

DATE IN <u>12.20.10</u>	SUSPENSE	ENGINEER <u>RE</u>	LOGGED IN <u>12.20.10</u>	TYPE <u>PC</u>	APP NO. <u>10.35443408</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



COG 329137  
USP FEE #2  
USP FEE #3

**ADMINISTRATIVE APPLICATION CHECKLIST**

30-015-34438

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

30-015-37948

Fee  
Ends

**[1] TYPE OF APPLICATION - Check Those Which Apply for [A]**

[A] Location - Spacing Unit - Simultaneous Dedication USP Fee #3, API# 30-015-37948  
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☒ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify \_\_\_\_\_

**[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply**

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☐ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers are Attached

**[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

**[4] CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kanicia Carrillo  
 Print or Type Name

[Signature]  
 Signature

REGULATORY ANALYST  
 Title

12/16/10  
 Date

kcarrillo@conchoresources.com  
 e-mail Address

PC-1232



December 16, 2010

COG Operating, LLC  
Kancia Carrillo  
550 W Texas Ave., Suite 100  
Midland, TX 79701

RECEIVED

2010 DEC 17 P 3:13

New Mexico Oil Conservation Division  
Robert Ezeanyim  
1220 S St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for a Surface commingle on the following wells:

USP Fee #2  
Eddy County, NM  
API # 30-015-34438  
Harroun Ranch; Delaware, NE (Oil - 96878) Pool  
Surface: 319 FNL & 946 FWL Sec 16, T23S, R29E, Unit D  
BHL: 226 FSL & 1362 FWL sec 9, T23S, R29E, Unit N

USP Fee #3  
Eddy County, NM  
API # 30-015-37948  
Laguna Salado; Bone Spring (Oil - 96721) Pool  
Surface: 100 FSL & 200 FWL Sec 9, T23S, R29E, Unit M  
BHL: 500 FSL & 2310 FWL sec 10, T23S, R29E, Unit N

COG LLC requests a surface commingle due to surface land constraints. The majority of the surface for this lease is covered by a salt lake. There is just a very small parcel of land that is accessible and is utilized for wells and the tank battery. There are several producing horizons in this area each of which will require horizontal wells to develop. In order to allow full development of our leases, the facilities must be contained to as small a footprint as possible in order for the remaining undeveloped land to be dedicated to well locations. In order to minimize tank battery footprint, we must be able to commingle the production from all wells on this lease. With the ability to surface commingle, the tank battery can be built to the smallest size possible to safely handle the production from wells on this lease. A common tank battery will be much smaller than each well having its own dedicated battery. ✓

We are currently waiting to complete the USP Fee #3 well in the Laguna Salado; Bone Spring (Oil - 96721) Pool. The Off-Lease Storage facility is located, at the USP Fee #2 surface location, on the NW Corner of Devon Energy's Spud 16 Lease. This facility will consist of two (2) 500 bbl oil tanks, one (1) 500 bbl water tank, one (1) 30" x 10' Separator, and one (1) 4' x 20' Heater. Our purchaser will transport all oil from this location.

I have attached proof of notice to all of our working interest owners, a diagram of our facility, and a map with lease boundaries showing all well and facility locations, a list of lease names, well numbers and API numbers.

Please contact me at 432-685-4332 should you have any questions.

Sincerely,

COG Operating LLC  
Kancia Carrillo  
Regulatory Analyst

**Affidavit of Fact**

STATE OF TEXAS            )

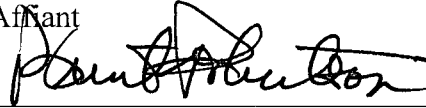
COUNTY OF MIDLAND    )

Affiant on Oath swears that the following statements are true:

My name is Brent Robertson. I am a Senior Landman for COG Operating LLC. I am familiar with the ownership of the USP Fee #2 (API 30-015-34438) and the USP Fee #3 (API 30-015-302644) which are situated in Sections 9 and 10, Township 23 South, Range 29 East, Eddy County, New Mexico. I hereby confirm that the working interest ownership in the two wells is slightly different as between two working interest owners being Wade Petroleum Corp. and McCully-Chapman, Inc. Otherwise the ownership in said wells is common. COG Operating LLC has obtained agreement and approval of Wade Petroleum Corp. and McCully-Chapman, Inc. to construct a single surface tank facility for both wells and commingle production therefrom at the surface.

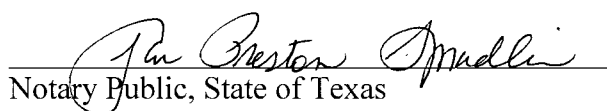
Further Affiant says not.

