEXICO) ss. COUNTY OF SANTA FE)

Ocean Munds-Dry, attorney and authorized representative of COG Operating LLC, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Applications were provided under the notice letters and proof of receipts attached hereto.

Ocean Munds-Dry

SUBSCRIBED AND SWORN to before me this 2nd day of March 2021 by Ocean

Munds-Dry.



Notary Public

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 21667 Exhibit No. 3
Submitted by:
COG OPERATING LLC
Hearing Date: March 4, 2021

February 12, 2021

<u>VIA CERTIFIED MAIL</u> <u>RETURN RECEIPT REQUESTED</u>

TO ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: <u>Case No. 21667</u>: 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

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U.S. Postal Service [™] CERTIFIED MAIL® RECEIPT Domestic Mail Only	Certified Mail Fee Certified Mail Fee Certified Mail Fee Certified Mail Fee (check tout More as generating) Certified Mail Fee (check tout More as generating) Certified Mail Restricted Day 3: Adult Signature Restricted Clavery 5: Peering Peering Peering Peering	EOG Resources No. 5509 Champions Blyd 501-9998 Midland, TX 79706 Attn: Tracy Jordan
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