



**MONTGOMERY  
& ANDREWS**

**J. SCOTT HALL**

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

---

September 23, 2009

Mark E. Fesmire, Director  
NM Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Hand Delivered

**Re: NMOCDC Case No. 14323; Application of Chesapeake Energy Corporation for Cancellation of a Permit to Drill (APD) Issued to COG Operating, LLC, Eddy County, New Mexico; Order No. R-13154-A**

Dear Mr. Fesmire:

The referenced order cancels the APD for COG Operating LLC's Blackhawk "11" Federal Well No. 1-H (API No. 30-015-36541) to be drilled horizontally within a non-standard unit and special project area comprising the S/2 S/2 of Section 11, T16S R28E. On behalf of COG, we respectfully request reinstatement of the APD for the reason that several of the findings in the order regarding COG's working interest control are based on error.

The premise of Order No. R-13154-A is that COG owns no interest in two of the 40-acre tracts dedicated to the proposed project area. As one example, paragraph 4(a) of the order finds that *"COG owns working interests in the S/2 of the SE/4 of Section 11, but does not own any working interest in the S/2 SW/4 of Section 11."* Paragraph 4(c) goes on to say *"Oil and gas ownership within the project area has not been consolidated, either by voluntary agreement or by order of the Division."* The underlying working interest ownership is not in dispute, but the order fails to account for the voluntary agreement of one of the working interest owners in the S/2 SW/4 to pool his interests in the unit. The record from the examiner hearing establishes that with the election to participate by a working interest owner (McDonald), COG owns or controls rights to drill in each of the 40-acre tracts included in the 160-acre non-standard unit and project area. This was undisputed. (See enclosed transcript of hearing excerpt; COG Ex. 5; and ownership

---

**REPLY TO:**

325 Paseo de Peralta  
Santa Fe, New Mexico 87501  
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307  
Santa Fe, New Mexico 87504-2307

---

6301 Indian School Road NE, Suite 400  
Albuquerque, New Mexico 87110  
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210  
Albuquerque, New Mexico 87176-6210

**EXHIBIT C**

Mark E. Fesmire, Director  
September 23, 2009  
Page 2

plat, COG Ex. 4.) Finding paragraph 12 of the order provides that the operator must have the approval of at least one owner of oil and gas rights in each tract to be included in the project area. COG has that.

Decretal paragraph 1 of Order No. R-13154-A provides for reinstatement of the APD in the event of a voluntary or compulsory pooling within the proposed project area. Reinstatement is warranted under these circumstances and the Division may wish to consider issuing a corrected order to conform with the evidence.

Very truly yours,



J. Scott Hall

JSH:kw  
Enclosure

cc: W. Thomas Kellahin, Esq.  
Examiner David Brooks  
COG Operating, LLC

00130558

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

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

CASE NO. 14323  
ORDER NO. R-13154-A

APPLICATION OF CHESAPEAKE ENERGY  
CORPORATION FOR CANCELLATION OF  
A PERMIT TO DRILL (APD) ISSUED TO  
COG OPERATING, LLC, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 20, 2009, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 21<sup>st</sup> day of September, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Chesapeake Energy Corporation ("Applicant" or "Chesapeake") asks the Division to cancel its approval of an Application for Permit to Drill (APD) filed by COG Operating, LLC ("COG") for its proposed Blackhawk 11 Federal Com. Well No. 1 (API No. 30-015-36541) (the proposed well). The proposed well is to be a horizontal well in the Wolfcamp formation, with a surface location 430 feet from the South and West lines (Unit M) of Section 11, Township 16 South, Range 28 East, NMPM, in Eddy County, a point of penetration 426 feet from the South line and 621 feet from the West line (Unit M) of the same section, and a terminus 330 feet from the South and East lines (Unit P) of the same section.

(3) COG plans to dedicate the proposed well to a 160-acre project area consisting of the S/2 S/2 of Section 11, and comprising four adjacent, standard 40-acre spacing and proration units.

(4) Both Chesapeake and COG appeared at the hearing through counsel and presented testimony. The following facts are undisputed:

(a) COG owns working interests in the S/2 of the SE/4 of Section 11, but does not own any working interest in the S/2 SW/4 of Section 11. The only ownership interest that COG holds in the S/2 of the SW/4 of Section 11 is a contractual easement or license to use the surface of the SW/4 SW/4 for a well site and access.