Affiant



Brent Robertson

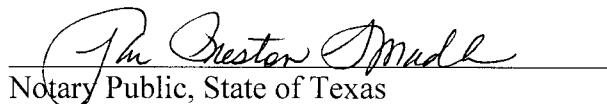
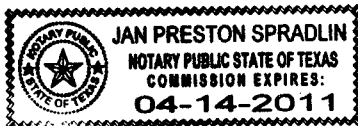
SUBSCRIBED AND SWORN TO before me on this 28<sup>th</sup> day of October, 2010.

  
Notary Public, State of Texas

STATE OF TEXAS            )

COUNTY OF MIDLAND    )

This instrument was acknowledged before me on this 28<sup>th</sup> day of October, 2010, by Brent Robertson.

  
Notary Public, State of Texas

DATE IN <u>12.20.10</u>	SUSPENSE	ENGINEER <u>RE</u>	LOGGED IN <u>12.20.10</u>	TYPE <u>OLS</u>	APP NO. <u>1035443869</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



C06 009137

USP #3

### ADMINISTRATIVE APPLICATION CHECKLIST

30-015-37948

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

#### Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

Fee  
Eddy

#### [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication USP Fee #3, API# 30-015-37948  
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☐ PC ☒ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify \_\_\_\_\_

#### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☐ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers are Attached

#### [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kanicia Carrillo  
 Print or Type Name

KC  
 Signature

REGULATORY ANALYST  
 Title

12/16/10  
 Date

kcarrillo@conchoresources.com  
 e-mail Address



December 16, 2010

COG Operating, LLC  
Kanicia Carrillo  
550 W Texas Ave., Suite 100  
Midland, TX 79701

New Mexico Oil Conservation Division  
Robert Ezeanyim  
1220 S St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Ezeanyim,

COG Operating LLC respectfully requests approval for an Off-Lease Storage facility on the following well:

USP Fee #3  
Eddy County, NM  
API # 30-015-37948  
Surface: 100 FSL & 200 FWL Sec 9, T23S, R29E, Unit M  
BHL: 500 FSL & 2310 FWL sec 10, T23S, R29E, Unit N

This well is producing from the Laguna Salado; Bone Spring (Oil - 96721) Pool. The Off-Lease Storage facility will be located, at the USP Fee #2 surface location, on the NW Corner of Devon Energy's Spud 16 Lease. This facility will consist of two (2) 500 bbl oil tanks, one (1) 500 bbl water tank, one (1) 30" x 10' Separator, and one (1) 4' x 20' Heater. Our purchaser will transport all oil from this location. Currently, this well is shut in until battery is built.

COG Operating originally drilled the surface location of the USP Fee #2 on the NW Corner of Devon Energy's Spud 16 lease, because our USP Fee lease is located under a lake. Building an Off-Lease Storage facility at the USP Fee #2 surface location is our best option.

I have attached proof of notice to all of our working interest owners, a diagram of our facility, and a map with lease boundaries showing all well and facility locations, a list of lease names, well numbers and API numbers.

Please contact me at 432-685-4332 should you have any questions.

Sincerely,

COG Operating LLC  
Kanicia Carrillo  
Regulatory Analyst

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**

1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original  
application to the Santa Fe  
office with one copy to the  
appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: COG Operating LLC  
OPERATOR ADDRESS: 550 W. Texas Ave., Suite 100, Midland, TX 79701  
APPLICATION TYPE:

☒ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☒ Fee ☐ State ☐ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
☐ Yes ☒ No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Harroun Ranch; Delaware, NE (Oil-96878)	40.2 / 1.02				
Laguna Salado; Bone Spring (Oil-96721)	This well is drilled but not completed yet.				

- (2) Are any wells producing at top allowables? ☐ Yes ☒ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No.  
(4) Measurement type: ☒ Metering ☐ Other (Specify)  
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Pool Name and Code.  
(2) Is all production from same source of supply? ☐ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No  
(4) Measurement type: ☐ Metering ☐ Other (Specify)

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

- (1) Is all production from same source of supply? ☐ Yes ☒ No  
(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

