

**COG OPERATING LLC
SNEED FED. COM WELL #2H
HEARING**

**Case No. 15027 (re-opened)
Lea County, New Mexico**



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

**APPLICATION OF COG OPERATING, LLC, TO AMEND ORDER R-13744
TO CHANGE THE INITIAL WELL DEDICATED TO THE
APPROVED SPACING AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.**

CASE NO.15027 (re-opened)

AFFIDAVIT OF SEAN JOHNSON

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)


Sean Johnson, being first duly sworn on oath, states as follows:

1. My name is Sean Johnson and I am employed by COG Operating, LLC, in Midland, Texas, as a Senior Landman. I previously testified as an expert in petroleum land matters at the hearing on July 25, 2013, in Case No. 15027 that resulted in the issuance of pooling Order R-13744 on September 12, 2013.
2. Division Order R-13744 created a 160-acre non-standard spacing and proration unit in the Yeso formation consisting of the N/2 N/2 of Section 9, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico and pooled the uncommitted mineral interest in this spacing and proration unit. This unit was to be initially dedicated to COG's proposed Sneed 9 Federal Com. Well No. 1H, which was proposed to the interest owners as a horizontal well at a surface location 330 feet from the North line and 150 feet from the West line (Unit D) to a terminus 330 feet from the North line and 330 feet from the East line (Unit A) of Section 19. This well has not been drilled by COG.
3. COG has now proposed to all of the interest owners to initially dedicate the spacing and proration unit formed under Division Order R-13744 to the Sneed 9 Federal Com. Well No. 2H (API No. 30-025-41409), which will be horizontally drilled from a surface location 990 feet from the North line and 150 feet from the West line (Unit D) to a standard terminus 990 feet from the North line and 330 feet from the East line (Unit A) of Section 9.
4. Attachment A to this affidavit is a copy of the well proposal letter and authorization for expenditure (AFE) that was provided to all of the interest owners in the spacing and proration unit. The costs reflected on this AFE are the same costs submitted to the Division at the previous hearing in this matter.

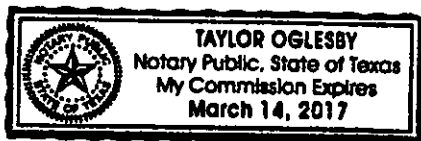
5. Attachment B to this affidavit is the approved Application for Permit to Drill for the Sneed 9 Federal Com. Well No, 2H that was filed with the Bureau Land Management and the New Mexico Oil Conservation Division in September of 2013. It reflects that the initially proposed well was moved to the south and that the completed interval for this well will remain within the 330-foot standard offset required by the Division's Rules.

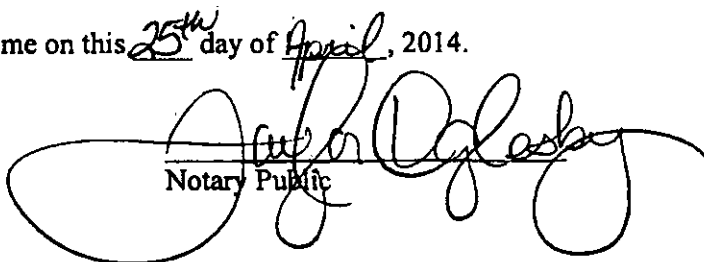
6. Attachment C to this affidavit is a list of the interest owners that remain subject to pooling Order R-13744 and which I have instructed our attorneys to provide notice of this hearing.

FURTHER AFFIANT SAYETH NOT.


Sean Johnson

SUBSCRIBED AND SWORN before me on this 25th day of April, 2014.




Notary Public

My Commission Expires:

3-14-2017



Sent Certified Mail
Receipt #91-7199-9991-7033-9235-8062

March 26, 2014

Cecile Marie Dressen
P.O. Box 1696
Poulsbo, Washington 98370

Re: Well Proposal – Sneed 9 Fed Com #2H
T17S, R32E, Section 9
SHL: 990' FNL & 150' FWL, or a legal location in Unit D
BHL: 990' FNL & 330' FEL, or a legal location in Unit A
Lea County, New Mexico

Dear Cecile Dressen,

COG Operating LLC (COG), as Operator, proposes to drill the Sneed 9 Fed Com #2H well as a horizontal well at the above-captioned location to a TVD of approximately 5,725' and a MD of 11,330' to test the Yesso Formation ("Operation"). The total cost of the Operation is estimated to be \$4,679,000 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