(b) COG intends to complete the proposed well in the Wolfcamp formation in all four quarter-quarter sections of the project area, including the SW/4 SW/4 and SE/4 SW/4 of Section 11.

(c) Oil and gas ownership within the project area has not been consolidated, either by voluntary agreement or by order of the Division.

(5) Chesapeake contends, and the Division concludes, that the Division's approval of the APD should be cancelled by reason of the undisputed facts set forth in Finding Paragraph (4).

(6) Although the Division has no jurisdiction to determine ownership, this case requires no such determination, since ownership is undisputed. The sole question is whether the Division properly approved the APD in view of the undisputed fact that COG owns no oil and gas interest in portions of the area that the drill bit will penetrate.

(7) This case is controlled by the decision of the Oil Conservation Commission ("the Commission") in Order No. R-12343-E, issued in consolidated Cases Nos. 13492 and 13493. In those cases, Chesapeake Operating Inc. obtained approval of an APD for, and proceeded to drill, a vertical Morrow well at a location where it owned no interest. Although it owned an interest in a portion of the 320-acre unit it sought to dedicate to the well, it had not, as COG has not in this case, obtained a voluntary agreement, or compulsory pooling order, consolidating ownership in the 320-acre unit.

(8) In Order No. R-12343-E, the Commission, construing a previous order, stated:

"In *Application of Pride Energy Company, etc.* [Order No. R-12108-C], the Commission found that an operator *could file* an application for permit to drill before it filed a pooling application. It did not find that an operator could actually drill a well on acreage in which it had no interest before the Division or Commission decided a pooling application. [Order No. R-12343-E, Finding Paragraph 30, page 6. Emphasis added.]

(9) In Finding Paragraph 33 of the same Order, the Commission admonished the Division to continue requiring that operators filing APDs certify that they have an ownership interest at the proposed location. The certification of ownership language counseled by the Commission in Order No. R-12343-E is the same language that appears on the form C-102 filed by COG with their APD in this case.

(10) Although Order No. R-12343-E concerned, and the certification language it approved for APDs was drafted with reference to, a vertical well, the same concerns that evidently prompted the Commission's approval of this certification language apply equally to horizontal wells.

(11) COG now has an approved APD which, under applicable Division rules, authorizes it to proceed at any time to drill the proposed well and complete it in all four of the units included in the proposed project area, even though it owns no interest in the oil and gas in two of those units. If COG were to do this prior to obtaining voluntary or compulsory pooling, it would undoubtedly constitute a trespass under applicable property law, and it would pre-empt the Division's authority to determine the configuration of any compulsory pooled unit by confronting the Division with a *fait accompli*.

(12) COG's ownership of an easement or license authorizing its use of the surface location of the proposed well does not distinguish this case from the case decided in Order No. R-12343-E because a surface easement or license does not, and cannot, authorize the drilling and completion of a horizontal well in the subsurface without the approval (actual or compelled) of at least one owner of oil and gas rights in each tract to be included in the project area.

(13) For the foregoing findings the Division's approval of the APD for the proposed well should be cancelled.

(14) This APD was filed with, and approved by, the United States Bureau of Land Management (BLM). The Division has no jurisdiction with respect to the BLM's approval of the APD. However, the Division's action cancelling its approval of the BLM-approved APD does not affect BLM's approval. The proposed well cannot be drilled without the approval of both agencies. The Division's approval could be reinstated in the event that a voluntary or compulsory pooling consolidates ownership in the project area. Presumably BLM's approval remains viable until it expires or BLM takes action to rescind its approval. If the Division were to reinstate its approval while BLM's approval remains in force, the well could be drilled without re-application, unless BLM were to determine otherwise. Accordingly, the Division's lack of jurisdiction over BLM's approval is not an obstacle to the Division's cancellation of its own approval.

