

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



December 14, 2016

Mr. Brian Collins
COG Operating LLC
2208 W. Main Street
Artesia, NM 88210-3720

RE: Administrative Order SWD-1524; First Extension of Deadline
Lightning 1 State SWD No. 2 (API 30-025-43474)
Lot 14, Sec 1, T21S, R33E, NMPM, Lea County, New Mexico
Order Date: February 25, 2015
Injection into Devonian, Silurian, and upper Ordovician formations; permitted interval:
approximately 14975 feet to approximately 16700 feet

Dear Mr. Collins:

Reference is made to your request on behalf of COG Operating LLC (the "operator") to extend the February 25, 2017 deadline stipulated in order SWD-1524 to commence injection operations for the above referenced well for an additional one year for reasons outlined in the attached correspondence.

It is the Division's understanding from your request that there have been no significant changes in the information provided in the application submitted for review and approval of this order. These changes include the completion of new wells within the Area of Review that penetrated the approved injection interval and any changes in ownership.

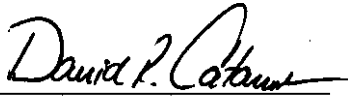
The Division finds that granting this request to extend this administrative order is in the interest of conservation, will prevent waste, and will protect the environment.

All requirements of the above referenced administrative order and agreements in the application remain in full force and effect.

SWD-1524: Extension of Deadline
COG Operating LLC
December 14, 2016
Page 2 of 2

The deadline to commence injection for the existing order is hereby extended until February 25, 2018.

Sincerely,



DAVID R. CATANACH
Director

DRC/prg

cc: Oil Conservation Division – Hobbs District Office
Oil, Gas and Minerals Division – State Land Office
Well File API 30-025-43474
SWD-1524

Goetze, Phillip, EMNRD

From: Brian Collins <BCollins@concho.com>
Sent: Wednesday, December 7, 2016 1:30 PM
To: Goetze, Phillip, EMNRD
Cc: McMillan, Michael, EMNRD
Subject: COG Letter Requesting a C108 Extension for Lightning 1 State SWD 2 (1-21s-33e)
Attachments: lightning 1 st swd 2 c108 extention letter 9 nov 16.pdf

Phillip:

I wanted to make sure you received the extension letter that Marissa Villa emailed to you on November 30th requesting a one year extension to the C-108 set to expire February 25, 2017 for the captioned well.

There is no change in AOR wells and there is no change in the affected parties to be sent notice from the original application. There are no potash leases within a mile of this well.

Let me know if you have any questions. We plan, assuming the C108 is extended and the drilling permit is approved, to drill this well in February 2017. Thank you.

Lightning 1 State SWD 2
Devonian/Silurian SWD
3780' FSL, 2300' FWL
Section 1, T21S, R33E
Lea County
Order SWD-1524

Brian Collins

Operations Engineer (Salt Water Disposal)—Northern Delaware Basin Team
COG OPERATING LLC
2208 W. Main Street
Artesia, New Mexico 88210-3720
Office: 575.748.6924
Cell: 432.254.5870



CONFIDENTIALITY NOTICE: The information in this email may be confidential and/or privileged. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachments, if any, or the information contained herein, is prohibited. If you have received this email in error, please immediately notify the sender by return email and delete this email from your system. Thank you.

Goetze, Phillip, EMNRD

From: Goetze, Phillip, EMNRD
Sent: Wednesday, November 30, 2016 10:31 AM
To: 'Brian Collins'
Cc: McMillan, Michael, EMNRD; Jones, William V, EMNRD; Lowe, Leonard, EMNRD
Subject: RE: Lightning 1 State SWD 2 (SWD-1524) Request for C108 Extension

Brian:

Your curiosity serves you well. I have not received any extension request for this well, nor is there any indications that Mike or Will received a letter requesting an extension.

Extensions letters are usually processed in a short period, typically within a few days of receipt. A copy is placed in the individual well file and in the Imaging file with the order and application (as a stand-alone PDF).

Please submit the correspondence requesting an extension again (via e-mail) and it will be handled immediately. Make sure that your request includes two verifications – that there is no change in the AOR wells (which should be a low probability since this is a Devonian target) and that the affected parties noticed for the original application are the same. If either of these items have changed, then additional effort will be required (new affected parties will be required to be noticed and new AOR wells will be required to be diagramed and submitted for consideration as an addendum to the original application).

