

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

**APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION COMPLIANCE
AND ENFORCEMENT BUREAU FOR A
COMPLIANCE ORDER AGAINST COBALT
OPERATING, LLC, FOR WELLS OPERATED
IN LEA COUNTY, NEW MEXICO.**

APR 30 2018 PM03:31

CASE NO. 16048

COBALT'S MOTION FOR CONTINUANCE

Cobalt Operating, LLC ("Cobalt") (OGRID No. 286255), the respondent in the above referenced matter, files this motion for a continuance to the May 17, 2018 examiner hearing docket to give it time to respond to the Division's Compliance and Enforcement Bureau's ("Bureau") requests for achieving compliance. For the reasons stated, this motion should be granted.

1. Cobalt has been working directly and through undersigned counsel with the Bureau and its attorney to come to a workable and economic resolution to the Division's compliance issues.
2. Due to a series of financial setbacks to Cobalt, Security Bank in Midland, Texas, froze Cobalt's accounts and foreclosed on its properties in 2017. Subsequently, the principle of Cobalt, Mark Burkett, obtained a new loan in January 2018 from Security Bank with the intent of operating Cobalt's properties under the newly-funded entity, Copper Ridge Resources, LLC.
3. After receiving the application for a compliance order, Mr. Burkett and undersigned counsel attempted to negotiate a process by which the Division would approve transfer of operatorship to Copper Ridge Resources, LLC. The Division, however, has not approved transfer of operatorship due to Cobalt's non-compliance with 19.15.5.9(A)(4) NMAC.

4. While the parties continue discussions to achieve that goal, which would be in the best interests of the state and all parties involved, the Bureau has been unwilling to permit the transfer to proceed until at least one of three wells is removed from the inactive well list.

5. The Bureau and Mr. Burkett (Cobalt/Copper Ridge) are in the process of working to achieve those mutually beneficial goals. Mr. Burkett has undertaken several steps to temporarily abandon one of the wells on the inactive well list. The District Office, however, just recently denied the proposed TA of the Angel No. 3 well, requiring that the well be either permanently abandoned or placed back into production. *See Exhibit A*, attached. In response, Mr. Burkett filed a C-103 stating his intent to return the Angel No. 2 well to production and to permanently abandon the Angel No. 3 well. *See* email from M. Burkett to M. Brown and D. Sanchez, (transmitting C-103s), attached as *Exhibit B*.

6. Meanwhile, the Bureau and its attorney recently indicated that upon review of Cobalt's well files the Bureau found several wells in expired TA status and "other issues" at other wells that the Bureau also wants to address. *See* email from K. Herrmann to A. Rankin, 4/25/18, attached as *Exhibit C*.

7. Rather than address these matters in a piecemeal fashion, all compliance issues and concerns should be identified together so they can be promptly addressed or an orderly and reasonable compliance plan can be agreed to between the Bureau and Cobalt/Copper Ridge. The new issues raised by the Bureau have not even been disclosed yet to Cobalt.

8. A short continuance to the May 17, 2017 will allow Cobalt to take action on its intent to return the Angel No. 2 well to production and to PA the Angel No. 3 well, potentially resolving its inactive well list issue, and will permit the Bureau to review with Cobalt the additional issues recently identified. It also will provide the Bureau and Cobalt time to work out

a way to potentially approve a transfer of operations to Copper Ridge with conditions which would permit the entity with funding to properly oversee operations of these facilities.

9. Cobalt has conferred with the Bureau, but at the time this motion was filed, was unable to confirm whether the Bureau opposes the motion and so is presumed to oppose.

WHEREFORE, for the reasons stated, Cobalt respectfully requests a continuance in the case until the May 17, 2018 examiner hearing docket.

Respectfully submitted,

HOLLAND & HART LLP



Michael H. Feldewert

Adam G. Rankin

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(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrankin@hollandhart.com

ATTORNEYS FOR COBALT OPERATING, LLC

CERTIFICATE OF SERVICE

I hereby certify that on April 30, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Keith W. Herrmann
Energy, Minerals and Natural Resources Department
1220 S St. Francis Drive
Santa Fe, NM 87505
505-476-3463
505-476-3462 (fax)
Keith.Herrmann@state.nm.us

Attorneys for Oil Conservation Division Compliance and Enforcement Bureau



Adam G. Rankin

Submit 1 Copy To Appropriate District Office

District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

HOBBS OCD
OIL CONSERVATION DIVISION
220 South St. Francis Dr.
Santa Fe, NM 87505

APR 26 2018

RECEIVED

Form C-103
Revised July 18, 2013

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.)		WELL API NO. 30-025-07133
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator Cobalt Operating, LLC		6. State Oil & Gas Lease No.
3. Address of Operator PO Box 51468, Midland Texas 79710		7. Lease Name or Unit Agreement Name Angel
F - 05-125-38E 1980 FNL 1987 FWL		8. Well Number 3
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3,870 GR		9. OGRID Number 286255
		10. Pool name or Wildcat Gladiola: Wolfcamp
		LEA Co.