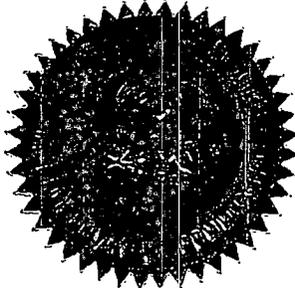
**IT IS THEREFORE ORDERED THAT:**

(1) The Division's approval of the APD filed by COG Operating, LLC for its proposed Blackhawk 11 Federal Com. Well No. 1 (API No. 30-015-36541) is hereby

cancelled, without prejudice to its reinstatement in the event of a voluntary or compulsory pooling of the oil and gas interest within the proposed project area.

(2) 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

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, extending across the width of the text area.

MARK E. FESMIRE, P.E.  
Director

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

**ORIGINAL**

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

APPLICATION OF CHESAPEAKE ENERGY  
CORPORATION FOR CANCELLATION OF A  
PERMIT TO DRILL ("APDs") ISSUED TO  
COG OPERATING, LLC, EDDY COUNTY,  
NEW MEXICO.

CASE NO. 14323

2009 SEP - 4 P 3 24  
RECEIVED OGD

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Presiding Examiner  
TERRY G. WARNELL, Technical Examiner  
WILLIAM V. JONES, Technical Examiner

August 20, 2009

Santa Fe, New Mexico

This matter came on for hearing before the  
New Mexico Oil Conservation Division, DAVID K. BROOKS,  
Presiding Examiner, WILLIAM V. JONES, Technical Examiner,  
and TERRY G. WARNELL, Technical Examiner, on Thursday,  
August 20, 2009, at the New Mexico Energy, Minerals and  
Natural Resources Department, 1220 South St. Francis  
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105  
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

FOR THE APPLICANT:

THOMAS W. KELLAHIN, ESQ.  
 KELLAHIN & KELLAHIN  
 706 Gonzalez Rd.  
 Santa Fe, New Mexico 87501-8744

FOR COG OPERATING, LLC:

J. SCOTT HALL, ESQ.  
 MONTGOMERY & ANDREWS  
 325 Paseo de Peralta  
 Santa Fe, New Mexico 87501

WITNESSES: PAGE

Jan Preston Spradlin	
Direct examination by Mr. Kellahin	10
Cross-examination by Mr. Hall	20
Examination by Mr. Brooks	21
Jan Preston Spradlin	
Direct examination by Mr. Hall	30
Cross-examination by Mr. Kellahin	64
Examination by Mr. Jones	67
Examination by Mr. Brooks	72

E X H I B I T S

EXHIBIT 2 WAS ADMITTED	13
EXHIBIT 1 WAS ADMITTED	19
EXHIBIT 3 WAS ADMITTED	27
EXHIBIT 4 WAS ADMITTED	27
EXHIBITS 1 THROUGH 7 AND EXHIBITS 9 AND 10 WERE ADMITTED	63
REPORTER'S CERTIFICATE	77

1 opening statement, indicated that title was not in  
2 dispute. Is there any title dispute in this case, or is  
3 there going to be evidence regarding any difference of  
4 opinion regarding title?

5 MR. HALL: There shouldn't be a difference  
6 of opinion regarding title. We will put on evidence of  
7 title. But I think implicit in Chesapeake's application,  
8 it calls for a demonstration of the right to occupy, the  
9 right to make the certification and the right to drill  
10 here. We are prepared to do that.

11 MR. BROOKS: I would certainly concede  
12 that if there is a dispute as to title, the OCD has no  
13 jurisdiction to consider that. However, the dealings  
14 I've done with this case before, as well as Mr.  
15 Kellahin's opening statement, indicated to me that there  
16 probably was not a title dispute in this case. You may  
17 proceed, Mr. Kellahin.

18 MR. KELLAHIN: Thank you, Mr. Examiner.  
19 At this time we call Ms. Jan Spalding.

20 MR. BROOKS: Ms. Spalding?

21 MS. SPRADLIN: Spradlin.

22 MR. KELLAHIN: I'm sorry.

23 MR. BROOKS: We apologize for  
24 mispronunciation of your name. Please take the witness  
25 stand. You've already been sworn.

1 that covers the southwest quarter of Section 11?