COG is proposing to drill this well under the terms of the AAPL Form 610- 1989 Operating Agreement. The Operating Agreement covers, T17S-R32E Section 9 N2N2, Lea County, NM; a completed copy will be sent for your review shortly with following general provisions:

- 100/300 Non-consenting penalty
- \$6,000/\$600 Drilling and Producing rate
- COG named as Operator

If you do not wish to participate in the Operation and have an un-leased interest, COG would like to offer the following lease terms:

- 3 year primary term
- 20% royalty interest
- \$750 per net acre bonus consideration

The Lease offer is subject to the approval of COG's management and verification of title.

COG is amending current Force Pooling Order NO. R-13744 to address the initial well under the order to be the Sneed 9 Fed Com #2H. If we do not reach an agreement within 30 days of the date of this letter, COG will proceed with the amendment to the New Mexico Oil Conservation Division for compulsory pooling of your interest into a spacing unit for the proposed well if uncommitted at such time.

If you have any questions, please do not hesitate to contact the undersigned at 432-818-2230.

Respectfully,



Sean Johnson

Landman

ATTACHMENT
A

**COG OPERATING LLC
AUTHORITY FOR EXPENDITURE
DRILLING**

| | |
|------------------------------------|---------------------------------|
| WELL NAME: SNEED 9 FEDERAL COM #2H | PROSPECT NAME: MALJAMAR 713083 |
| SHL: 990' FNL & 150' FWL UL-D | STATE & COUNTY: New Mexico, Lea |
| BHL: 990' FNL & 330' FEL UL-A | OBJECTIVE: SM57 Yeso Horizontal |
| FORMATION: Giorieta Yeso | DEPTH: 11,330 |
| LEGAL: SEC9 T17S-R32E | TVD: 5,725 |

| INTANGIBLE COSTS | | BCP | ACP | TOTAL |
|--|-----|------------------|------------------|------------------|
| Title/Curtive/Permit | 201 | 10,000 | | 10,000 |
| Insurance | 202 | 22,000 | 302 0 | 22,000 |
| Damages/Right of Way | 203 | 15,000 | 303 0 | 15,000 |
| Survey/State Location | 204 | 3,000 | 304 0 | 3,000 |
| Location/Pits/Road Expense | 205 | 60,000 | 305 25,000 | 85,000 |
| Drilling / Completion Overhead | 206 | 5,000 | 306 2,000 | 7,000 |
| Turnkey Contract | 207 | | 307 | 0 |
| Footage Contract | 208 | | 308 | 0 |
| Daywork Contract (0 days /spud-ris @ \$0) | 209 | 341,000 | 309 47,000 | 388,000 |
| Directional Drilling Services (0 dir days @ \$0) | 210 | 150,000 | 310 | 150,000 |
| Fuel & Power | 211 | 83,000 | 311 12,000 | 95,000 |
| Water | 212 | 58,000 | 312 100,000 | 158,000 |
| Bits | 213 | 54,500 | 313 5,000 | 59,500 |
| Mud & Chemicals | 214 | 47,000 | 314 0 | 47,000 |
| Drill Stem Test | 215 | | 315 0 | 0 |
| Coring & Analysis | 216 | | | 0 |
| Cement Surface | 217 | 38,000 | | 38,000 |
| Cement Intermediate | 218 | 20,000 | | 20,000 |
| Cement 2nd Intermediate/Production | 218 | 0 | 319 100,000 | 100,000 |
| Cement Squeeze & Other (Kickoff Plug) | 220 | | 320 0 | 0 |
| Float Equipment & Centralizers | 221 | 2,000 | 321 30,000 | 32,000 |
| Casing Crews & Equipment | 222 | 5,000 | 322 12,000 | 17,000 |
| Fishing Tools & Service | 223 | | 323 | 0 |
| Geologic/Engineering | 224 | 10,000 | 324 | 10,000 |
| Contract Labor | 225 | 20,000 | 325 21,000 | 41,000 |
| Company Supervision | 226 | 2,000 | 326 2,000 | 4,000 |
| Contract Supervision | 227 | 38,000 | 327 20,000 | 58,000 |
| Testing Casing/Tubing | 228 | 3,000 | 328 12,000 | 15,000 |
| Mud Logging Unit (logging 024 days) | 229 | 21,000 | 329 | 21,000 |
| Logging | 230 | 25,000 | 330 | 25,000 |
| Perforating/Wireline Services | 231 | 3,500 | 331 50,000 | 53,500 |
| Simulation/Treating | | | 332 1,400,000 | 1,400,000 |
| Completion Unit | | | 333 30,000 | 30,000 |
| Swabbing Unit | | | 334 | 0 |
| Rentals-Surface | 235 | 38,000 | 335 250,000 | 288,000 |
| Rentals-Subsurface | 236 | 84,000 | 336 75,000 | 139,000 |
| Trucking/Forklift/Rig Mobilization | 237 | 54,000 | 337 20,000 | 74,000 |
| Welding Services | 238 | 5,000 | 338 2,500 | 7,500 |
| Water Disposal | 239 | 0 | 339 40,000 | 40,000 |
| Plug to Abandon | 240 | 0 | 340 0 | 0 |
| Seismic Analysis | 241 | 0 | 341 0 | 0 |
| Closed Loop & Environmental | 244 | 143,000 | 344 0 | 143,000 |
| Miscellaneous | 242 | 0 | 342 0 | 0 |
| Contingency 10% | 243 | 134,000 | 343 226,500 | 360,500 |
| TOTAL INTANGIBLES | | 1,472,000 | 2,482,000 | 3,954,000 |

