



February 5, 2018

VIA HAND-DELIVERY

FEB 05 2018 PM02:14

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 Nos. R-14495 (Case No. 15812), R-14496 (Case No. 15813), R-14497 (Case No. 15810), R-14498 (Case No. 15811) Applications 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 Nos. R-14495-14498 granted COG Operating LLC's applications for non-standard spacing units and compulsory pooling on November 6, 2017. The orders authorized the drilling of COG's White Falcon 16 Fed Com Well No. 11H (Bone Spring), 21H and 22H (Wolfcamp) at a location in the E/2 W/2 of Sections 16 and 21, Township 25 South, Range 35 East, Lea County, New Mexico; and the White Falcon 16 State Com 12 H (Bone Spring), 23H and 24H (Wolfcamp) at a location W/2 W/2 of Sections 16 and 21, Township 25 South, Range 35 East, Lea County, New Mexico. Copies of the orders are attached for your convenience.

Ordering Paragraph 6 of each order requires COG to drill and complete the well at least one of the proposed wells within 120 days or the Order will terminate unless COG obtains a time extension from the Division Director for good cause shown. COG is pad drilling and completing these wells in the following manner in attempt to ultimate efficiency: The vertical portion of each well is drilled first and then each horizontal component is drilled next. The wells are then completed all at the same time. COG spud the wells starting September 22, 2017 and ending November 29, 2017. Currently, COG is drilling each of the horizontals and plans to start the completion phase in 1 or 2 months. COG anticipates it will take 3 months to bring the wells on to production. Therefore, COG has been unable to finish completion operations on the well within 120 days of the spud date. Accordingly, COG respectfully requests an additional 6 months to complete the wells.

Thank you for your time and attention to this matter.

Sincerely,

Ocean Munds-Dry
Senior Attorney
COG Operating LLC

**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 TO CONSIDER:**

*well 11H
not signed*

**CASE NO. 15810
ORDER NO. R-14497**

**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 31, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 6th day of November, 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 the subject matter.
- (2) Cases No. 15810 and 15811 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.
- (3) In Case No. 15810, COG Operating LLC (the "Applicant") seeks approval of a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, WC-025 G-08 S2535340; Bone Spring (Pool Code 97088), comprising the E/2 W/2 of Section 16, Township 25 South, Range 35 East and the E/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.
- (4) The Unit will be dedicated to Applicant's White Falcon 16 Federal Com Well No. 11H (the "proposed well"; API No. 30-025-43930), a horizontal well to be drilled from a surface location, 226 feet from the North line and 1980 feet from the West line (Unit C) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet

from the South line and 1980 feet from the West line (Unit N) of Section 21, Township 25 South, Range 35 East, NMPM. The location of the completed interval will be standard for this horizontal oil well within the Unit.

(5) The proposed well is within the WC-025 G-08 S253534O(Wildcat);Bone Spring Pool and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of eight adjacent quarter-quarter sections oriented north to south.

(6) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) the Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from north to south is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that the Unit as requested will not impair correlative rights;
- (d) all parties were located and all pooled parties are either working interests or unmarketable interests;
- (e) the interests proscribed to the Weldon Baird and Beulah M. Baird Trust are considered as "unmarketable" and cannot voluntarily participate in the well and must be compulsory pooled;
- (f) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments, and whose whereabouts could be ascertained by exercise of reasonable diligence; and
- (g) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(7) The Weldon Baird and Beulah M. Baird Trust entered an appearance and appeared at the hearing through counsel, arguing the interests of the trust are under lease and should not be compulsory pooled. Counsel for both the Trust and Applicant presented legal briefs after the hearing.

- (8) No other party appeared or otherwise opposed this application.

The Division concludes as follows:

(9) There is clearly disagreement between Applicant and the trustees of the Beulah M. Baird Trust ("the Trust") over whether the Trust's interests are voluntarily committed to the Unit or whether title to those interests is clouded such that compulsory pooling is appropriate. Applicant maintains that the Trust does not have marketable title to the mineral interest it claims and therefore cannot voluntarily commit that interest to the unit until title is cleared. The Trust maintains it has executed a valid lease with a pooling clause that authorizes Applicant as lessee to voluntarily pool the Trust's interest, and the Division cannot pool that interest.

(10) Applicant did not present, or offer to present, direct testimony from a title attorney. The Trust did not present any fact witnesses at the hearing. However, a copy of a purported excerpt from an attorney's title opinion explaining the legal and factual basis for objection to the Trust's title was admitted in evidence without objection. Trust Ex. 2, page 2.

(11) The Division has no jurisdiction to determine the validity of a title or claim of title. Oil Conservation Commission Order No. R-11700-B, issued April 26, 2002 in consolidated Cases Nos. 12731 and 12744, *Applications of TMBR/Sharp Drilling, Inc., etc.* However, in this case Applicant claims that the Trust's title to the interest it claims is doubtful. If the Trust's claim of title should fail, the adverse claimant who thus secured title to that interest would not be bound by the Trust's oil and gas lease which commits its interest to the Unit. The Division should therefore proceed to pool all uncommitted interests, including any claim adverse to the claims of the trust and its assigns.

(12) The Division makes the following findings regarding the interest in the Unit claimed by the Trust:

(a) The Trust acquired an unleased mineral interest in a portion of the Unit from the purported personal representative of Beulah M. Baird deceased. The Trust then leased that interest to Applicant. The lease contains a pooling clause.

(b) The Trust contends that its interest is voluntary pooled, and therefore cannot be compulsory pooled, citing NMSA 1978, Section 70-2-17(B), which limits the Division's pooling authority to situations where "such owner or owners have not agreed to pool their interests."

(c) Applicant responds that the Trust's title is "unmarketable" because the Texas personal representative did not have power, absent authorization from a New Mexico court, to convey the interest of the decedent in New Mexico real estate.

(d) The purported title opinion excerpt admitted in evidence indicates that a title attorney objected to title on this basis and required that title be cured by an ancillary probate proceeding in a New Mexico court. No reason was shown why the suggested procedure would not cure the suggested title defect, and the Division has no notice of any adverse claim.

(e) Applicant contends, however, that the mere fact that the Trust's title may be legally unmarketable renders the interest subject to compulsory pooling.

(f) Having no authority to adjudicate title, the Division does not have jurisdiction to determine whether a party agreeing to voluntary pooling has a legal right to commit any particular interest to a unit. However, under the doctrine of jurisdiction to determine jurisdiction, the Division has the power to determine whether a party has taken the necessary action to voluntarily pool whatever interest it owns.

(g) The Division concludes that the Trust's interest, whatever it may be, has been voluntarily pooled and is not subject to compulsory pooling. Thus, Applicant remains obligated to pay to the Trust the contractual royalty, subject to the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 through 70-10-6, as amended, unless a title defect is demonstrated in a court of competent jurisdiction. No provision of this order is intended, or should be construed, to mandate a different result.

