

**Goetze, Phillip, EMNRD**

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**From:** Walls, Christopher <cwalls@blm.gov>  
**Sent:** Wednesday, March 28, 2018 10:28 AM  
**To:** Goetze, Phillip, EMNRD; Jerald Whitlock  
**Cc:** Cody Layton; Thomas Zelenka  
**Subject:** Ronco Fed SWD # 1  
**Attachments:** RoncoFedSWD1\_Conoco Protest.PDF; RoncoFedSWD 1\_flow back summary.PDF

Phillip,

I spoke to you yesterday on the phone about this disposal well. The BLM is concerned about this well injecting produced water into a zone that is currently producing a substantial amount of minerals. I have attached the flowback summary and also a protest letter from the lessee, ConocoPhillips. It is the BLMs opinion that this well must be properly stimulated to allow for adequate testing and evaluation of the reservoir. Until such action is taken I believe it to be in the public's best interest not to inject disposal fluid into this formation.

--

Thank you,

**Christopher Walls**

Supervisor Petroleum Engineer  
Bureau of Land Management  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad NM, 88220

[cwalls@blm.gov](mailto:cwalls@blm.gov)  
(575) 234-2234





Hunter Smith  
Landman, SENM  
281-206-5651  
Hunter.A.Smith@conocophillips.com  
EC3-07-W336  
600 N. Dairy Ashford  
Houston, TX 77079-1175

Bureau of Land Management  
620 E. Green Street  
Carlsbad, NM 88220-6292  
Attention: Chris Walls

March 22, 2018

Re: Ronco Federal SWD #1 Well (API: 30-015-44420)  
660' FNL & 1650' FWL, Unit C  
Section 19, T17S - R30E  
Eddy County, NM

Dear Mr. Walls,

ConocoPhillips Company ("COPC") is the record title holder to BLM lease NMLC 0028793A covering the N/2 of Section 19, T17S-R30E, Eddy County, NM (the "Lands"), among other lands, and the owner of operating rights in the Cisco Canyon formation. COPC is the operator of the Operating Agreement dated March 1, 1978, covering Section 19, T17S-R30E, Eddy County, NM, among other lands (the "JOA"). COG Operating LLC ("COG") began drilling the captioned well (the "Well") on October 31, 2017 on the Lands, and drilled the Well to the Cisco Canyon formation. During the initial BLM required testing procedure for the Well, COG encountered flowing oil.

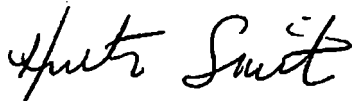
COPC, on behalf of itself and the non-operators under the JOA, expresses concern regarding disposal of waste water into the Cisco Canyon formation. COPC did not protest the drilling of the Well during the allotted protest period; however, COPC's position on the matter has changed based on COG having encountered flowing oil and the subsequent testing results from the Well. COPC understands a significant amount of testing will be required to quantify recoverable resources and identify optimum well and completion design to benefit the public's interest. COPC believes that allowing disposal of waste water into the Cisco Canyon formation would impede COPC's ability to extract hydrocarbons and to exercise its correlative rights under BLM lease NMLC 0028793A.

The Well is currently shut in with about 3,000 barrels of oil stored on location. COPC and COG reached an agreement that allows COG to sell and transport the produced oil off location. COG will resume required testing, including tests required by SWD-1677, once the oil is transported off location.

If you have any questions for COPC please contact me by telephone at (281) 206-5651 or by email at [Hunter.A.Smith@conocophillips.com](mailto:Hunter.A.Smith@conocophillips.com).

Sincerely,

**CONOCOPHILLIPS COMPANY**

A handwritten signature in cursive script that reads "Hunter Smith".