| TANGIBLE COSTS | | | | |
|---|-----|------------------|------------------|------------------|
| Surface Casing (13 3/8" 48# H40 STC) | 401 | 33,000 | | 33,000 |
| Intermediate Casing(9 5/8" 40# J55 LTC) | 402 | 84,000 | 503 0 | 84,000 |
| Production Casing (7" 26# & 5 1/2" 17# L80) | | | 503 217,000 | 217,000 |
| Tubing | | | 504 33,000 | 33,000 |
| Wellhead Equipment | 405 | 6,000 | 505 35,000 | 41,000 |
| Pumping Unit | | | 506 90,000 | 90,000 |
| Prime Mover | | | 507 20,000 | 20,000 |
| Rods | | | 508 20,000 | 20,000 |
| Pumps | | | 509 10,000 | 10,000 |
| Tanks | | | 510 21,000 | 21,000 |
| Flowlines | | | 511 11,000 | 11,000 |
| Heater Treater/Separator | | | 512 30,000 | 30,000 |
| Electrical System | | | 513 30,000 | 30,000 |
| Packers/Anchors/Hangers | 414 | 0 | 514 2,500 | 2,500 |
| Couplings/Fittings/Valves | 415 | 500 | 515 60,000 | 60,500 |
| Gas Compressors/Meters | | | 516 5,000 | 5,000 |
| Dehydrator | | | 517 | 0 |
| Injection Plant/CO2 Equipment | | | 518 | 0 |
| Miscellaneous | 419 | 500 | 519 500 | 1,000 |
| Contingency | 420 | 6,000 | 520 30,000 | 36,000 |
| TOTAL TANGIBLES | | 110,000 | 615,000 | 725,000 |
| TOTAL WELL COSTS | | 1,582,000 | 3,097,000 | 4,679,000 |

COG Operating LLC

By: Carl Bird

Date Prepared: 2/8/2013

TC

COG Operating LLC

We approve:
_____% Working Interest

By: _____

Company:
By: _____

Printed Name:
Title:
Date: _____

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

Form 3160-3
(April 2004)