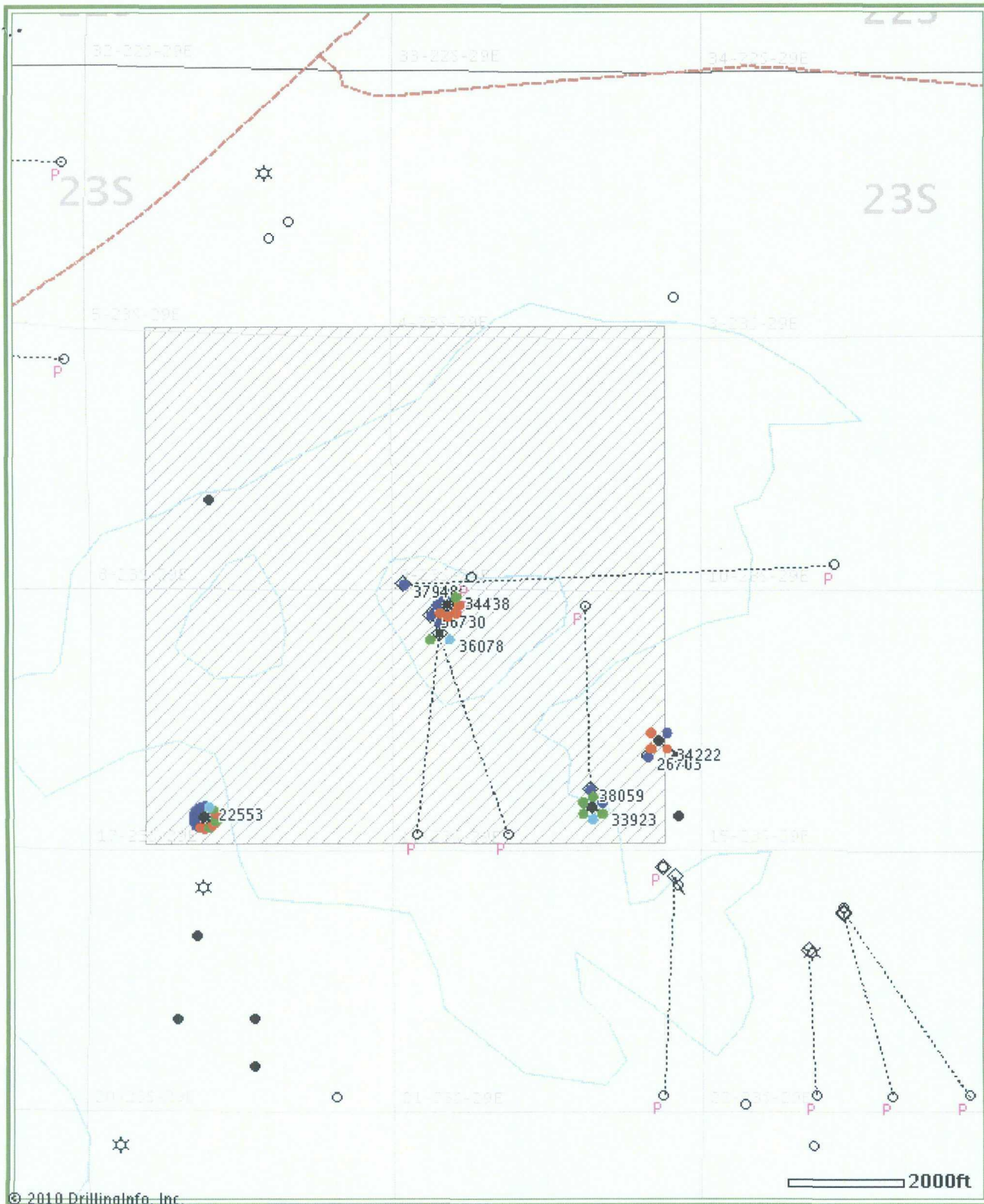
SIGNATURE: KC TITLE: Regulatory Analyst DATE: 12/16/10

TYPE OR PRINT NAME Kanicia Carrillo TELEPHONE NO.: 432-685-4332  
E-MAIL ADDRESS: kcarrillo@conchoresources.com