2 A. There is for that west half of that section,  
3 which would be inclusive of that.

4 Q. I see. Let's look at Exhibit 5. Would you  
5 identify that for us, please? What is Exhibit 5?

6 A. It is our well proposal to the various  
7 entities that own within the southwest quarter.

8 Q. And in this case, is the --

9 A. This is for Timothy McDonald.

10 Q. And this is the well proposal for the  
11 Blackhawk 11 1 Well we're talking about?

12 A. Correct.

13 Q. If we look at the second page, does it appear  
14 that Mr. McDonald has elected to participate?

15 A. He has.

16 Q. So he's committed his interest in the  
17 southwest quarter to the drilling of your well; is that  
18 correct?

19 A. He has.

20 Q. Referring back to Exhibit 2, the APD package,  
21 when did the BLM approve the APD package for this well?

22 A. From the stamp on this, it was August 4th,  
23 2008.

24 Q. Say that again, the day.

25 A. August 4th, 2008.



NMOCD Case No. 14323  
August 20, 2009  
COG Operating LLC Ex. No. 5

August 11, 2009

**VIA FEDERAL EXPRESS**

Timothy R. MacDonald  
23 Graham Ln.  
Lucas, TX 75002

RE: Big Game Prospect  
Blackhawk "11" Federal Com #1  
S2S2 of Section 11-T16S-R28E  
Eddy County, New Mexico

Dear Mr. MacDonald:

COG Operating LLC (hereinafter referred to as Concho) hereby propose the drilling of a horizontal well to a depth sufficient to adequately test the Crow Flats Abo formation at an anticipated total vertical depth of 6680' and total measured depth being approximately 11,130'. The surface location for this well has been permitted at 430' FSL & 430' FWL with a bottomhole location at 330' FSL & 330' FEL with the dedicated project area being the S2S2 of Section 11, Township 16 South, Range 28 East, Eddy County, New Mexico. Included herein is our AFE dated August 10, 2009 as well as a copy the submitted Permit to Drill.

We ask that you join Concho to the full extent of your interest in the drilling, testing and completing of this proposed well by indicating your acceptance in the space provided.

However, in the event you do not wish to participate, Concho respectfully requests that you consider as an alternative either of the below proposals:

**Proposal 1:**

Concho would be interested in purchasing, subject to reaching mutually agreeable price and terms, all of Timothy R. McDonald's contractual and leasehold interests situated in Section 11-T16S-R28E, Eddy County, New Mexico.

**Proposal 2:**

Timothy R. McDonald will farmout all of his contractual and leasehold interests in Section 11-T16S-R28E, Eddy County, New Mexico, retaining an overriding royalty interest equal to the difference between existing lease burdens of record and twenty percent (20%), proportionately reduced.

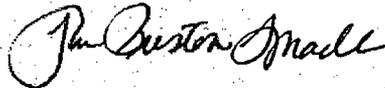
Please indicate below the option of your choice below, sign and return this letter at your earliest convenience to my attention by any of the following methods:

- US Mail – 550 West Texas Avenue, Suite 1300, Midland, Texas 79701
- Fax – 432.685.4398
- Email -- Jspradlin@conchoresources.com

Should you have any questions, please do not hesitate to contact me at 432.683.7443.

Very truly yours,

COG Operating LLC



Jan Preston Spradlin, CPL  
Senior Landman

- I/We hereby elect to participate in the Blackhawk "11" Federal Com #1
- I/We hereby elect not to participate in the Blackhawk "11" Federal Com #1
- I/We hereby elect to pursue Proposal 1
- I/We hereby elect to pursue Proposal 2



TIMOTHY R. McDONALD

Date: \_\_\_\_\_

**COG OPERATING LLC  
AUTHORITY FOR EXPENDITURE  
DRILLING**

WELL NAME: Blackhawk "11" Fed Com #1  
Surf. Loc: 430' FS&WL, Sec 11  
B.H. Loc: 330' FS&EL, Sec 11  
T16S - R28E w/pilot, wo/LWD

PROSPECT NAME: Crow Flats  
COUNTY & STATE: Eddy, NM  
OBJECTIVE: 10,900' MD (6680' TVD) Lwr Abo/Wolfcamp