OCD Hobbs
HOBBS OCD

SEP 17 2013

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

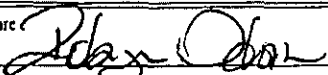
APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NMMN-0315712 |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator COG Operating LLC | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address One Concho Center, 600 W. Illinois Ave Midland, TX 79701 | 3b. Phone No. (include area code) (432) 685-4385 | 8. Lease Name and Well No. Sneed 9 Federal Com #2H |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface SHL: 990' FNL & 150' FWL, UL D At proposed prod. zone BHL: 990' FNL & 330' FEL, UL A | | 9. API Well No. 30-025- 41409 |
| 14. Distance in miles and direction from nearest town or post office 1.3 miles Southwest of Maljamar | | 10. Field and Pool, or Exploratory Maljamar; Yeso, West |
| 15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 150' | 16. No. of acres in lease 760 | 11. Sec., T. R. M. or Blk. and Survey or Area Sec 9, T17S, R32E |
| 17. Spacing Unit dedicated to this well 160 | 18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. 244' | 12. County or Parish Lea |
| 19. Proposed Depth TVD: 6626' MD: 11,275' | 20. BLM/BIA Bond No. on file NMB000740; NMB000215 | 13. State NM |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4082' GL | 22. Approximate date work will start 12/31/2013 | 23. Estimated duration 15 days |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

| | | |
|---|---------------------------------------|---------------------|
| 25. Signature  | Name (Printed/Typed) Robyn M. Odom | Date 08/15/2013 |
| Title Regulatory Analyst | | |
| Approved by (Signature) /s/George MacDonell | Name (Printed/Typed) | Date SEP 10 2013 |
| Title FIELD MANAGER | | |
| Office CARLSBAD FIELD OFFICE | | |

Application approval 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.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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)

Roswell Controlled Water Basin

KZ
09/18/13 SEE ATTACHED FOR
CONDITIONS OF APPROVAL

ATTACHMENT
B

Approval Subject to General Requirements
& Special Stipulations Attached

SEP 19 2013

District I
 1623 N French Dr., Hobbs, NM 88240
 Phone (575) 393-6161 Fax (575) 397-0720
 District II
 811 S First St., Artesia, NM 88210
 Phone (575) 749-1283 Fax (575) 748-8888
 District III
 1000 Rio Brazos Road, Artesia, NM 87410
 Phone (505) 334-6178 Fax (505) 334-6170
 District IV
 1220 S St. Francis Dr., Santa Fe, NM 87505
 Phone (505) 476-3460 Fax (505) 476-3462

HOBBS OCD
 SEP 17 2013
 RECEIVED

State of New Mexico
 Energy, Minerals & Natural Resources Department
 OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM-87505

Form C-102
 Revised August 1, 2011
 Submit one copy to appropriate
 District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|--|---|--|
| ¹ Well Number 30-015-41409 | ² Pool Code 44500 | ³ Pool Name MALJAMAR; YESO, WEST |
| ⁴ Property Code 40134 | ⁵ Property Name SNEED 9 FEDERAL COM | ⁶ Well Number 2H |
| ⁷ OGRID No. 229137 | ⁸ Operator Name COG OPERATING, LLC | ⁹ Elevation 4082' |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 9 | 17-S | 32-E | | 990 | NORTH | 150 | WEST | LEA |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 9 | 17-S | 32-E | | 990 | NORTH | 330 | EAST | LEA |

| | | | |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 160 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

| | |
|--|---|
| <p>Project Area</p> <p>Producing Area</p> <p>N 89°46'45" E (GRID) - 4798.38' (HORIZ.)</p> <p>SEE DETAIL "A"</p> <p>DETAIL "A"</p> <p>4082.2' 600' 4087.2'</p> <p>600' S. L.</p> <p>4075.4' 4080.6'</p> <p>330'</p> <p>990'</p> <p>330'</p> <p>990'</p> | <p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>[Signature]</i> 7/8/2013</p> <p>Signature Date</p> <p>Robyn M. Odom</p> <p>Printed Name</p> <p>Rodom@concho.com</p> <p>E-mail Address</p> |
| | <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>5/31/13</p> <p>Date of Survey</p> <p><i>[Signature]</i></p> <p>Signature and Seal of Professional Surveyor</p> <p>19880</p> <p>19880</p> <p>Certificate Number</p> |

SEP 19 2013

AFE notice to parties for Sneed Fed Com#2H N/2N/2 Sec.9-T17S-R32E subject to original Pooling Order #
R-13744

(Un-leased Owner) Edward Dressen, Jr.
P.O. Box 830
Palo Cedro, California 96073-0830

(Un-leased Owner) Cecile Marie Dressen
P.O. Box 1696
Poulsbo, Washington 98370

(Un-leased Owner) Betty M. Dressen (aka Betty Kyte Dressen), Trustee of the Betty M. Dressen
Revocable Living Trust dated 10/17/1977
P.O. Box 817
Los Altos, California 94023-0817