

February 25, 2020

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Well Proposal Under Order No. R-21136

W/2E/2 of Sections 30 & 31, T25S-R28E

Myox 31 State Com 502H

Eddy County, New Mexico

Via CMRRR No. 91 7199 9991 7039 7968 9183

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re:

Well Proposal Under Order No. R-21135

Myox 31 State Com 501H

E/2E/2 of Sections 30 & 31, T25S-R28E

Eddy County, New Mexico

Well Proposal Under Order No. R-21137

Myox 31 State Com 503H

E/2W/2 of Sections 30 & 31, T25S-R28E

Eddy County, New Mexico

Dear Sir or Madam:

Enclosed please find copies of the correspondence and itemized schedule of estimated costs pursuant to Paragraph 23 of the above referenced Orders.

Should you have any questions, please contact me at 432.688.6609 or bhull@concho.com.

Sincerely,

**COG Operating LLC** 

Brittany Hull

Land Coordinator II

Enc



February 24, 2020

Via CMRRR No. 9489 0090 0027 6155 1660 00 Chevron U.S.A. Inc.

6301 Deauville Midland, TX 79706

Attn: Kristin Hunter

Well Proposal Under Order No. R-21135 Re:

Myox 31 State Com 501H

E/2E/2 of Sections 30 & 31, T25S-R28E

W/2E/2 of Sections 30 & 31, T25S-R28E Eddy County, New Mexico Eddy County, New Mexico

Well Proposal Under Order No. R-21136

Myox 31 State Com 502H

Well Proposal Under Order No. R-21137 Myox 31 State Com 503H E/2W/2 of Sections 30 & 31, T25S-R28E Eddy County, New Mexico

Dear Sir or Madam:

COG Operating, LLC ("COG") hereby previously proposed and now hereby propose the following horizontal wells with productive laterals located in the E/2 and E/2W/2 of Sections 30 and 31, T25S-R28E, Eddy County, New Mexico, under Compulsory Pooling Order Nos. as described above.

- Myox 31 State Com 501H, to be drilled to a depth sufficient to test the 2<sup>nd</sup> Bone Spring formation at a total vertifical depth of 8,000' and a total measured depth of 18,000'. The surface location for this well is proposed at a legal location of 290' FSL & 1305' FEL OR in Unit P of Section 31, and a bottom hole location at a legal location of 50' FNL & 660' FEL OR in Unit A of Section 30. The dedicated project area with be the E/2 E/2 of Sections 30 & 31, T25S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$9,213,600.00, as shown on the attached Authority for Expenditure ("AFE").
- Myox 31 State Com 502H, to be drilled to a depth sufficient to test the 2<sup>nd</sup> Bone Spring formation at a total vertifical depth of 8,000' and a total measured depth of 18,000'. The surface location for this well is proposed at a legal location of 290' FSL & 1335' FEL OR in Unit O of Section 31, and a bottom hole location at a legal location of 50' FNL & 1980' FEL OR in Unit B of Section 30. The dedicated project area with be the W/2 E/2 of Sections 30 & 31, T25S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$9,213,600.00, as shown on the attached AFE.
- Myox 31 State Com 503H, to be drilled to a depth sufficient to test the Bone Spring formation at a total vertical depth of 8,000' and total measured depth of 18,000'. The surface location is proposed at a legal location in Unit N of Section 31, T25S-R28E, and the bottom hole location at a legal location in Unit C of Section 30, T25S-R28E. The dedicated project area will be the E2W2 of Sections 30 and 31, T25S-R28E, Eddy County, New Mexico. The total estimated cost to drill and complete said well is \$9,213,600.00, as shown on the attached Authority for Expenditure ("AFE").

February 24, 2020 – Page 2 Well Proposals Under Orders Myox 31 State Com 501H-503H

As stated, COG has received Compulsory Pooling orders for the captioned lands, which I have enclosed for your review. Your interest in these lands has been pooled under the terms of the Orders. Pursuant to the Orders, if you wish to participate in the Operations described above, please indicate so in the space provided below, and sign and return the enclosed AFE within 30 days of receipt of this correspondence, along with a check for your proportionate share of the above proposed well costs payable to COG Operating LLC within 30 days of election. Our records credit Chevron U.S.A. Inc., with an estimated 4.82641518% working interest (subject to review by a title attorney) in the Myox 31 State Com 501H & 502H, and an estimated 47.013145% working interest (subject to review by a title attorney) in the Myox 31 State Com 503H. which makes your estimated cost to participate in each, the 501H & 502H wells \$444,686.59 and \$4,331,603.13 to participate in the 503H well. Please indicate your election in the space provided below.