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input checked="" type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
CLOSED-LOOP SYSTEM <input type="checkbox"/>			
OTHER: <u>Recomplete</u>		OTHER: <input 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 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

The Temporarily Abandoned Status has expired. Cobalt Operating, LLC requests returning the subject well back to Temporarily Abandoned Status. An MIT test will be conducted per OCD regulations.

NO PROD REPORTED 326 MONTHS.
LAST T/A EXPIRED - 4/10/2013.
PRODUCE OR P/A WELL. MAB

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

Mark Burkett

TITLE: Engineer DATE: 4/25/2018

Type or print name Mark Burkett E-mail address: mark@cobaltoperating.com PHONE: 432-312-5939

For State Use Only

APPROVED BY:

Conditions of Approval (if any):

DENIED
MABrown
4/26/2018

EXHIBIT

A

Adam Rankin

From: mark@cobaltooperating.com
Sent: Monday, April 30, 2018 6:39 AM
To: 'Brown, Maxey G, EMNRD'
Cc: 'Sanchez, Daniel J., EMNRD'
Subject: RE: C-103 Request to Return Angel 3 to TA Status 30-025-07133
Attachments: 2018_04_30_C-103 Angel 2.pdf; 2018_04_30_C-103 PA Angel 3.pdf

Mr. Brown,

Please find two Form C-103s

1. Request approval to PA the Angel 3 (30-025-07133).
2. Notice of Intention to perform remedial work on Angel 2(30-025-07136)

These will go out in regular mail today, but I wanted you to have an electronic copy as well.

Thank you,

Mark



Mark Burkett
PO Box 51468
Midland, TX 79710
432-312-5939

NOTICE: Cobalt Operating, LLC's employees, consultants and representatives are not authorized to enter into binding agreements or make representations by email; This email does not create a binding or enforceable agreement. Cobalt Operating, LLC does not represent or warrant the accuracy or completeness of any information provided by this email and disclaims any liability as the result of the use of such information. This email and any attached files are intended solely for the person or entity to which they are addressed and may contain information that is privileged, confidential or otherwise protected from disclosure. Any review, retransmission, dissemination or copying of this email or the information contained herein by anyone other than the named recipient is prohibited. If you are not the intended recipient or have received this email in error, please immediately notify the sender by return email and destroy this communication.



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State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised July 18, 2013

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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.)		WELL API NO. 30-025-07133
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3. Address of Operator PO Box 51468, Midland Texas 79710		7. Lease Name or Unit Agreement Name Angel
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		9. OGRID Number 286255
		10. Pool name or Wildcat Gladiola: Wolfcamp
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3.870 GR		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

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PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input checked="" type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
CLOSED-LOOP SYSTEM <input type="checkbox"/>			
OTHER: <u>Recomplete</u>		OTHER: <input 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 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1. MIRU, RIH with tubing to 4395'. Spot 35 sacks of cement. WOC 4 hours and tag TOC at or above 4295'. Circulate 9.5 ppg salt mud to surface.
2. PU to 2280' and spot 30 sacks of cement. WOC 4 hours and tag TOC at or above 2180'
3. PU to 400' and spot 40 sack plug of cement. WOC 4 hours and tag TOC at or above 100'
4. Perf at 100 feet, or top of cement, and fill casing and annulus to the surface.
5. RD and set PA marker, clean and reclaim location.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE



TITLE: Engineer DATE: 4/25/2018

Type or print name Mark Burkett E-mail address: mark@cobaltoperating.com PHONE: 432-312-5939
For State Use Only

APPROVED BY:

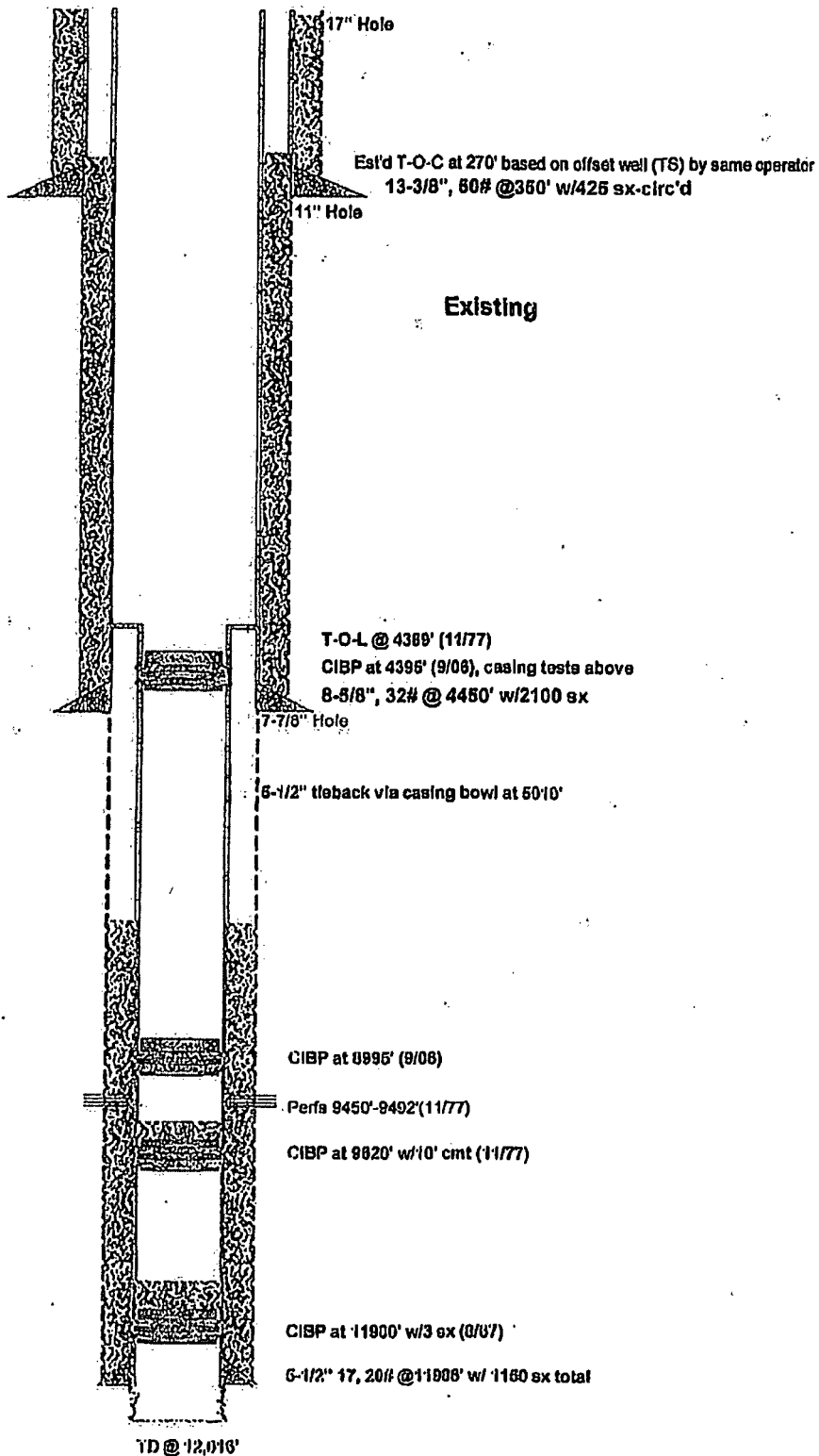
TITLE

DATE

Conditions of Approval (if any):

EXHIBIT B

Angel #3 - 1980' FNL & 1987' FWL of Sec. 5, T-12S, R-38E, Unit Letter "F"
 Originally R. Lowe W. J. Adamson #3

