

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

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

Jami Bailey, Division Director
Oil Conservation Division



August 30, 2013

COG Operating, LLC
Attn: Ocean Munds-Dry, Senior Attorney
1048 Paseo de Peralta
Santa Fe, New Mexico 87501

Re: Discovery of unknown vertical well along well path of COG Operating LLC's Patton 5 Fee Well No. 4H, Section 5, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico.

Dear Ms. Munds-Dry:

It has come to the New Mexico Oil Conservation Division's ("Division") attention that during the drilling of the horizontal portion of the Patton 5 Fee Well No. 4H ("the Well") located in Section 5, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico, COG Operating LLC ("COG") unexpectedly encountered the well bore of an unknown vertical well, for which no record exists in the Division's files. Consequently, COG immediately stopped drilling the horizontal Well and abandoned temporarily the lateral portion of the Well.

It is also our understanding that COG is unable to determine the condition of the unknown vertical well and whether it was properly plugged and abandoned. As the Division-designated operator of the Patton 5 Fee Well No. 4H, COG is responsible to seal and separate the oil, gas and water strata above the producing horizon to prevent their contents from passing into other strata in accordance with the Division Rules 19.15.16.9 and 19.15.16.17 NMAC.

COG shall re-enter the unknown well and properly plug and abandon this well before resuming the drilling of the Patton 5 Fee Well No. 4H. COG shall submit Division Form C-103 proposing its procedures for plugging the vertical well to the Division's District II office in Artesia. COG has ninety (90) days from the date of approval of the Form C-103 by the Division's District II Office to complete the plugging and abandonment of the vertical well, and reclamation of the well site. COG may request an extension of time from the Division Director to complete the plugging and abandonment of the vertical well for good cause demonstrated by satisfactory evidence.

August 30, 2013

Page 2

If you have any questions, please contact Richard Ezeanyim at (505) 476-3467.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" being more prominent than the last name "Bailey".

Jami Bailey
Division Director

JB/re

Cc: Oil Conservation Division District II Office - Artesia