(h) The Division further concludes, however, that any interest in the Unit claimed by, through or under Beulah M. Baird, deceased, adversely to the personal representative's deed which is the basis of the Trust's claim, is an "uncommitted interest" subject to the Division's authority to compulsory pool such interests, and should be so pooled to effectuate the presumed intention of the legislature to protect the operator from claims of owners of un-pooled interests.

(13) 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.

(14) 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.

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

(16) 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 a 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.

(17) COG Operating LLC (OGRID 229137) should be designated the operator of the proposed well and the Unit.

(18) 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.

(19) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month per well while drilling and \$700 per month per well while producing, provided that these rates should be adjusted annually pursuant to the overhead adjustment provision of the COPAS form titled "Accounting Procedure-Joint Operations."

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of COG Operating LLC, a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, WC-025 G-08 S2535340; Bone Spring (Pool Code 97088), comprising the E/2 W/2 of Section 16, Township 25 South, Range 35 East and the E/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's White Falcon 16 Federal Com Well No. 11H (the "proposed well"; API No. 30-025-43930), a horizontal well to be drilled from a surface location, 226 feet from the North line and 1980 feet from the West line (Unit C) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 1980 feet from the West line (Unit N) of Section 21, Township 25 South, Range 35 East, NMPM. The location of the completed interval will be standard for this horizontal oil well within the Unit.

(4) The operator of the Unit shall commence drilling the proposed well on or before October 31, 2018, and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before October 31, 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 standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard 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 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").

(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 owner's share of production from each well:

- (a) The proportionate share of reasonable well costs attributable to such interest; 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) are hereby fixed at \$7000 per month per well while drilling and \$700 per month per well while producing, provided that these rates may, at the election of the operator, be adjusted annually pursuant to the overhead adjustment provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well(s), not more than what are reasonable, attributable to each pooled working interest owner.

(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 interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for 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.

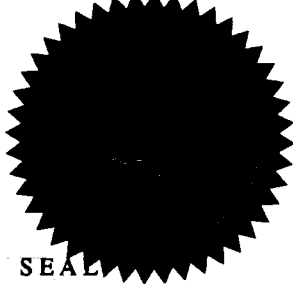
(18) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(19) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of 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.

Case No. 15810
Order No. R-14497
Page 8 of 8

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director

**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 TO CONSIDER:**

*spad
well*

**CASE NO. 15811
ORDER NO. R-14498**

**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 31, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 6th day of November, 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 the subject matter.
- (2) Cases No. 15810 and 15811 were consolidated at the hearing for the purpose of testimony; however, separate orders ~~will~~ be issued for each case.
- (3) In Case No. 15811, COG Operating LLC (the "Applicant") seeks approval of a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, WC-025 G-08 S2535340; Bone Spring (Pool Code 97088), comprising the W/2 W/2 of Section 16, Township 25 South, Range 35 East and the W/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.
- (4) The Unit will be dedicated to Applicant's White Falcon 16 State Com Well No. 12H (the "proposed well"; API No. 30-025-43697), a horizontal well to be drilled from a surface location, 226 feet from the North line and 852 feet from the West line (Unit D) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from

the South line and 1270 feet from the West line (Unit M) of Section 21, Township 25 South, Range 35 East, NMPM. The location of the completed interval will be standard for this horizontal oil well within the Unit.

(5) The proposed well is within the WC-025 G-08 S253534O(Wildcat);Bone Spring Pool and is subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of eight adjacent quarter-quarter sections oriented north to south.

(6) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) the Bone Spring formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal well from north to south is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring formation, so that the Unit as requested will not impair correlative rights;
- (d) all parties were located and all pooled parties are either working interests or unmarketable interests;
- (e) the interests proscribed to the Weldon Baird and Beulah M. Baird Trust are considered as "unmarketable" and cannot voluntarily participate in the well and must be compulsory pooled;
- (f) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments, and whose whereabouts could be ascertained by exercise of reasonable diligence; and
- (g) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(7) The Weldon Baird and Beulah M. Baird Trust entered an appearance and appeared at the hearing through counsel, arguing the interests of the trust are under lease and should not be compulsory pooled. Counsel for both the Trust and Applicant presented legal briefs after the hearing.

- (8) No other party appeared or otherwise opposed this application.

The Division concludes as follows:

(9) There is clearly disagreement between Applicant and the trustees of the Beulah M. Baird Trust ("the Trust") over whether the Trust's interests are voluntarily committed to the Unit or whether title to those interests is clouded such that compulsory pooling is appropriate. Applicant maintains that the Trust does not have marketable title to the mineral interest it claims and therefore cannot voluntarily commit that interest to the unit until title is cleared. The Trust maintains it has executed a valid lease with a pooling clause that authorizes Applicant as lessee to voluntarily pool the Trust's interest, and the Division cannot pool that interest.

(10) Applicant did not present, or offer to present, direct testimony from a title attorney. The Trust did not present any fact witnesses at the hearing. However, a copy of a purported excerpt from an attorney's title opinion explaining the legal and factual basis for objection to the Trust's title was admitted in evidence without objection. Trust Ex. 2, page 2.

(11) The Division has no jurisdiction to determine the validity of a title or claim of title. Oil Conservation Commission Order No. R-11700-B, issued April 26, 2002 in consolidated Cases Nos. 12731 and 12744, *Applications of TMBR/Sharp Drilling, Inc., etc.* However, in this case Applicant claims that the Trust's title to the interest it claims is doubtful. If the Trust's claim of title should fail, the adverse claimant who thus secured title to that interest would not be bound by the Trust's oil and gas lease which commits its interest to the Unit. The Division should therefore proceed to pool all uncommitted interests, including any claim adverse to the claims of the trust and its assigns.

(12) The Division makes the following findings regarding the interest in the Unit claimed by the Trust:

(a) The Trust acquired an unleased mineral interest in a portion of the Unit from the purported personal representative of Beulah M. Baird deceased. The Trust then leased that interest to Applicant. The lease contains a pooling clause.

(b) The Trust contends that its interest is voluntary pooled, and therefore cannot be compulsory pooled, citing NMSA 1978, Section 70-2-17(B), which limits the Division's pooling authority to situations where "such owner or owners have not agreed to pool their interests."

(c) Applicant responds that the Trust's title is "unmarketable" because the Texas personal representative did not have power, absent authorization from a New Mexico court, to convey the interest of the decedent in New Mexico real estate.

