# 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 PH03:31

**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 the 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
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrankin@hollandhart.com

ATTORNEYS FOR COBALT OPERATING, LLC

10922530...1

## **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

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#### **Adam Rankin**

From:

mark@cobaltoperating.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 theresult 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, etransmission, dissemination or copying of this email or the information contained herein by anyone other than thenamed 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.

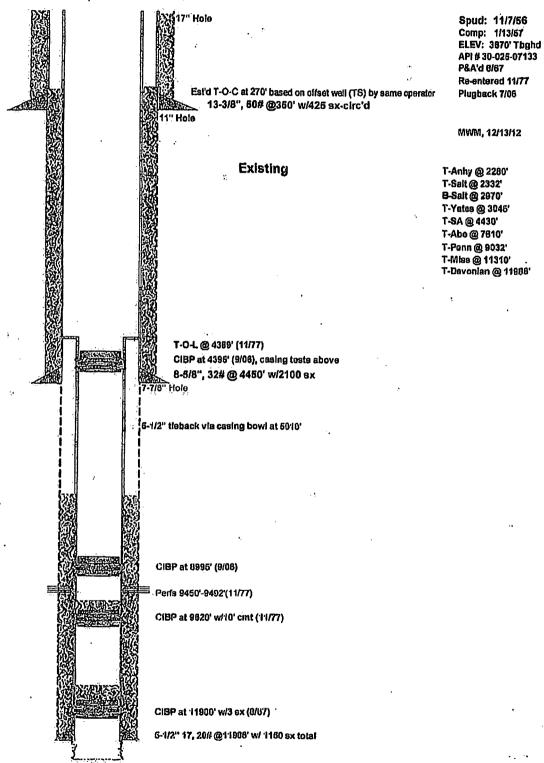


Virus-free. <u>www.avast.com</u>



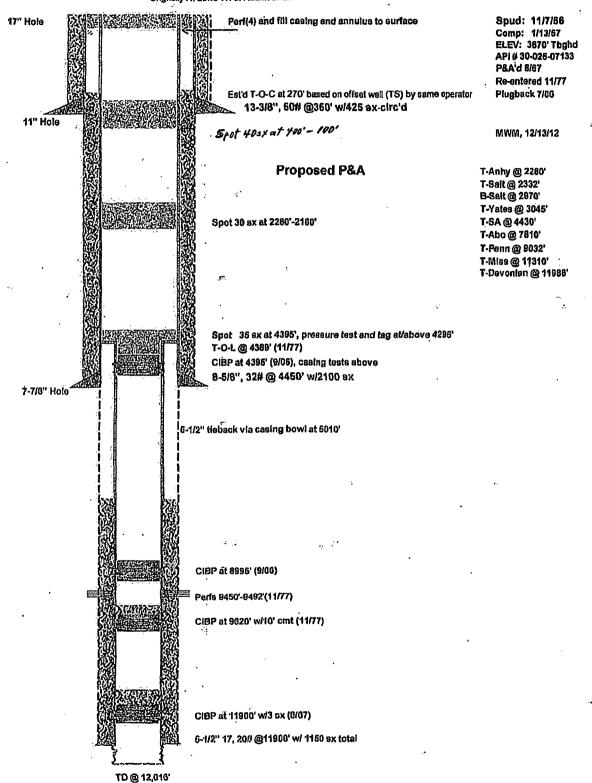
Submit 1 Copy To Appropriate District Office	State of New Me			Form C-103	
<u>District 1</u> – (575) 393-6161 1625 N. French Dr., Hobbs, NM 88240	Energy, Minerals and Natu	ral Resources	WELL API NO.	Revised July 18, 2013	
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1. MIRU, RIH with tubing to 4395'.	Spot 35 sacks of cement. WOC 4	hours and tag TOC a	it 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.					
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Spud Date:	Rig Release Da	ite:			
The state of the s					
	Aud 2 - 11 - 1				
I hereby certify that the information	above is true and complete to the be	est of my knowledge	and belief.		
SIGNATURE // SIGNATURE	TITLE	: Engineer DATI	E: 4/25/2018		
	en e	ton con property and appendix		220	
Type or print name Mark Burkett	E-mail address: mark(a)cobalto	perating.com PH	ONE: <u>432-312-5</u> 9	9 <u>39</u>	
For State Use Only					
APPROVED BY:	TITLE		DA	ΓΕ	
Conditions of Approval (if any):	TOUGHT OF THE PARTY OF THE PART	•			

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



1510/St @ CT

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



Submit I Copy To Appropriate District Office	State of New Mexico	Form C-103			
District I - (575) 393-6161	Energy, Minerals and Natural Resources	Revised July 18, 2013			
1625 N. French Dr., Hobbs, NM 88240 District II – (575) 748-1283		WELL API NO.			
811 S. First St., Artesia, NM 88210	OIL CONSERVATION DIVISION	30-025-07136			
<u>District III</u> - (505) 334-6178 1000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Francis Dr.	5. Indicate Type of Lease STATE FEE			
District IV - (505) 476-3460	Santa Fe, NM 87505	6. State Oil & Gas Lease No.			
1220 S. St. Francis Dr., Santa Fe, NM 287505		o. Since Since Star Bease 170.			
	ICES AND REPORTS ON WELLS	7. Lease Name or Unit Agreement Name			
(DO NOT USE THIS FORM FOR PROPO	DSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A	7. Bease Name of other rigidement traine			
DIFFERENT RESERVOIR. USE "APPLI PROPOSALS.)	ICATION FOR PERMIT" (FORM C-101) FOR SUCH	Angel			
1. Type of Well: Oil Well	Gas Well Other	8. Well Number			
3	entraria de la companya de la compa	2			
2. Name of Operator		9. OGRID Number			
Cobalt C	herating LLC	286255			
3. Address of Operator	7.4.60 1.614 1.55 50510	10. Pool name or Wildcat			
PO Box 5	51468, Midland Texas 79710	Gladiola: Woodford			
	77				
A CONTRACTOR OF THE PARTY OF TH	11. Elevation (Show whether DR, RKB, RT, GR, etc. 3.877 GR	A STATE OF THE STA			
and the second s					
12. Check	Appropriate Box to Indicate Nature of Notice,	Report or Other Data			
NOTICE OF IN	ITENTION TO: 1 CHE	OCCULENT DEDOCT OF			
PERFORM REMEDIAL WORK	NTENTION TO: SUE PLUG AND ABANDON ☐ REMEDIAL WOR	BSEQUENT REPORT OF:  RK			
TEMPORARILY ABANDON		ILLING OPNS. P AND A			
PULL OR ALTER CASING	MULTIPLE COMPL CASING/CEMEN				
DOWNHOLE COMMINGLE					
CLOSED-LOOP SYSTEM		n ••			
OTHER:					
	pleted operations. (Clearly state all pertinent details, an				
of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.					
proposed completion of rec	ompletion.				
Replace existing submersible pump and return well to production. Anticipate work to begin May 6th, 2018.					
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Spud Date:	Rig Release Date:	· · · · · · · · · · · · · · · · · · ·			
Spud Date.	Rig Release Date.	West was not to the first of the second of t			
Lhereby certify that the information	above is true and complete to the best of my knowledg	e and belief			
	Marked Market Complete to the sest of my knowledge	se and benon,			
	LANGE CONTRACTOR OF THE SECOND CONTRACTOR OF T				
SIGNATURE TITLE: Engineer DATE: 4/25/2018					
The state of the s	and the second s				
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):	JIIIE	The second secon			