## USP Fee #3 -- 1 Mile Radius

API#	Operator	County	Legal	Lease	Well#	Date Issued	Permitted Depth	Permit TVD	Images	Doc	Total Depth	Well Type	Well Status	NMLot
30-015-38059	DEVON ENERGY PRODUCTION COMPANY, LP	EDDY	S:16, T:23S, R:29E	SPUD 16 STATE	009H	8/3/2010	10,878		Yes	link	10,878	PO	Active Permit	O
30-015-37948	COG OPERATING LLC	EDDY	S:9, T:23S, R:29E	USP FEE	003	7/12/2010	14,788		Yes	link	14,788	PO	Active Permit	M
30-015-36730	DEVON ENERGY PRODUCTION, L.P. or DEVON ENERGY PRODUCTION COMPANY, LP	EDDY	S:16, T:23S, R:29E	SPUD 16 STATE	8H	10/24/2008	11,100		Yes	link	11,100	PO	Active Permit	D
30-015-36078	DEVON ENERGY PRODUCTION COMPANY, LP	EDDY	S:16, T:23S, R:29E	SPUD 16 STATE	7H	2/7/2008	10,365	6,500	Yes	link	10,424	U	Active Permit	D
30-015-34438	COG OPERATING LLC	EDDY	S:16, T:23S, R:29E	USP FEE	002	7/18/2007	11,065		Yes	link	12,500	PO	Active Permit	D
30-015-34438	COG OPERATING LLC	EDDY	S:16, T:23S, R:29E	USP FEE	002	6/8/2007	11,065		Yes	link	12,500	PO	Active Permit	D
30-015-22553	CHESAPEAKE OPERATING, INC or CHESAPEAKE OPERATING, INC.	EDDY	S:17, T:23S, R:29E	TELEDYNE 17	001	6/28/2006			Yes	link	13,354	PG	Active	N
30-015-22553	CHESAPEAKE OPERATING, INC or CHESAPEAKE OPERATING, INC.	EDDY	S:17, T:23S, R:29E	TELEDYNE 17	001	6/6/2006	7,515		Yes	link	13,354	PG	Active	N
30-015-34438	STRATA PRODUCTION CO	EDDY	S:16, T:23S, R:29E	USP FEE	002	11/18/2005	12,500		No	link	12,500	PO	Active Permit	D
30-015-34222	DEVON ENERGY PRODUCTION COMPANY LP or DEVON ENERGY PRODUCTION COMPANY, LP	EDDY	S:16, T:23S, R:29E	SPUD 16 STATE	005	7/25/2005	12,500		No	link	12,500	G	Active Permit	I
30-015-33923	DEVON ENERGY PRODUCTION COMPANY LP or MARBOB ENERGY CORP	EDDY	S:16, T:23S, R:29E	SPUD 16 STATE	004	2/7/2005	6,800		No	link	6,750	O	Active	O
30-015-22553	CHESAPEAKE OPERATING, INC or CHESAPEAKE OPERATING, INC.	EDDY	S:17, T:23S, R:29E	TELEDYNE 17	001	1/31/2004			No	link	13,354	PG	Active	N
30-015-22553	CONCHO EXPLORATION, INC. or CONCHO EXPLORATION	EDDY	S:17, T:23S, R:29E	TELEDYNE "17"	001	6/16/2003	10,075		Yes	link	13,354	PG	Active	N
30-015-22553	CONCHO EXPLORATION, INC. or CONCHO EXPLORATION	EDDY	S:17, T:23S, R:29E	TELEDYNE "17"	001	5/7/2003	13,352		Yes	link	13,354	PG	Active	N
30-015-22553	CONCHO EXPLORATION, INC. or CONCHO EXPLORATION	EDDY	S:17, T:23S, R:29E	TELEDYNE "17"	001	1/9/2001	13,200		Yes	link	13,354	PG	Active	N
30-015-22553	CONCHO EXPLORATION, INC. or CONCHO EXPLORATION	EDDY	S:17, T:23S, R:29E	TELEDYNE 17	001	3/1/2000			No	link	13,354	PG	Active	N
30-015-26703	STEVENS OPERATING CORPORATION or HANAGAN PETROLEUM CORP	EDDY	S:16, T:23S, R:29E	PRE-ONGARD WELL	001	1/1/1970			No	link		PO	Active Permit	I

# USP Fee #3 -- 1 Mile Radius



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# USP Fee #3 -- 1 Mile Radius