(d) The purported title opinion excerpt admitted in evidence indicates that a title attorney objected to title on this basis and required that title be cured by an ancillary probate proceeding in a New Mexico court. No reason was shown why the suggested procedure would not cure the suggested title defect, and the Division has no notice of any adverse claim.

(e) Applicant contends, however, that the mere fact that the Trust's title may be legally unmarketable renders the interest subject to compulsory pooling.

(f) Having no authority to adjudicate title, the Division does not have jurisdiction to determine whether a party agreeing to voluntary pooling has a legal right to commit any particular interest to a unit. However, under the doctrine of jurisdiction to determine jurisdiction, the Division has the power to determine whether a party has taken the necessary action to voluntarily pool whatever interest it owns.

(g) The Division concludes that the Trust's interest, whatever it may be, has been voluntarily pooled and is not subject to compulsory pooling. Thus, Applicant remains obligated to pay to the Trust the contractual royalty, subject to the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 through 70-10-6, as amended, unless a title defect is demonstrated in a court of competent jurisdiction. No provision of this order is intended, or should be construed, to mandate a different result.

(h) The Division further concludes, however, that any interest in the Unit claimed by, through or under Beulah M. Baird, deceased, adversely to the personal representative's deed which is the basis of the Trust's claim, is an "uncommitted interest" subject to the Division's authority to compulsory pool such interests, and should be so pooled to effectuate the presumed intention of the legislature to protect the operator from claims of owners of un-pooled interests.

(13) 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.

(14) 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.

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

(16) 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 a 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.

(17) COG Operating LLC (OGRID 229137) should be designated the operator of the proposed well and the Unit.

(18) 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.

(19) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7000 per month per well while drilling and \$700 per month per well while producing, provided that these rates may be adjusted annually pursuant to the overhead adjustment provision of the COPAS form titled "*Accounting Procedure-Joint Operations.*"

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of COG Operating LLC, a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, WC-025 G-08 S2535340; Bone Spring (Pool Code 97088), comprising the W/2 W/2 of Section 16, Township 25 South, Range 35 East and the W/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's White Falcon 16 State Com Well No. 12H (the "proposed well"; API No. 30-025-43697), a horizontal well to be drilled from a surface location, 226 feet from the North line and 852 feet from the West line (Unit D) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 1270 feet from the West line (Unit M) of Section 21, Township 25 South, Range 35 East, NMPM. The location of the completed interval will be standard for this horizontal oil well within the Unit.

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

(5) In the event the operator does not commence drilling the proposed well on or before November 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 standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard 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 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").

(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 owner's share of production from each well:

- (a) The proportionate share of reasonable well costs attributable to such interest; 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) are hereby fixed at \$7000 per month per well while drilling and \$700 per month per well while producing, provided that these rates may, at the election of the operator, be adjusted annually pursuant to the overhead adjustment provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well(s), not more than what are reasonable, attributable to each pooled working interest owner.

(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).

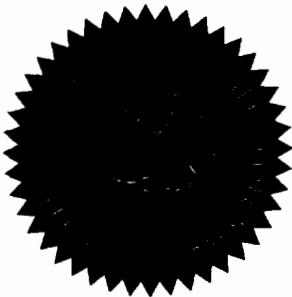
(17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share 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 after 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 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director

**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 TO CONSIDER:**

**CASE NO. 15812
ORDER NO. R-14495**

**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 31, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 6th day of November, 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 the subject matter.

(2) Cases No. 15812 and 15813 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.

(3) In Case No. 15812, COG Operating LLC (the "Applicant") seeks approval of a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Wolfcamp formation, Dogie Draw; Wolfcamp Pool (Pool code 17980), comprising the E/2 W/2 of Section 16, Township 25 South, Range 35 East and the E/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Wolfcamp formation.

(4) The Unit will be dedicated to the following "Proposed Wells":

- a. White Falcon 16 Federal Com Well No. 21H (the "proposed well"; API No. 30-025-43931), a horizontal well to be drilled from a surface location, 226

NO SP 6

NO SP 6

feet from the North line and 2020 feet from the West line (Unit C) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 2310 feet from the West line (Unit N) of Section 21, Township 25 South, Range 35 East, NMPM.

- b. White Falcon 16 Federal Com Well No. 22H; API No. 30-025-43932), a horizontal well to be drilled from a surface location, 226 feet from the North line and 1940 feet from the West line (Unit C) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 1650 feet from the West line (Unit N) of Section 21, Township 25 South, Range 35 East, NMPM. *nospa*
- c. The location of the completed interval for both proposed wells will be standard for horizontal oil wells within the Unit.

(5) The proposed wells are within the Dogie Draw; Wolfcamp Pool and subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of eight adjacent quarter-quarter sections oriented north to south.

(6) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) the Wolfcamp formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal wells from north to south is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Wolfcamp formation, so that the Unit as requested will not impair correlative rights;
- (d) all parties were located and all pooled parties are either working interests or unmarketable interests;
- (e) the interests attributed to the Weldon Baird and Beulah M. Baird Trust are considered as "unmarketable" and cannot voluntarily participate in the wells and must be compulsory pooled;
- (f) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments, and

whose whereabouts could be ascertained by exercise of reasonable diligence; and

- (g) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(7) The Weldon Baird and Beulah M. Baird Trust entered an appearance and appeared at the hearing through counsel, arguing the interests of the trust are under lease and should not be compulsory pooled. Counsel for both the Trust and Applicant presented legal briefs after the hearing.

- (8) No other party appeared or otherwise opposed this application.

The Division concludes as follows:

(9) There is clearly disagreement between Applicant and the trustees of the Beulah M. Baird Trust ("the Trust") over whether the Trust's interests are voluntarily committed to the Unit or whether title to those interests is clouded such that compulsory pooling is appropriate. Applicant maintains that the Trust does not have marketable title to the mineral interest it claims and therefore cannot voluntarily commit that interest to the unit until title is cleared. The Trust maintains it has executed a valid lease with a pooling clause that authorizes Applicant as lessee to voluntarily pool the Trust's interest, and the Division cannot pool that interest.

(10) Applicant did not present, or offer to present, direct testimony from a title attorney. The Trust did not present any fact witnesses at the hearing. However, a copy of a purported excerpt from an attorney's title opinion explaining the legal and factual basis for objection to the Trust's title was admitted in evidence without objection. Trust Ex. 2, page 2.

(11) The Division has no jurisdiction to determine the validity of a title or claim of title. Oil Conservation Commission Order No. R-11700-B, issued April 26, 2002 in consolidated Cases Nos. 12731 and 12744, *Applications of TMBR/Sharp Drilling, Inc., etc.* However, in this case Applicant claims that the Trust's title to the interest it claims is doubtful. If the Trust's claim of title should fail, the adverse claimant who thus secured title to that interest would not be bound by the Trust's oil and gas lease which commits its interest to the Unit. The Division should therefore proceed to pool all uncommitted interests, including any claim adverse to the claims of the trust and its assigns.