Hunter Smith  
Landman

CC: State of New Mexico  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**Ronco Federal SWD #1 Flow back Summary**

**1/10/18:**

SET PIPERACKS, NU AND FUNCTION TEST BOP, UNLOAD AND RACK 3-1/2 L-80 TBG

**1/11/18:**

TIH WITH 6 1/8 BIT, BIT SUB, 6 X 4 1/2 DRILLCOLLARS, 259 JTS 3 1/2 TBG, TAG CFP @ 8440' KB, RIG UP STRIPPER HEAD, POWER SWIVEL

**1/12/18:**

WASH FILL DOWN TO CFP @ 8538' KB, DRILL OUT CFP, CHANGE OUT SWIVELS, PUSH CIBP TO 8668' KB, COULD NOT GET ANY DEEPER, RECOVERING METAL IN RETURNS, CIRCULATE HOLE CLEAN, TOOHP WITH 50 STANDS

**1/15/18:**

SITP 360 PSI, SICP 80 PSI, BLEED WELL DOWN, START TOOHP WITH TBG, PULL 71 STAND, WELL STARTED FLOWING, 22 JTS WITH TOOLS IN HOLE, BIT @ 893' KB, FLOWBACK WELL TO FRAC TANKS, RECOVER 1200 BBLS, CATCHING SAMPLE EVERY 20 BBLS AFTER 1000 BBLS

**1/16/18:**

SICP 2100 PSI, START FLOWING WELL DOWN, FLOWBACK 1,006 BBLS IN 6 1/2 HRS, MUD SHOWED UP AT 2PM, PUMP 330 BBLS OF 11# MUD DOWN CSG. STORE 70 BBLS IN REVERSE PIT, WE HAD A VALVE LEAKING ON MANIFOLD, FILL TANKS WITH MUD

**1/17/18:**

WEIGH MUD IN TANKS, REPAIR VALVES ON REVERS UNIT, MUD IN SOUTH TANK 10.9 #, MIDDLE TANK 9.9#, PUMP DOWN CSG AND PRESSURE TO 2500 PSI, HOOK UP ON TBG AND PRESSURE TO 2500 PSI, MIRU 10 K PUMP, GET INJECTION RATE 1 BPM

**1/18/18:**

CHECK PRESSURE, 2000 PSI, WAIT FOR MUD FROM NOVA, MUD ARRIVED @ 12:26 PM, START PUMPING 1 BPM, PUMP 320 BBLS 11# MUD, SIP 2700 PSI

**1/19/18:**

SICP 900 PSI, HOOK UP CHOKE, ATTEMPT TO BLEED PRESSURE FROM WELL, BLEED PRESSURE TO 0 PSI BUT IS STILL KICKING MUD OUT OF HOLE, BRING TBG DOWN, AND SECURE TBG WITH CHAINS, SECURE WELL, SDOW

**1/22/18:**

SITP 700 PSI, SICP 750 PSI, BLEED PRESSURE, RIG UP SNUBBING UNIT, SNUB IN 30 JTS, LOAD TBG WITH MUD, PUMP 25 BLS MUD DOWN CSG, PRESSURED UP TO 2500 PSI, START BLEEDING PRESSURE, SNUBBED IN A TOTAL OF 68 JTS

**1/23/18:**

SICP 1650 PSI, BLEED PRESSURE DOWN TO 1000 PSI, TIH WITH TBG TO 8570' KB, START TO RD SNUBBING UNIT, MUD STARTED TO FLOW BACK FROM TBG, FLOAT NOT HOLDING, GET VALVE IN TBG, SECURE WELL, SDON

**1/24/18:**

SICP 1500 PSI, SITP 0 PSI, START BLEEDING CSG DOWN, REMOVE HANGER FROM WELLHEAD, TIH AND TAG BOTTOM @9291' KB, TOOHP LD TBG TO 8570' KB, TRY MIXING MUD TO BRING WEIGHT UP TO 11#, WITH NO LUCK, MUD IS TOO BAD GAS CUT

**1/25/18:**

MUD ARRIVED ON LOCATION @ 2:15 PM, PUMP 320 BBLS 14 LB MUD TO KILL WELL, 2.5 BPM, HOLDING BACK PRESSURE ON CSG, CHECK FOR FLOW, WELL DEAD

**1/26/18:**

SICP 0 PSI, CHANGE CSG VALVE, TOOHP WITH TBG, LD DRILL COLLARS AND BIT, TIH WITH ARROWSET AS 1 PKR WITH 2.81 R PROFILE NIPPLE BELOW PKR WITH PUMP OUT DISC, UPPER PROFILE 2.813 F NIPPLE ON TOP OF PKR, 266 JTS 3 1/2 TBG, 1 X 8' X 3 1/2 SUB, 1 JT 3 1/2 TBG