If you have any questions, please contact me at your convenience. PRG

Phillip Goetze, PG
Engineering Bureau, Oil Conservation Division, NM EMNRD
1220 South St. Francis Drive, Santa Fe, NM 87505
Direct: 505.476.3466
E-mail: phillip.goetze@state.nm.us

From: Brian Collins [mailto:BCollins@concho.com]
Sent: Wednesday, November 30, 2016 9:52 AM
To: Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>
Cc: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Subject: Lightning 1 State SWD 2 (SWD-1524) Request for C108 Extension

Phillip:

We're in the process of lining up a drilling rig to drill the captioned SWD well so I wanted to make sure you received our letter requesting a one year approval extension for the C-108 which will expire February 25, 2017. The letter was dated November 9, 2016. Assuming you received the letter, I was curious to know if the extension request will be approved and a rough idea of when we will receive the approval. Please contact me if you have any questions concerning the extension request.

Let me know if you haven't received the extension request and I'll get it to you ASAP. Thank you.

Lightning 1 State SWD 2
Devonian/Silurian SWD

3780' FSL, 2300' FWL
Section 1, T21S, R33E
Lea County
Order SWD-1524

Brian Collins

Operations Engineer (Salt Water Disposal)—Northern Delaware Basin Team
COG OPERATING LLC
2208 W. Main Street
Artesia, New Mexico 88210-3720
Office: 575.748.6924
Cell: 432.254.5870



CONFIDENTIALITY NOTICE: The information in this email may be confidential and/or privileged. If you are not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any review, dissemination or copying of this email and its attachments, if any, or the information contained herein, is prohibited. If you have received this email in error, please immediately notify the sender by return email and delete this email from your system. Thank you.



November 9, 2016

New Mexico Oil Conservation Division
Attn: Phillip Goetze
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Request for Permit Approval Extension
C-108 Authorization To Inject (Order SWD-1524)
Lightning 1 State SWD #2
Township 21 South, Range 33 East, N.M.P.M.
Section 1: 3780' FSL & 2300' FWL
Lea County, New Mexico

Dear Mr. Goetze:

COG Operating LLC respectfully requests administrative approval for an extension of the approved C-108 authorization to inject for referenced well until February 25, 2018. This would be a one year extension of the C-108 Order SWD-1524 that was approved on February 25, 2015.

This well had been taken off of our drilling budget due to the turndown in oil prices, drastic reduction in drilling activity and general capital spending "belt-tightening." We have recently received management approval to drill this well on our 2017 capital drilling budget due to the large amount of water production requiring economical disposal in the area surrounding this well.

Our intent is to drill the captioned well in the first or second quarter 2017 and have it in service by year end 2017. Please do not hesitate to contact me at (575) 748-6940 should you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brian Collins".

Brian Collins
Operations Engineering Advisor

BC/sw
Enclosures

CORPORATE ADDRESS

ONE CONCHO CENTER | 600 WEST ILLINOIS AVENUE | MIDLAND, TEXAS 79701
P 432.687.7443 | F 432.683.7441

ARTESIA WEST OFFICE

2208 MAIN STREET | ARTESIA, NEW MEXICO 88210
P 575.748.6940 | F 575.746.2096

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1524
February 25, 2015

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B, NMAC, COG Operating LLC (the "operator") seeks an administrative order for its proposed Lightning 1 State SWD Well No. 2 with a proposed location 3780 feet from the South line and 2300 feet from the West line, Lot 14 of Section 1, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, for produced water disposal purposes.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 19.15.26.8B, NMAC and satisfactory information has been provided that affected parties as defined in said rule have been notified and no protests received. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, COG Operating LLC (OGRID 229137) is hereby authorized to utilize its proposed Lightning 1 State SWD Well No. 2 (API No. 30-025-pending) with a proposed location 3780 feet from the South line and 2300 feet from the West line, Lot 14 of Section 1, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico, for disposal of oil field produced water (UIC Class II only) through open hole into an interval consisting of the Devonian, Silurian, and Upper Ordovician formations from approximately 14975 feet to approximately 16700 feet. *If the upper contact of the Ordovician Ellenburger formation is encountered prior to the lower limit of the approved injection interval at 16700 feet, then the total depth of the well (and injection interval) shall be reduced to the upper contact of the Ellenburger formation.* Injection will occur through internally-coated, 4 1/2-inch or smaller tubing and a packer set within 100 feet of the permitted interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the approved disposal interval and is not permitted to escape to other formations or onto the surface. This includes the well construction proposed and described in the application.