INTANGIBLE COSTS		BCP	ACP	TOTAL
Title/Curative/Permit	201	5,500		5,500
Insurance	202	22,000	302	22,000
Damages/Right of Way	203	15,000	303	15,000
Survey/Stake Location	204	3,000	304	3,000
Location/Pits/Road Expense	205	45,000	305	5,000
Drilling / Completion Overhead	206	5,000	306	1,000
Turnkey Contract	207		307	0
Footage Contract	208		308	0
Daywork Contract 32:4 @ \$10,000/day	209	320,000	309	40,000
Directional Drilling Services, With out LWD	210	180,000	310	
Fuel & Power	211	54,000	311	6,000
Water	212	30,000	312	50,000
Bits	213	50,000	313	1,000
Mud & Chemicals	214	60,000	314	
Drill Stem Test	215		315	0
Coring & Analysis	216			0
Cement Surface	217	12,200		
Cement Intermediate	218	15,000		
Cement 2nd Intermediate 7"	218		319	23,400
Cement Squeeze & Other (Kickoff Plug)	220	18,700	320	
Float Equipment & Centralizers	221	5,000	321	2,000
Casing Crews & Equipment	222	15,000	322	10,000
Fishing Tools & Service	223		323	0
Geologic/Engineering	224	10,000	324	1,000
Contract Labor	225	10,000	325	30,000
Company Supervision	226	2,000	326	2,000
Contract Supervision	227	36,000	327	4,000
Testing Casing/Tubing	228	4,000	328	1,500
Mud Logging Unit	229	22,500	329	
Logging	230	60,000	330	
Perforating/Wireline Services	231	1,500	331	12,500
Stimulation/Treating			332	750,000
Completion Unit			333	18,000
Swabbing Unit			334	0
Rentals-Surface	235	100,000	335	45,000
Rentals-Subsurface	236	45,000	336	10,000
Trucking/Forklift/Rig Mobilization	237	80,000	337	15,000
Welding Services	238	3,000	338	1,500
Water Disposal	239		339	15,000
Plug to Abandon	240		340	0
Seismic Analysis	241		341	0
Closed Loop & Environmental	244	225,000	344	
Miscellaneous	242	5,000	342	1,000
Contingency	243	146,600	343	105,100
<b>TOTAL INTANGIBLES</b>		<b>1,606,000</b>	<b>1,150,000</b>	<b>2,756,000</b>
<b>TANGIBLE COSTS</b>				
Surface Casing 500' 13 3/8"	401	18,000		18,000
Intermediate Casing 2300' 9 5/8", 6000' - 7"	402	59,000	503	145,000
Production Casing/Liner 4900' - 4.5"			503	59,000
Tubing 6000' 2 7/8"			504	34,000
Wellhead Equipment	405	10,000	505	8,000
Pumping Unit			506	0
Prime Mover			507	0
Rods			508	0
Pumps			509	0
Tanks			510	60,000
Flowlines			511	15,000
Heater Treater/Separator			512	25,000
Electrical System			513	0
Packers/Anchors/Hangers	414		514	200,000
Couplings/Fittings/Valves	415	2,000	515	50,000
Gas Compressors/Meters			516	4,000
Dehydrator			517	0
Injection Plant/CO2 Equipment			518	0
Miscellaneous	419	1,000	519	1,000
Contingency	420	9,000	520	61,000
<b>TOTAL TANGIBLES</b>		<b>99,000</b>	<b>662,000</b>	<b>761,000</b>
<b>TOTAL WELL COSTS</b>		<b>1,705,000</b>	<b>1,812,000</b>	<b>3,517,000</b>

COG Operating LLC

By: J. Coffman / C. Bird

Date Prepared: 8/10/09

We approve:  
\_\_\_\_\_% Working Interest

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.