(12) The Division makes the following findings regarding the interest in the Unit claimed by the Trust:

- (a) The Trust acquired an unleased mineral interest in a portion of the Unit from the purported personal representative of Beulah M. Baird deceased. The Trust then leased that interest to Applicant. The lease contains a pooling clause.

(b) The Trust contends that its interest is voluntary pooled, and therefore cannot be compulsory pooled, citing NMSA 1978, Section 70-2-17(B), which limits the Division's pooling authority to situations where "such owner or owners have not agreed to pool their interests."

(c) Applicant responds that the Trust's title is "unmarketable" because the Texas personal representative did not have power, absent authorization from a New Mexico court, to convey the interest of the decedent in New Mexico real estate.

(d) The purported title opinion excerpt admitted in evidence indicates that a title attorney objected to title on this basis and required that title be cured by an ancillary probate proceeding in a New Mexico court. No reason was shown why the suggested procedure would not cure the suggested title defect, and the Division has no notice of any adverse claim.

(e) Applicant contends, however, that the mere fact that the Trust's title may be legally unmarketable renders the interest subject to compulsory pooling.

(f) Having no authority to adjudicate title, the Division does not have jurisdiction to determine whether a party agreeing to voluntary pooling has a legal right to commit any particular interest to a unit. However, under the doctrine of jurisdiction to determine jurisdiction, the Division has the power to determine whether a party has taken the necessary action to voluntarily pool whatever interest it owns.

(g) The Division concludes that the Trust's interest, whatever it may be, has been voluntarily pooled and is not subject to compulsory pooling. Thus, Applicant remains obligated to pay to the Trust the contractual royalty, subject to the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 through 70-10-6, as amended, unless a title defect is demonstrated in a court of competent jurisdiction. No provision of this order is intended, or should be construed, to mandate a different result.

(h) The Division further concludes, however, that any interest in the Unit claimed by, through or under Beulah M. Baird, deceased, adversely to the personal representative's deed which is the basis of the Trust's claim, is an "uncommitted interest" subject to the Division's authority to compulsory pool such interests, and should be so pooled to effectuate the presumed intention of the legislature to protect the operator from claims of owners of un-pooled interests.

(13) The proposed non-standard unit should be approved to enable Applicant to drill horizontal wells that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(14) 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.

(15) 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 wells to a common source of supply within the Unit at the proposed location.

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

(17) 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 a 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.

(18) COG Operating LLC (OGRID 229137) should be designated the operator of the proposed wells and the Unit.

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

(20) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month, per well, while drilling, and \$700 per month, per well, while producing, provided that these rates may be adjusted annually pursuant to the Overhead section 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 each well the proportionate share of both the supervision charges and the actual expenditures required for operating such well, not in excess of what are reasonable.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of COG Operating LLC, a 320-acre non-standard oil spacing and proration unit and project area (the "Unit") is hereby established for oil and gas production from the Wolfcamp formation, Dogie Draw; Wolfcamp Pool (Pool code 17980), comprising the E/2 W/2 of Section 16, Township 25 South, Range 35 East and the E/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to the following "Proposed Wells":

- a. White Falcon 16 Federal Com Well No. 21H (the "proposed well"; API No. 30-025-43931), a horizontal well to be drilled from a surface location, 226 feet from the North line and 2020 feet from the West line (Unit C) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 2310 feet from the West line (Unit N) of Section 21, Township 25 South, Range 35 East, NMPM.
 - b. White Falcon 16 Federal Com Well No. 22H; API No. 30-025-43932), a horizontal well to be drilled from a surface location, 226 feet from the North line and 1940 feet from the West line (Unit C) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 1650 feet from the West line (Unit N) of Section 21, Township 25 South, Range 35 East, NMPM.
 - c. The locations of the completed intervals for both proposed wells will be standard for horizontal oil wells within the Unit.
- (4) The operator of the Unit shall commence drilling the first proposed wells on or before October 31, 2018, and shall thereafter continue drilling the proposed wells with due diligence to test the Wolfcamp formation.
- (5) In the event the operator does not commence drilling at least one of the proposed wells on or before October 31, 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) Unless at least one of the proposed wells is drilled and completed within 120 days after commencement of the first proposed well, 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 one of the proposed wells for good cause shown by satisfactory evidence. If neither of the proposed wells is completed in all of the standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which at least one well is completed.
- (7) Upon final plugging and abandonment of the proposed wells and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit 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 wells 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 each of the proposed wells ("well costs").

(10) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs of such well 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 for any well shall remain liable for operating costs but shall not be liable for risk charges for such well. 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 each of the proposed wells. 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 for any well, 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 owner's share of production from each well:

- (a) The proportionate share of reasonable well costs attributable to such interest; 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) are hereby fixed at \$7000 per month per well while drilling and \$700 per month per well while producing, provided that these rates may, at the election of the operator, be adjusted annually pursuant to the overhead adjustment 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 each well the proportionate share of both the supervision charges and the actual expenditures required for operating the well(s), not more than what are reasonable.

(16) Except as provided above, all proceeds from production from the proposed wells 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 interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for 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 after 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director

**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 TO CONSIDER:**

**CASE NO. 15813
ORDER NO. R-14496**

**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 31, 2017, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 6th day of November, 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 the subject matter.

(2) Cases No. 15812 and 15813 were consolidated at the hearing for the purpose of testimony; however, separate orders will be issued for each case.

(3) In Case No. 15813, COG Operating LLC (the "Applicant") seeks approval of a 320-acre, non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Wolfcamp formation, Dogie Draw; Wolfcamp Pool (Pool code 17980), comprising the W/2 W/2 of Section 16, Township 25 South, Range 35 East and the W/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Wolfcamp formation.

(4) The Unit will be dedicated to the following "Proposed Wells":

- a. White Falcon 16 State Com Well No. 23H (the "proposed well"; API No. 30-025-43699), a horizontal well to be drilled from a surface location, 226

feet from the North line and 812 feet from the West line (Unit D) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 990 feet from the West line (Unit M) of Section 21, Township 25 South, Range 35 East, NMPM.

- b. White Falcon 16 State Com Well No. 24H; API No. 30-025-43700), a horizontal well to be drilled from a surface location, 226 feet from the North line and 732 feet from the West line (Unit D) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 330 feet from the West line (Unit M) of Section 21, Township 25 South, Range 35 East, NMPM.
- c. The location of the completed interval for both proposed wells will be standard for horizontal oil wells within the Unit.