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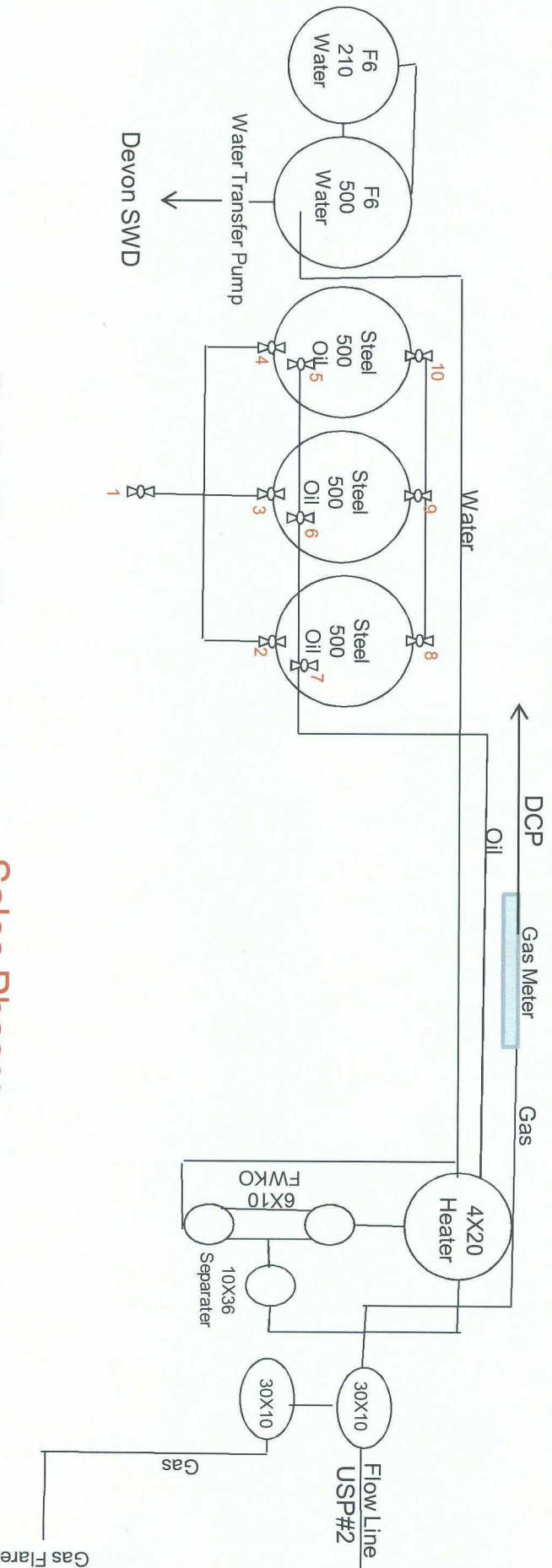
# COG OPERATING LLC

550 W. Texas Ave Ste 100 Midland, Texas 79701  
(432)-683-7443

December 6, 2010

## USP Fee #2

'319 FNL, '946 FEL \* Sec 16-23S-29E \* Unit D  
Eddy CO, NM  
API - 30-015-34438



## Production Phase:

Valves#1, 2, 3, 4, 8, 9, 10-Closed  
Valves#5, 6 or 7-Open

## Sales Phase:

Valves: #1-Open  
Valves: #2, 3 or 4-Open  
Valves: #5, 6 or 7-Closed  
Valves: 8, 9, 10-Closed

Submit 3 Copies To Appropriate District Office  
District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Ave., Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
May 27, 2004

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

WELL API NO. <b>30-015-37948</b>
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name <b>USP FEE</b>
8. Well Number <b>3</b>
9. OGRID Number <b>229137</b>
10. Pool name or Wildcat <b>Laguna Salado; Bone Spring 96721</b>

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

**COG Operating LLC**

3. Address of Operator

**550 W. Texas Ave., Suite 1300**

**Midland, TX 79701**

4. Well Location

Unit Letter **M** : **100** feet from the **South** line and **200** feet from the **West** line  
Section **9** Township **23S** Range **29E** NMPM County **Eddy**

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

**2957.1' GR**

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type \_\_\_\_\_ Depth to Groundwater \_\_\_\_\_ Distance from nearest fresh water well \_\_\_\_\_ Distance from nearest surface water \_\_\_\_\_

Pit Liner Thickness: \_\_\_\_\_ mil Below-Grade Tank: Volume \_\_\_\_\_ bbls; Construction Material \_\_\_\_\_

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

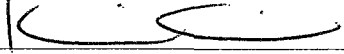
REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☐

OTHER: **Off Lease Battery & Surface Commingle** ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

COG Operating LLC respectfully request approval for off lease battery facilities and surface commingle with the USP Fee #2 well.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE  TITLE Regulatory Analyst DATE **12/16/10**

Type or print name **Kanicia Carrillo**

E-mail address: **kcarrillo@conchoresources.com** Telephone No. **432-685-4332**

**For State Use Only**

APPROVED BY: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

Conditions of Approval (if any): \_\_\_\_\_



10/12/2010

Kanicia Carrillo

550 W Texas, Suite 100

Midland, TX 79701

Wade Petroleum Corp

Attn: Robert W Eaton

2406 Northwood Ct NW

Albuquerque, NM 87107

Dear Mr. Eaton,

This letter will serve as notice, under Rule 19.15.N.1207.A, that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for an Off-Lease Storage Facility on the following well:

**USP Fee #3**

**Eddy County, NM**

**API # 30-015-37948**

**Surface: 100 FSL & 200 FWL Sec 9, T23S, R29E, Unit M**

**BHL: 500 FSL & 2310 FWL Sec 10, T23S, R29E, Unit N**

**Laguna Salado; Bone Spring (Oil – 96721)**

The Off-Lease Storage facility will be located, at the USP Fee #2 surface location, on the NW Corner of Devon Energy's, Spud 16 Lease. Our purchaser will transport all oil from this location.