OCD-ARTESIA

ATS-08-118  
E-08-1146

S

AUG - 6 2008

Form 3160-3  
(February 2005)

OCD-ARTESIA

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

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM <del>400044</del> 95630
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 229137		7. If Unit or CA Agreement, Name and No
3a. Address 550 W. Texas Suite 1300 Midland, Texas 79701	3b. Phone No. (include area code) 432-683-7443	8. Lease Name and Well No. 37327 Blackhawk "11" Federal Com #1
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 430' FSL & 430' FWL At proposed prod zone 330' FSL & 330' FEL		9. API Well No. 30-015-36541
14. Distance in miles and direction from nearest town or post office*		10. Field and Pool, or Exploratory Wolfcamp- Crow Flats
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg unit line, if any) 330'	16. No of acres in lease	11. Sec, T R M or Blk and Survey or Area Section 11 T16S R28E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	19. Proposed Depth 11130' MD 6680' TVD	12. County or Parish Eddy County
21. Elevations (Show whether DF, KDB, RT, GL, etc) 3570 GL	22. Approximate date work will start* 06/01/2008	13. State NM
23. Estimated duration 45 days		

24. Attachments

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

- |   |  |
|---|--|
| 1. Well plat certified by a registered surveyor   | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above) |
| 2. A Drilling Plan  | 5. Operator certification  |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM.            |

25. Signature <i>Lee Ann Rollins</i>	Name (Printed Typed) Lee Ann Rollins	Date 04/30/2008
Title Agent		
Approved by (Signature) <i>/s/ James Stovall</i>	Name (Printed Typed) <i>/s/ James Stovall</i>	Date AUG 04 2008
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 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and States any false, fictitious or fraudulent, statements or representations as to any matter within its jurisdiction

NOTE: NEW PIT RULE  
19-15-17 NMAC PART 17

\*(Instructions on page 2)

A form C-144 must be approved before starting drilling operations.

ROSWELL CONTROLLED WATER BASIN

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

*RAD*

DISTRICT I  
1025 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number 30-015-	Pool Code 97102	Pool Name CROW FLATS: WOLFCAMP
Property Code	Property Name BLACKHAWK "11" FEDERAL COM	Well Number 1
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3570'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	11	16 S	28 E		430	SOUTH	430	WEST	EDDY

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
P	11	16 S	28 E		330	SOUTH	330	EAST	EDDY

Dedicated Acres 160	Joint or Infill	Consolidation Code	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><b>SURFACE LOCATION</b> LAT.: N 32°55'55.47" LONG.: W104°09'13.98" SPC- N.: 702870.627 E.: 596395.029 (NAD-83)</p> <p><b>BOTTOM HOLE LOCATION</b> LAT.: N 32°55'54.42" LONG.: W104°08'21.77" SPC- N.: 702772.089 E.: 600844.111 (NAD-83)</p> <p><b>PROJECT AREA</b></p> <p><b>PENETRATION POINT</b></p>	<p><b>OPERATOR CERTIFICATION</b></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 unleased mineral interest in the land including the proposed bottom hole 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>Phyllis A. Edwards</i> 8-14-08 Signature Date</p> <p>Phyllis A. Edwards Printed Name Regulatory Analyst</p>
	<p><b>SURVEYOR CERTIFICATION</b></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>DECEMBER 16, 2007 Date Surveyed</p> <p><i>Gary L. Jones</i> Signature &amp; Seal of Professional Surveyor</p> <p>W.C. Jones Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY  
FORM APPROVED  
OCT 10 4-0137  
Expires: March 31, 2007

**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.*

**SUBMIT IN TRIPLICATE- Other instructions on reverse side.**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM-95630
2. Name of Operator COG Operating LLC		6. If Indian, Allottee or Tribe Name
3a. Address 550 W. Texas Ave., Suite 1300 Midland, TX 79701	3b. Phone No. (include area code) 432-685-4340	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SURFACE: 430' FSL & 430' FWL Section 11, T16S, R28E, UL M BHL: 330' FSL & 330' FEL Section 11, T16S, R28E, UL P		8. Well Name and No. Blackhawk 11 Federal Com #1
		9. API Well No. 30-015-36541
		10. Field and Pool, or Exploratory Area Crow Flats, Wolfcamp
		11. County or Parish, State Eddy County, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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 type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<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 <u>Chg pool, casing &amp; cementing program</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<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 recomplete 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 shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

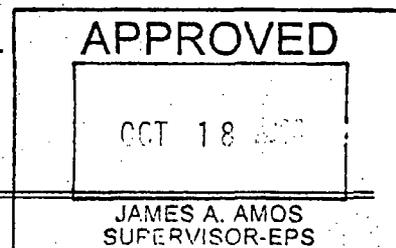
COG respectfully requests permission:

to change Field and Pool from Wolfcamp to Crow Flats Abo;

to change proposed Casing & Cement Program;

for a variance to the 200' minimum tie back in order to set the pump as close to the formation as possible. The curve and horizontal are all located in the Abo Formation.