**1/27/18:**

SICP 0 PSI, RDMO SNUBBING UNIT, SET PKR, BOTTOM OF PKR @ 8530' KB, TEST CSG TO 500 PSI, HELD, LOAD TBG WITH 10# BRINE, GET OFF PKR ON/OFF TOOL, CIRCULATE MUD OUT OF HOLE, LATCH ONTO PKR, TEST CSG TO 1500 PSI FOR 15 MINUTES

**1/29/18:**

FUNCTION TEST BOP, BLOW PUMP OUT DISC @ 4,000 PSI, WELL NOT FLOWING, TEST PKR 1,500 PSI FOR 20 MINUTES, PKR HELD, CLEAN MUD PITS, WAIT FOR 3 1/2 SWAB CUPS, RIG UP AND START SWABBING, FLUID LEVEL @ SURFACE, SWAB BACK TOTAL OF 60 BBLS, ENDING FLUID LEVEL 1200' FROM SURFACE

**1/30/18:**

SITP 200 PSI SICP 0 PSI, OPEN WELL UP, FLOW WELL ON 32/64 CHOKE, FLOWED BACK 160 BBLS, AFTER WELL CLEANED UP, RECOVER SAMPLE, 60% OIL, FLOW BACK TOTAL OF 150 BBLS, TRIED TO PUMP 80 BBLS 10# BRINE TO DETERMINE KILL MUD, ONLY PUMPED 18 BBLS DUE TO HIGH PUMP PRESSURE, TOTAL FLUID FLOWED BACK 270 BBLS, HIGH OIL CUT

**1/31/18:**

RIG UP FLOWBACK EQUIPMENT, SITP 2400 PSI, OPEN CHOKE @ 1 PM, FLOWING 1200 PSI, FLOWING 1000 -1200 MCF, HAD 50 BBLS OIL IN SEPARATOR, STARTED MAKING EMULSION, LEAVE WELL FLOWING FOR 24 HRS

**2/1/18:**

REPORT SINCE 3 PM YESTERDAY, (24 HRS), GAS 1286 MCF, 296 WATER, 678 OIL, FTP 650 PSI ON 40/64 CHOKE

**2/2/18:**

WELL FLOWING ON 48/64 CHOKE, FTP 475 PSI, RECOVERED 1042 BBLS OIL, 488 WATER, 2180 MCF GAS .

**2/3/18:**

WELL FLOWING ON 48/64 CHOKE, FTP 400 PSI, FLOWED 868 BBLS OIL, FLOWED 587 WATER, 1938 MCF GAS TO FLARE

**2/4/18:**

WELL FLOWING ON 48/64 CHOKE, FTP 340 PSI, FLOWED 666 BBLS OIL, FLOWED 532 WATER, 1470 MCF GAS TO FLARE, SHUT WELL IN SHUT DOWN FLOWBACK

**BHL: LC028793a**  
**Lease Agreement**  
**KFC**

@ Srfce: T17S-R30E,19.600n1650w  
@ MTD: T17S-R30E,19.600n1650w

**During completion well began flowing Oil, Water and Gas. Took 14#/gal mud to control.**

\_WB Rcd (5.97 Ronco-01 1544420



Hunter Smith  
Landman, SENM  
281-206-5651  
Hunter.A.Smith@conocophillips.com  
EC3-07-W336  
600 N. Dairy Ashford  
Houston, TX 77079-1175

## LETTER AGREEMENT

DELIVERED VIA EMAIL AND OVERNIGHT COURIER

March 15, 2018

COG Operating LLC  
Concho Center 1  
600 W. Illinois Avenue  
Attention: Jackie Chatterton

Re: Ronco Federal SWD #1 Well (API: 30-015-44420)  
660' FNL & 1650' FWL Unit C  
Section 19, T17S - R30E  
Eddy County, NM