(5) The proposed wells are within the Dogie Draw; Wolfcamp Pool and subject to Division Rule 19.15.15.9(A) NMAC, which provides for 330-foot setbacks from the unit boundaries and standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consists of eight adjacent quarter-quarter sections oriented north to south.

(6) Applicant appeared through counsel and presented the following land and geologic evidence:

- (a) the Wolfcamp formation in this area is suitable for development by horizontal drilling;
- (b) the proposed orientation of the horizontal wells from north to south is appropriate for the Unit;
- (c) all quarter-quarter sections to be included in the Unit are expected to be productive in the Wolfcamp formation, so that the Unit as requested will not impair correlative rights;
- (d) all parties were located and all pooled parties are either working interests or unmarketable interests;
- (e) the interests proscribed to the Weldon Baird and Beulah M. Baird Trust are considered as "unmarketable" and cannot voluntarily participate in the wells and must be compulsory pooled;
- (f) notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments, and

whose whereabouts could be ascertained by exercise of reasonable diligence; and

- (g) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(7) The Weldon Baird and Beulah M. Baird Trust entered an appearance and appeared at the hearing through counsel, arguing the interests of the trust are under lease and should not be compulsory pooled. Counsel for both the Trust and Applicant presented legal briefs after the hearing.

- (8) No other party appeared or otherwise opposed this application.

The Division concludes as follows:

(9) There is clearly disagreement between Applicant and the trustees of the Beulah M. Baird Trust ("the Trust") over whether the Trust's interests are voluntarily committed to the Unit or whether title to those interests is clouded such that compulsory pooling is appropriate. Applicant maintains that the Trust does not have marketable title to the mineral interest it claims and therefore cannot voluntarily commit that interest to the unit until title is cleared. The Trust maintains it has executed a valid lease with a pooling clause that authorizes Applicant as lessee to voluntarily pool the Trust's interest, and the Division cannot pool that interest.

(10) Applicant did not present, or offer to present, direct testimony from a title attorney. The Trust did not present any fact witnesses at the hearing. However, a copy of a purported excerpt from an attorney's title opinion explaining the legal and factual basis for objection to the Trust's title was admitted in evidence without objection. Trust Ex. 2, page 2.

(11) The Division has no jurisdiction to determine the validity of a title or claim of title. Oil Conservation Commission Order No. R-11700-B, issued April 26, 2002 in consolidated Cases Nos. 12731 and 12744, *Applications of TMBR/Sharp Drilling, Inc., etc.* However, in this case Applicant claims that the Trust's title to the interest it claims is doubtful. If the Trust's claim of title should fail, the adverse claimant who thus secured title to that interest would not be bound by the Trust's oil and gas lease which commits its interest to the Unit. The Division should therefore proceed to pool all uncommitted interests, including any claim adverse to the claims of the trust and its assigns.

(12) The Division makes the following findings regarding the interest in the Unit claimed by the Trust:

- (a) The Trust acquired an unleased mineral interest in a portion of the Unit from the purported personal representative of Beulah M. Baird deceased. The Trust then leased that interest to Applicant. The lease contains a pooling clause.

(b) The Trust contends that its interest is voluntary pooled, and therefore cannot be compulsory pooled, citing NMSA 1978, Section 70-2-17(B), which limits the Division's pooling authority to situations where "such owner or owners have not agreed to pool their interests."

(c) Applicant responds that the Trust's title is "unmarketable" because the Texas personal representative did not have power, absent authorization from a New Mexico court, to convey the interest of the decedent in New Mexico real estate.

(d) The purported title opinion excerpt admitted in evidence indicates that a title attorney objected to title on this basis and required that title be cured by an ancillary probate proceeding in a New Mexico court. No reason was shown why the suggested procedure would not cure the suggested title defect, and the Division has no notice of any adverse claim.

(e) Applicant contends, however, that the mere fact that the Trust's title may be legally unmarketable renders the interest subject to compulsory pooling.

(f) Having no authority to adjudicate title, the Division does not have jurisdiction to determine whether a party agreeing to voluntary pooling has a legal right to commit any particular interest to a unit. However, under the doctrine of jurisdiction to determine jurisdiction, the Division has the power to determine whether a party has taken the necessary action to voluntarily pool whatever interest it owns.

(g) The Division concludes that the Trust's interest, whatever it may be, has been voluntarily pooled and is not subject to compulsory pooling. Thus, Applicant remains obligated to pay to the Trust the contractual royalty, subject to the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 through 70-10-6, as amended, unless a title defect is demonstrated in a court of competent jurisdiction. No provision of this order is intended, or should be construed, to mandate a different result.

(h) The Division further concludes, however, that any interest in the Unit claimed by, through or under Beulah M. Baird, deceased, adversely to the personal representative's deed which is the basis of the Trust's claim, is an "uncommitted interest" subject to the Division's authority to compulsory pool such interests, and should be so pooled to effectuate the presumed intention of the legislature to protect the operator from claims of owners of un-pooled interests.

(13) The proposed non-standard unit should be approved to enable Applicant to drill horizontal wells that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(14) 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.

(15) 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 wells to a common source of supply within the Unit at the proposed location.

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

(17) 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 a 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.

(18) COG Operating LLC (OGRID 229137) should be designated the operator of the proposed wells and the Unit.

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

(20) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month, per well, while drilling and \$700 per month, per well, while producing, provided that these rates may be adjusted annually pursuant to the Overhead section 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 each well the proportionate share of both the supervision charges and the actual expenditures required for operating such well, not in excess of what are reasonable.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of COG Operating LLC, a 320-acre, non-standard oil spacing and proration unit and project area (the "Unit") is hereby established for oil and gas production from the Wolfcamp formation, Dogie Draw; Wolfcamp Pool (Pool code 17980), comprising the W/2 W/2 of Section 16, Township 25 South, Range 35 East and the W/2 W/2 of Section 21, Township 25 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to the following "Proposed Wells":

- a. White Falcon 16 State Com Well No. 23H (the "proposed well"; API No. 30-025-43699), a horizontal well to be drilled from a surface location, 226 feet from the North line and 812 feet from the West line (Unit D) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 990 feet from the West line (Unit M) of Section 21, Township 25 South, Range 35 East, NMPM.
- b. White Falcon 16 State Com Well No. 24H; API No. 30-025-43700), a horizontal well to be drilled from a surface location, 226 feet from the North line and 732 feet from the West line (Unit D) of Section 16, Township 25 South, Range 35 East, to a bottom-hole location, 200 feet from the South line and 330 feet from the West line (Unit M) of Section 21, Township 25 South, Range 35 East, NMPM.
- c. The location of the completed interval for both proposed wells will be standard for horizontal oil wells within the Unit.

(4) The operator of the Unit shall commence drilling the first proposed well on or before October 31, 2018, and shall thereafter continue drilling the proposed wells with due diligence to test the Wolfcamp formation.