Attached is a revised plat and revised Form 3160-3 Drill Plan with changes reflected in shaded areas.



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

Name (Printed/Typed) Phyllis A. Edwards	Title Regulatory Analyst
Signature <i>Phyllis A. Edwards</i>	Date 10/08/2008

**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.

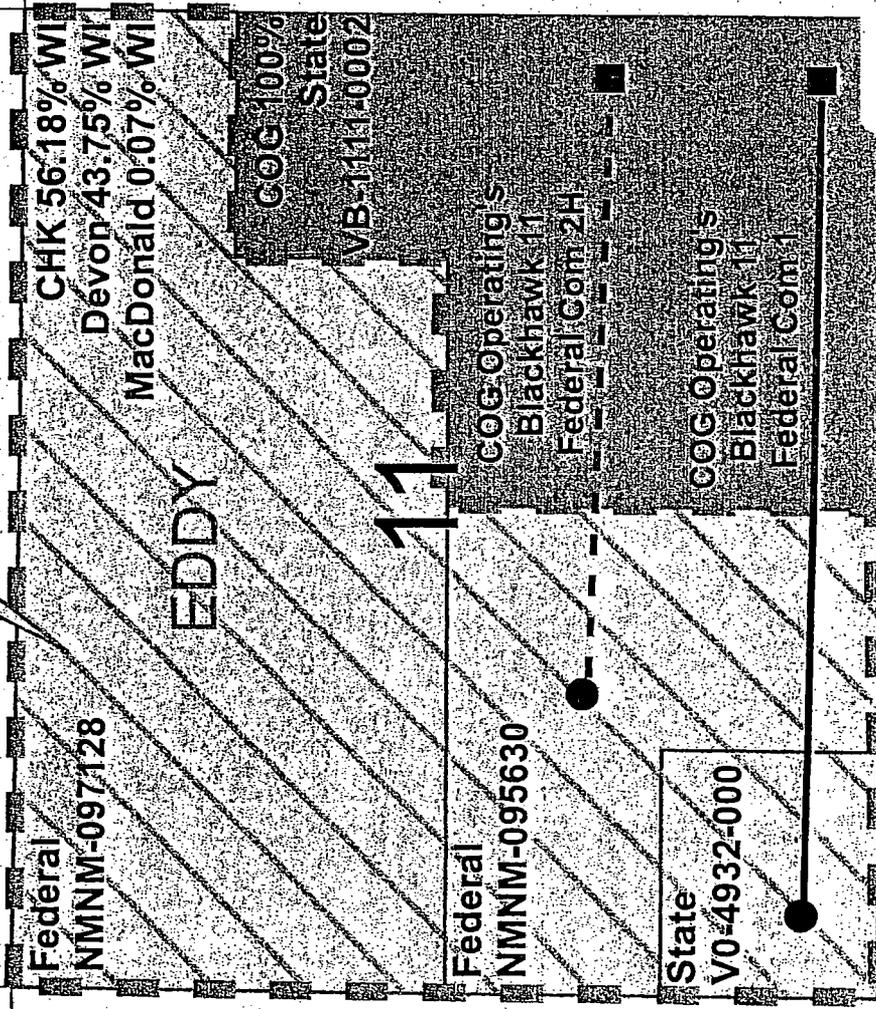
(Instructions on page 2)

JOA Dated January 26, 1998

Contract Area:

All of Section 11 from surface to base of Morrow  
Leases not subject to JOA:

#VB-1111-0002, covering SENE & SE



16S 28E

12

Legend	
■	BHL
●	BHL
—	Permits
---	APD Approved
---	APD Not Approved
□	Owners
▨	CHK
▩	COG
▧	Devon

Section 11 APDs 11-16S-28E Eddy Co., New Mexico	
Scale: 1/4"=368'	Projection: GCS North American 1927
Date: 4/22/2009	Author: Erin Fry

NMOCD Case No. 14323

August 20, 2009

COG Operating LLC Ex. No. 4