Dear Ms. Chatterton,

ConocoPhillips Company ("COPC") is the record title holder to BLM lease NMLC 0028793A covering the N/2 of Section 19, T17S-R30E, Eddy County, NM, among other lands, and owns operating rights in the Cisco Canyon formation under such lease. COPC is the operator of the Operating Agreement dated March 1, 1978, covering Section 19, T17S-R30E, Eddy County, NM, among other lands (the "JOA"). COPC, on behalf of itself and the non-operators under the JOA, agrees to allow COG Operating LLC ("COG") to sell and transport any oil and associated hydrocarbons ("Hydrocarbons") that have been produced or will be produced by the captioned saltwater disposal well (the "Well") during BLM or New Mexico Oil Conservation Division required testing ("Required Testing"). COG agrees to hold any and all proceeds from the sale of Hydrocarbons produced from the Well during Required Testing in suspense. Subject to concurrence from the non-operators under the JOA, COG shall deliver fifty percent (50%) of such proceeds to COPC, who will distribute to the non-operators under the JOA, and applicable royalty and overriding royalty owners. COG shall also deliver to COPC the applicable royalties and overriding royalties relative to the fifty percent (50%) of proceeds retained by COG. Such funds would be delivered by wire transfer in accordance with payment instructions to be provided by COPC. COG will also provide COPC with all volume information necessary to properly report and pay all necessary royalties and overriding royalties owed with respect to the Hydrocarbons. In exchange, COPC and the non-operators will have no liability for the cost of drilling the Well or costs associated with Required Testing and sale of the Hydrocarbons produced in connection therewith.

COG AGREES TO FULLY DEFEND, PROTECT, INDEMNIFY, AND HOLD COPC HARMLESS FROM AND AGAINST EACH AND EVERY CLAIM, DEMAND, PENALTY, FINE, LIEN, JUDGMENT, ACTION, CAUSE OF ACTION, OR LITIGATION, AND ANY LIABILITY, COST, EXPENSE, DAMAGE OR LOSS, INCLUDING, WITHOUT LIMITATION, JUDGMENTS, PENALTIES, INTEREST, COURT COSTS AND ATTORNEYS' FEES INCURRED BY COPC, WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, INCLUDING ENVIRONMENTAL LIABILITIES AND DAMAGES, ARISING FROM COG'S OCCUPANCY AND OPERATIONS IN CONNECTION WITH PRODUCTION OF HYDROCARBONS FROM THE WELL BY COG, REQUIRED TESTING OF THE WELL, AND SELLING AND TRANSPORTING HYDROCARBONS FROM THE WELL.

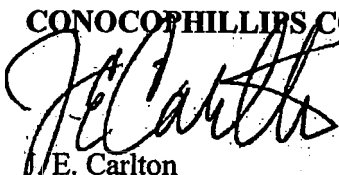

COG will conduct any additional Required Testing on the Well at its sole cost. COG agrees to keep COPC informed of any further Required Testing of the Well and provide COPC with copies of the results thereof, along with copies of any BLM/NMOC correspondence, within 15 days after the date of such test results or correspondence.

The permission granted to COG under this Letter Agreement only applies to the Hydrocarbons that have been produced or will be produced during Required Testing. Upon completion of Required Testing, COG does not have permission from COPC or the non-operators to enter onto the lands covered by BLM lease NMLC 0028793A to produce, sell, or transport Hydrocarbons from the Well. COG may not engage in any activities or perform any operations that may damage the Well or compromise subsurface integrity, unless such activities or operations are required by the BLM or, during the period of Required Testing, would otherwise be performed by a reasonably prudent operator engaged in the testing of a well in an effort to determine whether such well was capable of producing Hydrocarbons in paying quantities or would otherwise be suitable for use as a salt water disposal well.

If the BLM determines the Cisco Canyon formation may contain recoverable amounts of Hydrocarbons, COG agrees to notify COPC within 5 business days of such determination, so that the parties may determine how to proceed, which may include COPC taking over operation of the wellbore.

If COG agrees to the terms and provisions of this Letter Agreement, please indicate so by signing below in the space provided for its signature and returning one fully executed original of this letter to COPC for its files.

CONOCOPHILLIPS COMPANY

  
J. E. Carlton  
Attorney-in-Fact  
HAS  




**AGREED TO AND ACCEPTED ON THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2018**

**COG Operating LLC**

**By: \_\_\_\_\_**

**Name: \_\_\_\_\_**

**Title: \_\_\_\_\_**