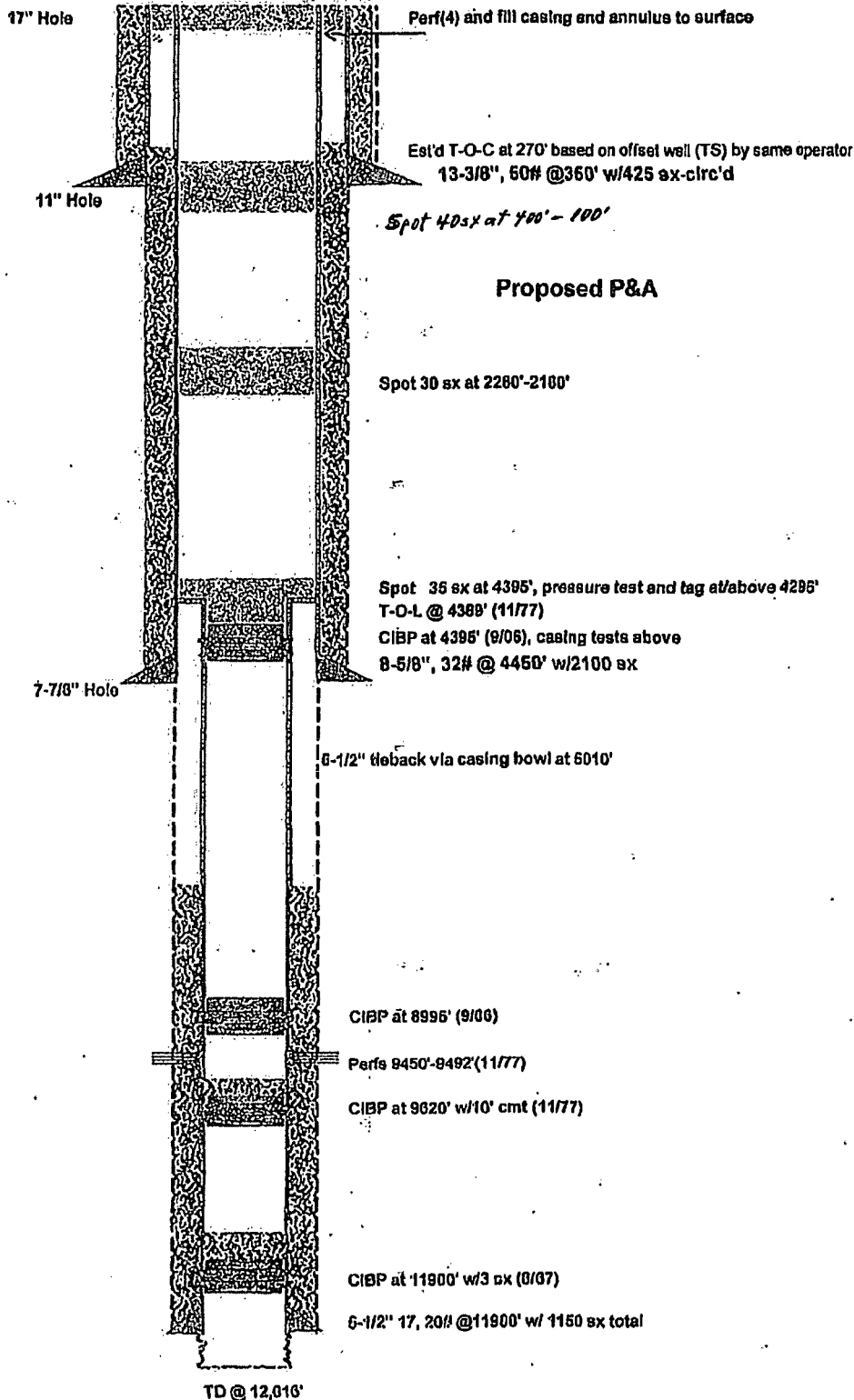


Spud: 11/7/56
 Comp: 1/13/67
 ELEV: 3870' Tbghd
 API # 30-025-07133
 P&A'd 8/67
 Re-entered 11/77
 Plugback 7/08

MWM, 12/13/12

T-Anhy @ 2280'
 T-Salt @ 2332'
 B-Salt @ 2870'
 T-Yates @ 3045'
 T-SA @ 4430'
 T-Abo @ 7810'
 T-Penn @ 9032'
 T-Miss @ 11310'
 T-Devonian @ 11808'

Angel #3 - 1980' FNL & 1987' FWL of Sec. 5, T-12S, R-38E, Unit Letter "F"
 Originally R. Lowe W. J. Adamson #3



Spud: 11/7/86
 Comp: 1/13/87
 ELEV: 3870' Tbghd
 API # 30-026-07133
 P&A'd 8/87
 Re-entered 11/77
 Plugback 7/06

MWM, 12/13/12

T-Anhy @ 2280'
 T-Salt @ 2332'
 B-Salt @ 2870'
 T-Yates @ 3045'
 T-SA @ 4430'
 T-Abo @ 7810'
 T-Penn @ 8032'
 T-Miss @ 11310'
 T-Devonian @ 11988'

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3. Address of Operator PO Box 51468, Midland Texas 79710		7. Lease Name or Unit Agreement Name Angel
		8. Well Number 2
		9. OGRID Number 286255
		10. Pool name or Wildcat Gladiola: Woodford
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3.877 GR		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

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PERFORM REMEDIAL WORK <input checked="" type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
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DOWNHOLE COMMINGLE <input type="checkbox"/>			
CLOSED-LOOP SYSTEM <input type="checkbox"/>			
OTHER: <u>Recomplete</u>		OTHER: <input 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 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Replace existing submersible pump and return well to production. Anticipate work to begin May 6th, 2018.

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE



TITLE: Engineer DATE: 4/25/2018

Type or print name Mark Burkett E-mail address: mark@cobaltoperating.com PHONE: 432-312-5939

For State Use Only

APPROVED BY:

TITLE

DATE

Conditions of Approval (if any):

EXHIBIT B