(5) In the event the operator does not commence drilling at least one of the proposed wells on or before October 31, 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) Unless at least one of the proposed wells is drilled and completed within 120 days after commencement of the first proposed well, 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 one of the proposed wells for good cause shown by satisfactory evidence. If neither of the proposed wells is completed in all of the standard spacing units included in the proposed project area (or Unit) then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those standard spacing units in which at least one well is completed.

(7) Upon final plugging and abandonment of the proposed wells and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit 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 wells 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 each of the proposed wells ("well costs").

(10) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs of such well 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 for any well shall remain liable for operating costs but shall not be liable for risk charges for such well. 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 each of the proposed wells. 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 for any well, 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 owner's share of production from each well:

- (a) The proportionate share of reasonable well costs attributable to such interest; 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) are hereby fixed at \$7000 per month per well while drilling and \$700 per month per well while producing, provided that these rates may, at the election of the operator, be adjusted annually pursuant to the overhead adjustment 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 each well the proportionate share of both the supervision charges and the actual expenditures required for operating the well(s), not more than what are reasonable.

(16) Except as provided above, all proceeds from production from the proposed wells 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).

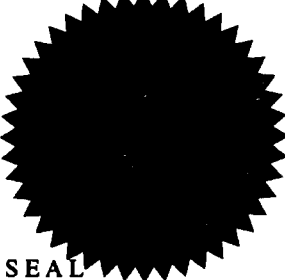
(17) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this Order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share 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 after 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 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director

District I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fax: (575) 393-0720 District II 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 District III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170 District IV 1220 S. St Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3470 Fax: (505) 476-3462	State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 S. St Francis Dr. Santa Fe, NM 87505	Form C-103 August 1, 2011 Permit 246829 WELL API NUMBER 30-025-43697 5. Indicate Type of Lease S 6. State Oil & Gas Lease No. 7. Lease Name or Unit Agreement Name WHITE FALCON 16 STATE COM																				
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: O		8. Well Number 012H																				
2. Name of Operator COG OPERATING LLC		9. OGRID Number 229137																				
3. Address of Operator One Concho Center, 600 W. Illinois Ave, Midland, TX 79701		10. Pool name or Wildcat																				
4. Well Location Unit Letter <u>D</u> : <u>226</u> feet from the <u>N</u> line and feet <u>852</u> from the <u>W</u> line Section <u>16</u> Township <u>25S</u> Range <u>35E</u> NMPM County <u>Lea</u>																						
11. Elevation (Show whether DR, KB, BT, GR, etc.) 3258 GR																						
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/> 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 <table style="width: 100%;"> <tr> <td colspan="2">NOTICE OF INTENTION TO:</td> <td colspan="2">SUBSEQUENT REPORT OF:</td> </tr> <tr> <td>PERFORM REMEDIAL WORK <input type="checkbox"/></td> <td>PLUG AND ABANDON <input type="checkbox"/></td> <td>REMEDIAL WORK <input type="checkbox"/></td> <td>ALTER CASING <input type="checkbox"/></td> </tr> <tr> <td>TEMPORARILY ABANDON <input type="checkbox"/></td> <td>CHANGE OF PLANS <input type="checkbox"/></td> <td>COMMENCE DRILLING OPNS. <input type="checkbox"/></td> <td>PLUG AND ABANDON <input type="checkbox"/></td> </tr> <tr> <td>PULL OR ALTER CASING <input type="checkbox"/></td> <td>MULTIPLE COMPL. <input type="checkbox"/></td> <td>CASING/CEMENT JOB <input type="checkbox"/></td> <td></td> </tr> <tr> <td colspan="2">Other: _____</td> <td colspan="2">Other: <u>Spud</u> <input checked="" type="checkbox"/></td> </tr> </table>			NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:		PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTER CASING <input type="checkbox"/>	TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE OF PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL. <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>		Other: _____		Other: <u>Spud</u> <input checked="" type="checkbox"/>	
NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:																				
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTER CASING <input type="checkbox"/>																			
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE OF PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>																			
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL. <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>																				
Other: _____		Other: <u>Spud</u> <input checked="" type="checkbox"/>																				
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. 11/29/2017 Spudded 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 NMOC guidelines <input type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .																						
SIGNATURE <u>Electronically Signed</u> TITLE <u>Production Reporting Mgr</u> DATE <u>1/10/2018</u> Type or print name <u>Diane Kuykendall</u> E-mail address <u>production@concho.com</u> Telephone No. <u>432-683-7443</u>																						
For State Use Only: APPROVED BY: <u>Paul Kautz</u> TITLE <u>Geologist</u> DATE <u>1/11/2018</u>																						

District I 1625 N. French Dr., Hobbs, NM 88240 Phone:(575) 393-6161 Fax:(575) 393-0720 District II 811 S. First St., Artesia, NM 88210 Phone:(575) 748-1283 Fax:(575) 748-9720 District III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone:(505) 334-6178 Fax:(505) 334-6170 District IV 1220 S. St Francis Dr., Santa Fe, NM 87505 Phone:(505) 476-3470 Fax:(505) 476-3462	State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 S. St Francis Dr. Santa Fe, NM 87505	Form C-103 August 1, 2011 Permit 244871 WELL API NUMBER 30-025-43699 5. Indicate Type of Lease S 6. State Oil & Gas Lease No. 7. Lease Name or Unit Agreement Name WHITE FALCON 16 STATE COM																				
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: O		8. Well Number 023H																				
2. Name of Operator COG OPERATING LLC		9. OGRID Number 229137																				
3. Address of Operator One Concho Center, 600 W. Illinois Ave, Midland, TX 79701		10. Pool name or Wildcat																				
4. Well Location Unit Letter <u>D</u> : <u>226</u> feet from the <u>N</u> line and feet <u>812</u> from the <u>W</u> line Section <u>16</u> Township <u>25S</u> Range <u>35E</u> NMPM County <u>Lea</u>																						
11. Elevation (Show whether DR, KB, BT, GR, etc.) 3255 GR																						
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/> 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 <table style="width:100%;"> <tr> <td colspan="2">NOTICE OF INTENTION TO:</td> <td colspan="2">SUBSEQUENT REPORT OF:</td> </tr> <tr> <td>PERFORM REMEDIAL WORK <input type="checkbox"/></td> <td>PLUG AND ABANDON <input type="checkbox"/></td> <td>REMEDIAL WORK <input type="checkbox"/></td> <td>ALTER CASING <input type="checkbox"/></td> </tr> <tr> <td>TEMPORARILY ABANDON <input type="checkbox"/></td> <td>CHANGE OF PLANS <input type="checkbox"/></td> <td>COMMENCE DRILLING OPNS. <input type="checkbox"/></td> <td>PLUG AND ABANDON <input type="checkbox"/></td> </tr> <tr> <td>PULL OR ALTER CASING <input type="checkbox"/></td> <td>MULTIPLE COMPL <input type="checkbox"/></td> <td>CASING/CEMENT JOB <input type="checkbox"/></td> <td></td> </tr> <tr> <td colspan="2">Other: _____</td> <td colspan="2">Other: <u>Spud</u> <input checked="" type="checkbox"/></td> </tr> </table>			NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:		PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTER CASING <input type="checkbox"/>	TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE OF PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>		Other: _____		Other: <u>Spud</u> <input checked="" type="checkbox"/>	
NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:																				
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTER CASING <input type="checkbox"/>																			
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE OF PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>																			
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>																				
Other: _____		Other: <u>Spud</u> <input checked="" type="checkbox"/>																				
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. 11/10/2017 Spudded 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 NMOC guidelines <input type="checkbox"/> , a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .																						
SIGNATURE _____ Type or print name <u>Diane Kuykendall</u>		TITLE <u>Production Reporting Mgr</u> E-mail address <u>production@concho.com</u>																				
DATE <u>11/17/2017</u> Telephone No. <u>432-683-7443</u>																						
For State Use Only:																						
APPROVED BY: <u>Paul Kautz</u>		TITLE <u>Geologist</u> DATE <u>11/18/2017</u>																				

