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

NMOCD – ACOI 288

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. Based on the information provided, within four (4) months, the operator may be out of compliance with OCD Rule 19.15.5.9.A(4) NMAC because it will have 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 3,696 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, Operator will have 36 wells out of compliance with the inactive well rule as of October 26 of 2014, if no action is taken prior to this date. A copy of Operator’s inactive well list as of February 26, 2014 is attached as Exhibit “A.” This list includes wells that will fall onto the inactive well list in four months (4) if no action is taken to bring these wells into compliance. 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 10 wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by January 1, 2015 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. 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

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the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of January 1, 2015. 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. This Order shall expire on February 1, 2015. 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 10 wells identified in Exhibit "A" by January 1, 2015;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the January 1, 2015 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.
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 30th day of June, 2014

By: Jamie Bailey
Jamie 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.

By: Gayle L Burleson
(Please print name) Gayle L Burleson
Title: Vice President of New Mexico
Date: June 26, 2014

Exhibit A to Agreed Compliance Order for COG Operating, LLC

Total Well Count: 3696 Inactive Well Count: 36

Printed On: Thursday, June 26 2014

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-04034	ARTESIA PETROLEUM CO #001	G-1 -17S-30E	G	229137	COG OPERATING LLC	F	O	03/2013			
1	30-025-29704	BRITZ FEDERAL #001	I-14-19S-33E	I	229137	COG OPERATING LLC	F	O	05/2013	RECOMPLETE 02/04/11		
2	30-015-27574	BURCH KEELY UNIT #216	J-23-17S-29E	J	229137	COG OPERATING LLC	F	O	05/2013	SR QN GB SA		
2	30-015-28913	BURCH KEELY UNIT #236	D-25-17S-29E	D	229137	COG OPERATING LLC	F	O	06/2013	GRAYBURG JACKSON		
2	30-015-28088	BURCH KEELY UNIT #243	C-26-17S-29E	C	229137	COG OPERATING LLC	F	O	06/2013	GRAYBURG JACKSON		
2	30-015-29821	BURCH KEELY UNIT #279	O-19-17S-30E	O	229137	COG OPERATING LLC	F	O	02/2013	GLOR-UPPER YESO		
2	30-015-29302	BURCH KEELY UNIT #289	E-25-17S-29E	E	229137	COG OPERATING LLC	F	O	06/2013	GLOR-UPPER YESO		
2	30-015-31242	BURCH KEELY UNIT #309	B-30-17S-30E	B	229137	COG OPERATING LLC	F	O	01/2013	GLOR-UPPER YESO		
1	30-025-37790	CENTURY STATE #001	G-3 -17S-33E	G	229137	COG OPERATING LLC	S	O	06/2013	Abo		
2	30-015-02978	DODD FEDERAL UNIT #027	C-14-17S-29E	C	229137	COG OPERATING LLC	F	I	03/2013			
2	30-015-24901	DODD FEDERAL UNIT #033	G-14-17S-29E	G	229137	COG OPERATING LLC	F	O	06/2013			
2	30-015-25700	DODD FEDERAL UNIT #055	P-14-17S-29E	P	229137	COG OPERATING LLC	F	O	05/2013			
2	30-015-24767	DODD FEDERAL UNIT #073	G-22-17S-29E	G	229137	COG OPERATING LLC	F	O	03/2013			
2	30-015-20964	EMPIRE SOUTH DEEP UNIT #004	G-32-17S-29E	G	229137	COG OPERATING LLC	S	O	03/2013	RWTP 08/25/11		
2	30-015-20598	ETZ STATE UNIT #100	B-17-17S-30E	B	229137	COG OPERATING LLC	S	O	05/2013			
2	30-015-20684	ETZ STATE UNIT #102	D-16-17S-30E	D	229137	COG OPERATING LLC	S	O	05/2013			
2	30-015-20540	ETZ STATE UNIT #109	L-16-17S-30E	L	229137	COG OPERATING LLC	S	O	05/2013			
2	30-015-20744	ETZ STATE UNIT #114	P-16-17S-30E	P	229137	COG OPERATING LLC	S	O	05/2013			
2	30-015-32408	FEDERAL BA #001	O-34-21S-31E	O	229137	COG OPERATING LLC	F	O	05/2013	8300		
2	30-015-05199	FOSTER EDDY #005	B-17-17S-31E	B	229137	COG OPERATING LLC	F	O	04/2013			
2	30-015-10819	G J WEST COOP UNIT #055	I-16-17S-29E	I	229137	COG OPERATING LLC	S	O	04/2013			
2	30-015-34081	GOLD RUSH 29 FEDERAL #002	L-29-23S-30E	L	229137	COG OPERATING LLC	F	O	12/2012	NASH DRAW DELAWARE	P	
2	30-015-28671	GOLD RUSH 30 FEDERAL #003	H-30-23S-30E	H	229137	COG OPERATING LLC	F	O	02/2013	BRUSHY CANYON		
1	30-025-38065	ITCH STATE #001	C-23-18S-33E	C	229137	COG OPERATING LLC	S	O	06/2013	2nd Bone Spring Sand		
2	30-015-21945	JENKINS B FEDERAL #006	C-20-17S-30E	C	229137	COG OPERATING LLC	F	O	03/2013			
2	30-015-29755	JENKINS B FEDERAL #009	E-20-17S-30E	E	229137	COG OPERATING LLC	F	O	03/2013	PADDOCK		
2	30-015-32371	JENKINS B FEDERAL #016	C-20-17S-30E	C	229137	COG OPERATING LLC	F	O	02/2013	LOCO HILLS PADDOCK		

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2	30-015-34474	JENKINS B FEDERAL #018	D-20-17S-30E	D	229137	COG OPERATING LLC	F	O	02/2013	GRAYBURG JACKSON SR QG SA PADDOCK
2	30-015-30727	MESQUITE STATE #005	K-20-17S-29E	K	229137	COG OPERATING LLC	S	O	06/2013	PADDOCK ADD PERFS 09/14/10
1	30-025-40745	PETRUS D #011	I-11-17S-33E	I	229137	COG OPERATING LLC	P	O	06/2013	SAN ANDRES NSL 6685 SPUD 11/12/12
1	30-025-36871	RED RAIDER STATE #001	K-19-20S-36E	K	229137	COG OPERATING LLC	S	O	05/2013	BONE SPRING
2	30-015-33910	SAGEBRUSH FEDERAL COM #001	J-34-18S-27E	J	229137	COG OPERATING LLC	F	G	03/2013	ANGEL RANCH;ATOKA/MORROW 70310 320/S
2	30-015-24309	SRC STATE #001	N-23-17S-28E	N	229137	COG OPERATING LLC	S	O	03/2013	SAN ANDRES ADD PERFS 07/27/10
2	30-015-31777	WESTERN FEDERAL #005	G-30-17S-29E	G	229137	COG OPERATING LLC	F	O	02/2013	EMPIRE YESO
2	30-015-32348	WOOLLEY FEDERAL #010	N-21-17S-30E	N	229137	COG OPERATING LLC	F	O	03/2013	LOCO HILLS PADDOCK
2	30-015-03470	Y D #002	F-28-18S-29E	F	229137	COG OPERATING LLC	F	I	05/2013	

WHERE Ogrid:229137, County:All, District:All, Township:All, Range:All, Section:All, Production(months):11, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

By: Mary L Benson
Title: Vice President of New Mexico