

State of New Mexico  
Energy, Minerals and Natural Resources Department

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Susana Martinez  
Governor

Ken McQueen  
Cabinet Secretary

Matthias Sayer  
Deputy Cabinet Secretary

Heather Riley, Division Director  
Oil Conservation Division



February 1, 2018

Ms. Ocean Munds-Dry, Senior Attorney  
COG Operating, LLC  
1048 Paseo De Peralta  
Santa Fe, NM 87501

**RE: Request for Extension to Complete the Coonskin Fee Well No. 25H Pursuant to  
Division Order No. R-14450/Case No. 15761**

Dear Ms. Munds-Dry:

Reference is made to your request on behalf of COG Operating, LLC ("COG") received by the Division on January 31, 2018, for the Coonskin Fee Well No. 25H (API No. 30-025-43683) with a surface location 210 feet from the North line and 2310 feet from the West line in Unit C of Section 28, Township 24 South, Range 35 East, NMPM.

It is our understanding that COG is unable to meet the obligation of 120 days to complete the referenced well as stipulated in Ordering Paragraph (6) of Order No. R-14450. COG has stated that the well was spud on September 30, 2017, which would make the obligation date for completion January 28, 2018. COG has requested an additional 30 days due to time lost by mechanical difficulties in completing the well and by a delay in construction of surface facilities.

The Division has reviewed your request and finds granting this request to extend is in the interest of conservation and will prevent waste. The Division hereby extends the final date to complete this well to February 27, 2018. All other provisions of Order No. R-14450 remain in full force and effect.

If you have any questions, please contact Phillip Goetze at 505.476.3446.

Sincerely,

HEATHER RILEY  
Director

HR/prg

cc: Oil Conservation Division – Hobbs District Office  
Case No. 15761



Ocean Munds-Dry

RECEIVED OGD

January 31, 2018

2018 JAN 31 P 4: 54

**VIA HAND-DELIVERY**

Ms. Heather Riley, Director  
Oil Conservation Division  
New Mexico Department of Energy, Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

**Re: Order No. R-14450/Case No. 15761: Application of COG Operating LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.**

Dear Ms. Riley:

Division Order No. R-14450 granted COG Operating LLC's application for a non-standard spacing unit and compulsory pooling on September, 25, 2017. The order authorized the drilling of COG's Coonskin Fee Well No. 25H at a location in the E/2 W/2 of Section 28 and the E/2 NW/4 of Section 33, Township 24 South, Range 35 East, Lea County, New Mexico. A copy of the order is attached for your convenience.

Ordering Paragraph 6 of Order No. R-14450 requires COG to drill and complete the well within 120 days or the Order will terminate unless COG obtains a time extension from the Division Director for good cause shown. COG spud the well on September 30, 2017. Concho has encountered stuck coil during completion and is waiting on construction of the battery before the well can be turned over to production. Therefore COG has been unable to finish completion operations on the well within 120 days of the spud date. However, Concho anticipates only a minor delay and for the well to be put on production by the end of February. COG respectfully requests an additional 30 days to complete the well.

Thank you for your time and attention to this matter.

Sincerely,

Ocean Munds-Dry  
Senior Attorney  
COG Operating LLC

**CORPORATE ADDRESS**

ONE CONCHO CENTER | 600 WEST ILLINOIS AVENUE | MIDLAND, TEXAS 79701  
P 432.683.7443 | F 432.683.7441

**SANTA FE OFFICE**

1048 PASEO DE PERALTA | SANTA FE, NEW MEXICO 87501  
P 505.780.8000 | F 505.428.0485

(16) Except as provided above, all proceeds from production from the proposed well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

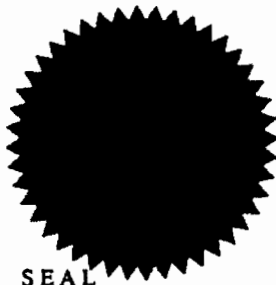
(17) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(18) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this Order shall thereafter be of no further effect.

(19) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

(20) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*David R. Catanach*

DAVID R. CATANACH  
Director

(10) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) the proportionate share of reasonable well costs attributable to each such owner; and
- (b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) for the well are hereby fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to the overhead provisions of the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from each pooled working interest owner's share of production from the subject well, such owner's proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable.