We are also requesting administrative approval to surface commingle the USP Fee #3 with the following well:

**USP Fee #2**

**Eddy County, NM**

**API # 30-015-34438**

**Surface: 319 FNL & 946 FWL Sec 16, T23S, R29E, Unit D**

**BHL: 226 FSL & 1362 FWL sec 9, T23S, R29E, Unit N**

**Harroun Ranch; Delaware, NE (Oil – 96878)**

COG Operating LLC plans to continue to test through heater treaters and separators and make the allocations on well tests. The current system configuration is that of commonly accepted oil field practice for testing producing oil wells. Due to surface area constraints on this location, it is impossible to set a dedicated tank battery at the USP Fee #3 location. The surface commingling will allow continued exploitation of the oil and gas reserves in this area by minimizing the surface area required for tank batteries and allowing it to be used for well locations.

Should you or your company have any objection, it must be filed, in writing, within twenty (20) days from the date of this notice. The Division Director may approve the Off-Lease Storage Facility & Surface Commingle if no objection has been made within the twenty (20) days after the application has been received.


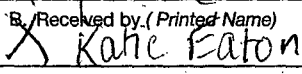
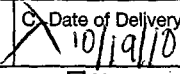
Sincerely,

COG Operating, LLC

Kanicia Carrillo

Regulatory Analyst

Confirmation Services	Package ID: 9171082133393913622012	Electronic Certified
	Destination ZIP Code: 87107	First Class Letter
	Customer Reference: Wade Petroleum	PBP Account #: 41592288
	Recipient: _____ Attn: Robert W Eaton	Serial #: 1364097
	Address: _____ 2406 Northwood Ct NW	OCT 12 2010 2:41pm
	Albuquerque, NM 87107	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		A. Signature  <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to:  Wade Petroleum Attn: Robert W Eaton 2406 Northwood Ct NW Albuquerque, NM 87107		B. Received by: (Printed Name)  C. Date of Delivery  D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
2. Article Number (Transfer from service label)		91 7108 2133 3939 1362 2012	

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

91 7108 2133 3939 1362 2012



10/12/2010  
Kanicia Carrillo  
550 W Texas, Suite 100  
Midland, TX 79701

McCully-Chapman Inc  
Attn: William T Wilson  
PO Box 421  
Sealy, TX 77474

Dear Mr. Wilson,

This letter will serve as notice, under Rule 19.15.N.1207.A, that COG Operating LLC has requested administrative approval from the Oil Conservation Division in Santa Fe, NM for an Off-Lease Storage Facility on the following well:

**USP Fee #3**  
**Eddy County, NM**  
**API # 30-015-37948**  
**Surface: 100 FSL & 200 FWL Sec 9, T23S, R29E, Unit M**  
**BHL: 500 FSL & 2310 FWL Sec 10, T23S, R29E, Unit N**  
**Laguna Salado; Bone Spring (Oil – 96721)**

The Off-Lease Storage facility will be located, at the USP Fee #2 surface location, on the NW Corner of Devon Energy's, Spud 16 Lease. Our purchaser will transport all oil from this location.

We are also requesting administrative approval to surface commingle the USP Fee #3 with the following well:

**USP Fee #2**  
**Eddy County, NM**  
**API # 30-015-34438**  
**Surface: 319 FNL & 946 FWL Sec 16, T23S, R29E, Unit D**  
**BHL: 226 FSL & 1362 FWL sec 9, T23S, R29E, Unit N**  
**Harroun Ranch; Delaware, NE (Oil – 96878)**

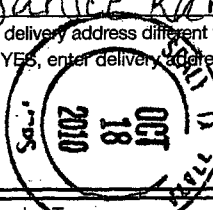
COG Operating LLC plans to continue to test through heater treaters and separators and make the allocations on well tests. The current system configuration is that of commonly accepted oil field practice for testing producing oil wells. Due to surface area constraints on this location, it is impossible to set a dedicated tank battery at the USP Fee #3 location. The surface commingling will allow continued exploitation of the oil and gas reserves in this area by minimizing the surface area required for tank batteries and allowing it to be used for well locations.