District I 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fax: (575) 393-0720 District II 811 S. First St., Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 District III 1000 Rio Brazos Rd., Aztec, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170 District IV 1220 S. St Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3470 Fax: (505) 476-3462	State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 S. St Francis Dr. Santa Fe, NM 87505	Form C-103 August 1, 2011 Permit 242850 WELL API NUMBER 30-025-43700 5. Indicate Type of Lease S 6. State Oil & Gas Lease No. 7. Lease Name or Unit Agreement Name WHITE FALCON 16 STATE COM																				
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: O		8. Well Number 024H																				
2. Name of Operator COG OPERATING LLC		9. OGRID Number 229137																				
3. Address of Operator One Concho Center, 600 W. Illinois Ave, Midland, TX 79701		10. Pool name or Wildcat																				
4. Well Location Unit Letter <u>D</u> : <u>226</u> feet from the <u>N</u> line and feet <u>732</u> from the <u>W</u> line Section <u>16</u> Township <u>25S</u> Range <u>35E</u> NMPM County <u>Lea</u>																						
11. Elevation (Show whether DR, KB, BT, GR, etc.) 3255 GR																						
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/> 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 <table style="width:100%;"> <tr> <td colspan="2">NOTICE OF INTENTION TO:</td> <td colspan="2">SUBSEQUENT REPORT OF:</td> </tr> <tr> <td>PERFORM REMEDIAL WORK <input type="checkbox"/></td> <td>PLUG AND ABANDON <input type="checkbox"/></td> <td>REMEDIAL WORK <input type="checkbox"/></td> <td>ALTER CASING <input type="checkbox"/></td> </tr> <tr> <td>TEMPORARILY ABANDON <input type="checkbox"/></td> <td>CHANGE OF PLANS <input type="checkbox"/></td> <td>COMMENCE DRILLING OPNS. <input type="checkbox"/></td> <td>PLUG AND ABANDON <input type="checkbox"/></td> </tr> <tr> <td>PULL OR ALTER CASING <input type="checkbox"/></td> <td>MULTIPLE COMPL <input type="checkbox"/></td> <td>CASING/CEMENT JOB <input type="checkbox"/></td> <td></td> </tr> <tr> <td colspan="2">Other: _____</td> <td colspan="2">Other: Spud <input checked="" type="checkbox"/></td> </tr> </table>			NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:		PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTER CASING <input type="checkbox"/>	TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE OF PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>		Other: _____		Other: Spud <input checked="" type="checkbox"/>	
NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:																				
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTER CASING <input type="checkbox"/>																			
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE OF PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>																			
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>																				
Other: _____		Other: Spud <input checked="" type="checkbox"/>																				
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. 9/22/2017 Spudded 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 NMOC guidelines <input type="checkbox"/> , a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .																						
SIGNATURE _____		DATE _____																				
Type or print name _____		Telephone No. _____																				
Electronically Signed _____		Production Reporting Mgr _____																				
Diane Kuykendall _____		production@concho.com _____																				
E-mail address _____		432-683-7443 _____																				
For State Use Only: APPROVED BY: _____ TITLE _____ DATE _____ Paul Kautz _____ Geologist _____ 10/11/2017																						

McMillan, Michael, EMNRD

From: Ocean Munds-Dry <OMundsDry@concho.com>
Sent: Tuesday, February 20, 2018 2:16 PM
To: McMillan, Michael, EMNRD
Subject: RE: COG Operating White Falcon Extensions
Attachments: White Falcon 16 Federal Com 11H - Sundry Notice Spud.pdf; White Falcon 16 Federal Com 21H - Sundry Notice Spud.pdf

Mike:

Here are the sundries for the 11H & 21H. We don't have a sundry for the 22H yet because it is still drilling and BLM requires us to do one sundry notice with spud and casing string information together. I will get it to you as soon as we are able to complete it but since it will be awhile here is a table that shows spud dates for each well.

Well(s)	Order No.	Spud Date(s)	Comments
White Falcon 16 State Com 24H, 23H	R-14496	9/22/17, 11/10/17	W2W2 of Sections 16 & 21, Wolfcamp
White Falcon 16 State Com 12H	R-14498	11/29/17	W2W2 of Sections 16 & 21, Bone Spring
White Falcon 16 Federal Com 22H, 21H	R-14495	10/4/17, 11/14/17	E2W2 of Sections 16 & 21, Wolfcamp
White Falcon 16 Federal Com 11H	R-14497	10/25/17	E2W2 of Sections 16 & 21, Bone Spring

Thank you.

Ocean

Ocean Munds-Dry
Senior Counsel
COG OPERATING LLC
1048 Paseo de Peralta
Santa Fe NM 87501
Office 505.780.8000
Cell 505.920.5201
omundsdry@concho.com



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.