The operator shall supply the Division with a copy of a mudlog over the permitted

disposal interval and an estimated insitu water salinity based on open-hole logs. If significant hydrocarbon shows occur while drilling, the operator shall notify the Division's District 1 and the operator shall be required to receive written permission prior to commencing disposal.

Within one year after commencing disposal, the operator shall submit to the Division copies of an injection survey over the entire injection interval run on this well consisting of a temperature log, or equivalent, run under representative disposal rates.

The operator shall also include a cement bond log (CBL) (or equivalent) showing final top of cement for the 7-inch liner. If the cement for the 9 5/8-inch casing is not circulated to surface, the operator shall run a CBL to determine the top of cement.

The operator shall also provide a summary of depths (picks) for formation tops in the injection interval to the Division's District 1 office prior to commencing disposal. If the final determination of formation tops (based on geophysical logs) does not correlate to the approved disposal interval, then the operator shall apply to amend the order for a corrected description.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The well shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

The wellhead injection pressure on the well shall be limited to no more than 2995 psi. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well. The operator shall install and maintain a chart recorder showing casing and tubing pressures during disposal operations.

The Director of the Division may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

The operator shall notify the supervisor of the Division's District office of the date and time of the installation of disposal equipment and of any MIT so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's District office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the Division's District office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

The injection authority granted under this order is not transferable except upon Division approval. The Division may require the operator to demonstrate mechanical integrity of any disposal well that will be transferred prior to approving transfer of authority to inject.

The Division may revoke this injection permit after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate two (2) years after the effective date of this order if the operator has not commenced injection operations into the subject well. One year after the last date of reported disposal into this well, the Division shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The Division, upon written request mailed by the operator prior to the termination date, may grant an extension thereof for good cause.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Hobbs District Office
State Land Office – Oil, Gas, and Minerals Division

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

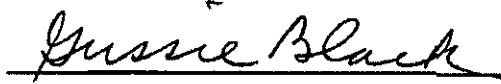
I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
November 21, 2014
and ending with the issue dated
November 21, 2014.



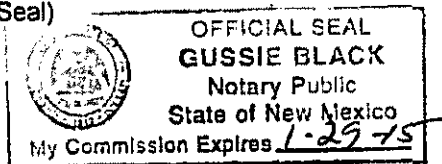
Publisher

Sworn and subscribed to before me this
21st day of November 2014.



Business Manager

My commission expires
January 29, 2015
(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE
November 21, 2014
COG Operating, LLC, 2208 W. Main Street, Artesia, New Mexico, 88210, has filed Form C-1 08 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division seeking administrative approval for a salt water disposal well. The proposed well, the Lightning 21 State SWD, No. 2 is located 3780' FSL and 2300' FWL, Section 1, Township 21 South, Range 33 East, Lea County, New Mexico. Disposal water will be sourced from area wells producing from the Delaware, Bone Spring and Wolfcamp formations. The disposal water will be injected into the Devonian formation at a depth of 14,975' to 16,700' at a maximum surface pressure of 2995 psi and a maximum rate of 25,000 BWP/D. The proposed SWD well is located approximately 25 miles west of Eunice. Any interested party who has an objection to this must give notice in writing to the Oil Conservation Division, 1220 South Saint Francis Street, Santa Fe, New Mexico 87505, within fifteen (15) days of this notice. Any questions or comments may contact Brian Collins at COG Operating, LLC, 2208 W. Main Street, Artesia, New Mexico 88210, or call 575-748-6940.
#29590

67112034

00147945

BRIAN COLLINS
COG OPERATING LLC
2208 W. MAIN ST.
ARTESIA, NM 88210