Should you or your company have any objection, it must be filed, in writing, within twenty (20) days from the date of this notice. The Division Director may approve the Off-Lease Storage Facility & Surface Commingle if no objection has been made within the twenty (20) days after the application has been received.

Sincerely,

COG Operating, LLC  
Kanicia Carrillo  
Regulatory Analyst

Confirmation Services	Package ID: 9171082133393913622029	Electronic Certified
	Destination ZIP Code: 77474	First Class Letter
	Customer Reference: McCully-Chapman Inc	PBP Account #: 41592288
	Recipient: _____ Attn: William T Wilson _____	Serial #: 1364097
	Address: _____ PO Box 421 _____	OCT 12 2010 2:40pm
	Sealy, TX 77474	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	<p>A. Signature: <u>X Janice Kara</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name): <u>Janice Kara</u> C. Date of Delivery: _____</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>3. Service Type  <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>1. Article Addressed to:</p> <p>McCully-Chapman Inc Attn: William T Wilson PO Box 421 Sealy, TX 77474</p>	
<p>2. Article Number (Transfer from service label) <u>91 7108 2133 3939 1362 2029</u></p>	
PS Form 3811, February 2004	Domestic Return Receipt 102595-02-M-1540

91 7108 2133 3939 1362 2029



October 22, 2010

Wade Petroleum Corp.  
2406 Northwood Ct. NW  
Albuquerque, NM 87107  
Attention: Robert W. Eaton

**Re: USP Fee #2 Well  
API# 30-015-34438  
USP Fee #3 Well  
API# 30-015-302644  
Sections 9 & 10, T23S-R29E  
Eddy County, New Mexico**

Dear Mr. Eaton:

COG Operating LLC ("COG") is in the process of drilling and anticipates completing the USP Fee #3 well as an oil producer in the Bone Spring formation. COG has previously completed the USP Fee #2 well as a producer from the Delaware formation. We plan to construct a single surface tankage facility and comingling production from the two wells at the surface. Prior to comingling production, both wells will be metered separately for oil and water production rates and then the total flow will be mixed in the tanks. Production will be allocated between the wells based on the metered flow tests. The reasons we are planning to build a single tankage facility are that we are restricted in space (there is not enough room for separate tankage for both wells) and it will save on capital expenditures.

If you are in agreement with this please so indicate by signing both copies of this letter in the space provided below and returning one copy to my attention at the letterhead address as soon as possible. We are applying to the NMOCD for surface comingling and need your approval in order to complete the application.

Please advise if you have any questions.

Sincerely,  
COG Operating LLC

Brent Robertson  
Senior Landman  
CPL

Br/



Wade Petroleum Corp.  
October 22, 2010  
Page No. 2

Accepted and Agreed this 28<sup>th</sup> day of October, 2010.  
Wade Petroleum Corp.

By: T. C. W. St.  
Title: President



October 22, 2010

McCully-Chapman Inc.  
P.O. Box 421  
Sealy, TX 77474  
Attention: William T. Wilson

**Re: USP Fee #2 Well  
API# 30-015-34438  
USP Fee #3 Well  
API# 30-015-302644  
Sections 9 & 10, T23S-R29E  
Eddy County, New Mexico**

Dear Mr. Wilson:

COG Operating LLC ("COG") is in the process of drilling and anticipates completing the USP Fee #3 well as an oil producer in the Bone Spring formation. COG has previously completed the USP Fee #2 well as a producer from the Delaware formation. We plan to construct a single surface tankage facility and comingling production from the two wells at the surface. Prior to comingling production, both wells will be metered separately for oil and water production rates and then the total flow will be mixed in the tanks. Production will be allocated between the wells based on the metered flow tests. The reasons we are planning to build a single tankage facility are that we are restricted in space (there is not enough room for separate tankage for both wells) and it will save on capital expenditures.

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Please advise if you have any questions.


Sincerely,  
COG Operating LLC

Brent Robertson  
Senior Landman  
CPL

Br/

Accepted and Agreed this \_\_\_\_ day of \_\_\_\_\_, 2010.  
McCully-Chapman Inc.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

verbal approval  
by William T. Wilson  
given 10/28/10. 



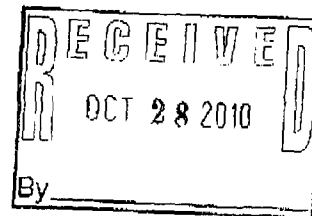
RECEIVED

NOV 01 2010

October 22, 2010

McCully-Chapman Inc.  
P.O. Box 421  
Sealy, TX 77474  
Attention: William T. Wilson

Re: USP Fee #2 Well  
API# 30-015-34438  
USP Fee #3 Well  
API# 30-015-302644  
Sections 9 & 10, T23S-R29E  
Eddy County, New Mexico



Dear Mr. Wilson:

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Please advise if you have any questions.