From: McMillan, Michael, EMNRD [mailto:Michael.McMillan@state.nm.us]
Sent: Monday, February 12, 2018 10:19 AM
To: Ocean Munds-Dry
Subject: [External] COG Operating White Falcon Extensions

**** External email. Use caution. ****

Ocean:

I looked at the well files for the following wells, and I did not see that they were spud. Please provide Sundry notice for spud

I assume you sent them to the BLM, and had not been placed in Well File

When I receive them, I will work on extension

Well	API
White Falcon 6 Fed Com #11H	30-025-43930
White Falcon 6 Fed Com #21H	30-025-43697
White Falcon 6 Fed Com #21H	30-025-43931

Thanks

Mike

Michael McMillan
1220 South St. Francis
Santa Fe, New Mexico
505-476-3448
Michael.mcmillan@state.nm.us

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. Further, any contract terms proposed or purportedly accepted in this email are not binding and are subject to management's final approval as memorialized in a separate written instrument, excluding electronic correspondence, executed by an authorized representative of COG Operating LLC or its affiliates.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM112942

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPLICATE - Other instructions on page 2

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

8. Well Name and No.
WHITE FALCON 16 FEDERAL COM 11H

2. Name of Operator **COG OPERATING LLC** Contact: **STORMI DAVIS**
E-Mail: **sdavis@concho.com**

9. API Well No.
30-025-43930

3a. Address
2208 WEST MAIN
ARTESIA, NM 88210

3b. Phone No. (include area code)
Ph: **575-748-6946**

10. Field and Pool or Exploratory Area
DOGIE DRAW; WOLFCAMP

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 16 T25S R35E Mer NMP NENW 226FNL 1980FWL

11. County or Parish, State
LEA COUNTY, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Drilling Operations
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

10/25/17 Spud well.

10/26/17 TD 17 1/2" hole @ 1021'. Set 13 3/8" 68# L-80 csg @ 1021'. Cmt w/750 sx Class C. Tailed in w/250 sx. Circ 305 sx to surface. WOC 18 hrs. Test csg to 1500# for 30 mins.

11/10/17 TD 12 1/4" hole @ 11700'. Set 9 5/8" 47# P-110 csg @ 11700'. Set DVT @ 5205'. Cmt Stage 1 w/1000 sx Class C. Tailed in w/400 sx. Circ 228 sx. Cmt Stage 2 w/1050 sx Class C. Tailed in w/100 sx. Circ 144 sx to surface. WOC 18 hrs. Test csg to 1500# for 30 mins.

1/20/18 TD 8 1/2" lateral @ 22213' (KOP @ 11777'). Set 5 1/2" 23# P-110 csg @ 22213'. Cmt w/1550 sx Class C. Tailed in w/2600 sx. Circ 432 sx to surface.

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #402363 verified by the BLM Well Information System
For COG OPERATING LLC, sent to the Hobbs

Name (Printed/Typed) **STORMI DAVIS**

Title **PREPARER**

Signature (Electronic Submission)

Date **01/26/2018**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

Additional data for EC transaction #402363 that would not fit on the form

32. Additional remarks, continued

1/23/17 Rig released.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMNM112942

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPLICATE - Other instructions on page 2

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other8. Well Name and No.
WHITE FALCON 16 FEDERAL COM 21H2. Name of Operator
COG OPERATING LLCContact: **STORMI DAVIS**
E-Mail: **sdavis@concho.com**9. API Well No.
30-025-439313a. Address
**2208 WEST MAIN
ARTESIA, NM 88210**3b. Phone No. (include area code)
Ph: **575-748-6946**10. Field and Pool or Exploratory Area
DOGIE DRAW; WOLFCAMP

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 16 T25S R35E Mer NMP NENW 226FNL 2020FWL

11. County or Parish, State

LEA COUNTY, NM**12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Drilling Operations
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

11/14/17 Spud well. TD 17 1/2" hole @ 1015'. Set 13 3/8" 68# L-80 csg @ 1015'. Cmt w/1350 sx Class C. Tailed in w/250 sx. Circ 320 sx to surface. WOC 18 hrs. Test csg to 1500# for 30 mins.

11/30/17 TD 12 1/4" hole @ 11712'. Set 9 5/8" 47# P-110 csg @ 11712'. Set DVT @ 5208'. Cmt Stage 1 w/950 sx Class C. Tailed in w/400 sx. Circ 246 sx. Cmt Stage 2 w/1125 sx Class C. Tailed in w/100 sx. Circ 208 sx to surface. WOC 18 hrs. Test csg to 1500# for 30 mins.

12/27/17 TD 8 1/2" lateral @ 22492' (KOP @ 11850'). Set 5 1/2" 23# P-110 csg @ 22490'. Cmt w/1600 sx Class C. Tailed in w/2700 sx. Circ 433 sx to surface.

12/31/17 Rig released.

14. I hereby certify that the foregoing is true and correct.

**Electronic Submission #401766 verified by the BLM Well Information System
For COG OPERATING LLC, sent to the Hobbs**Name (Printed/Typed) **STORMI DAVIS**Title **PREPARER**

Signature (Electronic Submission)

Date **01/22/2018****THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved By

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

Ocean Munds-Dry

From: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Sent: Tuesday, February 20, 2018 2:28 PM
To: Ocean Munds-Dry
Subject: [External] RE: COG Operating White Falcon Extensions

Ocean:
E-mail me the table again with your signature at the bottom
Mike

Michael McMillan
1220 South St. Francis
Santa Fe, New Mexico
505-476-3448
Michael.mcmillan@state.nm.us

From: Ocean Munds-Dry [<mailto:OMundsDry@concho.com>]
Sent: Tuesday, February 20, 2018 2:16 PM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Subject: RE: COG Operating White Falcon Extensions

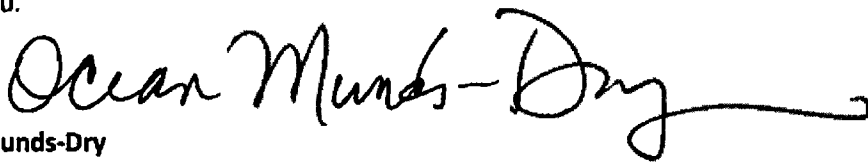
Mike:

Here are the sundries for the 11H & 21H. We don't have a sundry for the 22H yet because it is still drilling and BLM requires us to do one sundry notice with spud and casing string information together. I will get it to you as soon as we are able to complete it but since it will be awhile here is a table that shows spud dates for each well.

Well(s)	Order No.	Spud Date(s)	Comments
White Falcon 16 State Com 24H, 23H	R-14496	9/22/17, 11/10/17	W2W2 of Sections 16 & 21, Wolfcamp
White Falcon 16 State Com 12H	R-14498	11/29/17	W2W2 of Sections 16 & 21, Bone Spring
White Falcon 16 Federal Com 22H, 21H	R-14495	10/4/17, 11/14/17	E2W2 of Sections 16 & 21, Wolfcamp
White Falcon 16 Federal Com 11H	R-14497	10/25/17	E2W2 of Sections 16 & 21, Bone Spring

Thank you.

Ocean



Ocean Munds-Dry
Senior Counsel
COG OPERATING LLC
1048 Paseo de Peralta
Santa Fe NM 87501
Office 505.780.8000