(2) Pursuant to the application of COG Operating LLC, all uncommitted interests, whatever they may be, in the oil and gas in the Wolfbone pool underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Coonskin Fee Well No. 25H (the "proposed well"; API No. 30-025-43683), a horizontal well to be drilled from a surface location 210 feet from the North line and 2310 feet from the West line (Unit C) of Section 28, Township 24 South, Range 35 East, NMPM, to a terminus 2440 feet from the North line and 2310 feet from the West line (Unit F) of Section 33, Township 24 South, Range 35 East, NMPM. The completed interval of the proposed well will be orthodox.

(4) The operator of the Unit shall commence drilling the proposed well on or before September 30, 2018, and shall thereafter continue drilling the proposed well with due diligence to test the Wolfbone pool.

(5) In the event the operator does not commence drilling the proposed well on or before September 30, 2018, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the spacing units included in the proposed Unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those spacing units in which the well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit created by this Order shall terminate, unless this Order has been amended to authorize further operations.

(8) COG Operating LLC (OGRID 229137) is hereby designated the operator of the well and the Unit.

(9) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this Order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(9) New Mexico Ten, LLLP provided testimony confirming the continuing negotiations with the Applicant, but did not oppose the granting of this application.

**The Division concludes as follows:**

(10) Approval of the proposed non-standard Unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(11) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(12) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(13) There are interest owners in the Unit that have not agreed to pool their interests.

(14) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(15) COG Operating LLC should be designated the operator of the proposed well and the Unit.

(16) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed well.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to the overhead section of the COPAS form titled "Accounting Procedure-Joint Operations."

**IT IS THEREFORE ORDERED THAT:**

(1) A non-standard 240-acre oil spacing and proration unit and project area (the "Unit") is hereby established for the WC-025 G-09 S243532M; Wolfbone Pool (Pool code 98098) consisting of the E/2 W/2 of Section 28 and the E/2 NW/4 of Section 33, both in Township 24 South, Range 35 East, NMPM, in Lea County, New Mexico.

surface location 210 feet from the North line and 2310 feet from the West line (Unit C) of Section 28, Township 24 South, Range 35 East, NMPM, to a terminus 2440 feet from the North line and 2310 feet from the West line (Unit F) of Section 33, Township 24 South, Range 35 East, NMPM. The completed interval of the proposed well will be orthodox.

(5) The proposed well is within the WC-025 G-09 S243532M; Wolfbone Pool. Spacing in this pool is governed by Division Rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of six adjacent quarter-quarter sections.

(6) The vertical limits of the Wolfbone Pool have been established by the Hobbs District geologist as beginning at the top of the 3<sup>rd</sup> Bone Spring carbonate of the Bone Spring formation and continuing to a depth of 500 feet below the upper contact of the Wolfcamp formation.

(7) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

- (a) the Bone Spring and Wolfcamp formations in this area are suitable for development by horizontal drilling;
- (b) the proposed well is to be completed in the lower portion of the Bone Spring formation and upper Wolfcamp formation at an approximate true vertical depth of 12,678 feet;
- (c) the proposed orientation of the horizontal well North to South is appropriate for the Unit;
- (d) all standard units to be included in the Unit are expected to be productive in the Wolfbone pool, so that formation of the Unit as requested will not impair correlative rights;
- (e) Applicant provided notice of this application to all affected persons for creation of the non-standard proration unit, and to uncommitted interest owners within the Unit to whom notice is required for compulsory pooling, by certified mail, return receipt requested, and by publication in a local newspaper for those interest owners from whom return receipts were not received; and
- (f) Applicant provided evidence of continuing negotiations with New Mexico Ten, LLLP in an attempt to obtain an operating agreement with this uncommitted party.

(8) New Mexico Ten, LLLP appeared through counsel at the hearing. No other party appeared at the hearing, or otherwise opposed the granting of this application.

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 15761  
ORDER NO. R-14450**

**APPLICATION OF COG OPERATING LLC FOR A NON-STANDARD  
SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on August 3, 2017, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 25<sup>th</sup> day of September, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Cases No. 15761 and No. 15762 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.
- (3) In Case No. 15761, COG Operating LLC (the "Applicant" or "COG") seeks approval of a non-standard 240-acre oil spacing and proration unit and project area (the "Unit") in a wildcat Wolfbone pool (WC-025 G-09 S243532M; Wolfbone Pool (Pool code 98098)) consisting of the E/2 W/2 of Section 28 and the E/2 NW/4 of Section 33, both in Township 24 South, Range 35 East, NMPM, in Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Wolfbone pool.
- (4) The Unit will be dedicated to Applicant's Coonskin Fee Well No. 25H (the "proposed well"; API No. 30-025-43683), a horizontal well to be drilled from a