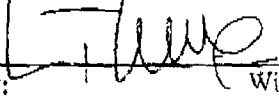
Sincerely,  
COG Operating LLC

Brent Robertson  
Senior Landman  
CPL

Br/

McCully-Chapman Inc.  
October 22, 2010  
Page No. 2

Accepted and Agreed this 1<sup>st</sup> day of November, 2010.  
McCully-Chapman Inc.

  
By: \_\_\_\_\_ William T. Wilson  
Title: \_\_\_\_\_ Vice President

## District I

1625 N. French Dr., Hobbs, NM 88240

## District II

1301 W. Grand Avenue, Artesia, NM 88210

## District III

1000 Rio Brazos Rd., Aztec, NM 87410

## District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

## State of New Mexico

Energy, Minerals &amp; Natural Resources Department

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 15, 2009

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-015-37948	<sup>2</sup> Pool Code 96721	<sup>3</sup> Pool Name Laguna Salado; Bone Spring
<sup>4</sup> Property Code 302644	<sup>5</sup> Property Name USP FEE	<sup>6</sup> Well Number 3
<sup>7</sup> OGRID No. 229137	<sup>8</sup> Operator Name COG OPERATING LLC	<sup>9</sup> Elevation 2957.1'

<sup>10</sup> Surface Location

U/L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	9	23 S.	29 E.		100	SOUTH	200	WEST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

U/L or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	10	23 S.	29 E.		500	SOUTH	2310	WEST	EDDY

<sup>12</sup> Dedicated Acres 240	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order 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.

<sup>16</sup>				<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature _____ Date 12/15/10 Kanicia Carrillo Printed Name	
<sup>18</sup> SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey FEBRUARY 8, 2010 Signature and Seal of Professional Surveyor  Certificate Number FILIMON F. JARAMILLO, P.L.S. 12797 MADRON SURVEYING, INC. SURVEY NO. 073					

1426 N. French Dr., Hobbs, NM 88240  
 1301 W. Grand Avenue, Artesia, NM 88210  
 1000 Rio Grande Rd., Aztec, NM 87410  
 1220 S. St. Francis Dr., Santa Fe, NM 87503

State of New Mexico  
 Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87503

Form C-102  
 Revised June 10, 2003  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>30-015-34438</b>		Well Code <b>96878</b>	Well Name <b>Harrow Ranch</b> Delaware, Northeast
Property Code <b>303644</b>	Property Name <b>USF FEE</b>		Well Number <b>2</b>
OCLES No. <b>229137</b>	Operator Name <b>COG OPERATING LLC</b>		Elevation <b>2957</b>

10 Surface Location									
UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
<b>D</b>	<b>16</b>	<b>23-S</b>	<b>29-E</b>		<b>319</b>	<b>NORTH</b>	<b>946</b>	<b>WEST</b>	<b>KIDDY</b>

11 Bottom Hole Location if Different From Surface									
UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
<b>H</b>	<b>9</b>	<b>23-S</b>	<b>29-E</b>		<b>226</b>	<b>SOUTH</b>	<b>1362</b>	<b>WEST</b>	<b>KIDDY</b>
12 Production Acre		13 Total Acre		14 Classification Code		15 Order No.			
<b>40</b>									

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

<p><b>S/2 SEC. 9</b></p> <p><b>BOTTOM HOLE LOCATION</b></p> <p><b>1362'</b></p> <p><b>226'</b></p> <p><b>946'</b></p> <p><b>319'</b></p> <p><b>SURFACE LOCATION</b></p> <p><b>LAT N 32°18'41.8"</b>  <b>LONG W 103°59'42.7"</b></p> <p><b>N/2 SEC 16</b></p>				<p><b>17 OPERATOR CERTIFICATION</b>          I hereby certify that the information contained herein is true and correct to the best of my knowledge and belief.</p> <p><i>Phyllis A. Edwards</i>          Phyllis A. Edwards          Regulatory Analyst          Title and E-mail Address  <b>6-8-07</b></p>	
<p><b>SEC LINE</b></p>				<p><b>18 SURVEYOR CERTIFICATION</b>          I hereby certify that the well location shown on this plat was placed from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p><b>SEPTEMBER 27, 2005</b>          Date of Survey  <b>NEW MEXICO</b>  <b>5412</b>  <b>DEPT. OF ENERGY &amp; NATURAL RESOURCES</b>  <b>5412</b></p>	