In the meantime, should you have any questions, please do not hesitate to contact me at 432.221.0452 or tmacha@concho.com.

Sincerely,

**COG Operating LLC** 

Travis Macha Landman II

TM:bh Enc

WELL	ELECT TO PARTICIPATE IN THE DRILLING AND COMPLETION	ELECT not TO PARTICIPATE IN THE DRILLING AND COMPLETION
Myox 31 State Com 501H		
Myox 31 State Com 502H		
Myox 31 State Com 503H		

## Chevron U.S.A. Inc.

Ву:	
Name:	
Title:	
Date:	

\$9,213,600.00

Well Name SHL BHI	31: 290 FS	ST COM S01H L, 1305 FEL OR UN				ATLAS 2528 NEW MEXICO, EDDY		
Formation	30: 50 FNL 2ND BONE	, 660 FEL OR UNIT	٨				Objective Depth	DRILL & COMPLETE 18.000'
Legal	30 & 31, T						TVD	8.000
AFE Numbers	10 (x 31, 1.	2.55-11200						1.000
Cost Description	Code	PreSpud (PS)	Drilling (DR)	Completions (C)	Tank Bity Constrctn(TB)	Pmpq Equip (PEQ)	Revision	Total
Tangible Costs								
D-Surface Casing	401		\$15,900.00				\$0.00	\$15,900.00
D-Intermed Csg	402		\$87,700.00				\$0.00	\$87,700.00
D-Production Casing/Liner	403		\$265,600.00				\$0.00	\$265,600.00
D-Wellhead Equip	405		\$42,600.00				\$0.00	\$42,600.00
C-Tubing	504			\$24,300 00			\$0.00	\$24,300.00
C-Wellhead Equip	505			\$13,900.00			\$0.00	\$13,900.00
PEQ-Pumping Unit	506						\$0.00	\$0.00
PEQ-Rods	508						\$0.00	\$0.00
TB-Tanks	510				\$84,300.00		\$0.00	\$84,300.00
TB-Flowlines/Pipelines	511				\$77,200.00		\$0.00	\$77,200.00
IB-Htr Trtr/Seprtr	512				\$189,600.00		\$0.00	\$189,600.00
FB-Electrical System/Equipment	513				\$126,400.00		\$0.00	\$126,400.00
-Pckrs/Anchors/Hgrs	514			\$34,000.00			\$0.00	\$34,000.00
FB-Couplings/Fittings/Valves	515				\$189,600.00		\$0.00	\$189,600.00
FR-Gas Lift/Compression	516				\$133,400.00		\$0.00	\$133,400.00
IB-Pumps-Surface	521				\$19,700.00		\$0.00	\$19,700.00
B-Meters/Lacts	525		1		\$24,600.00		\$0.00	\$24,600.00
B-Flares/Combusters/Emission	526				\$24,600.00		\$0.00	\$24,600.00
C-Gas Lift/Compression	527			\$8,300.00			\$0.00	\$8,300.00
PEQ-Instrumentation/SCADA/POC	529					\$7,100.00	\$0.00	\$7,100.00
PEQ-Tubing	530					\$5,000.00	\$0.00	\$5,000.00
PEQ-Wellhead Equipment	531					\$3,000.00	\$0.00	\$3,000.00
PEQ-Pumps	532					\$5,000.00	\$0.00	\$5,000.00
PEQ-Electrical System	533					\$15,100.00	\$0.00	\$15,100.00
EQ-Packers/Anchors/Hangers	534					\$70,500.00	\$0.00	\$70,500.00

PEQ-Pumps	122			<del> </del>		\$5,000.00	\$0.00	\$5,000.0
	532 533			ļ		\$15,100.00	\$0.00	\$15,100.0
PEQ-Electrical System	1		<u> </u>	<del> </del>				
PEQ-Packers/Anchors/Hangers	534					\$70,500.00	\$0.00	\$70,500.0
PEQ-Miscellaneous	535					\$3,000.00	\$0.00	\$3,000.0
Total Tangible Costs	L	\$0,00	\$411,800.00	\$80,500.00	\$869,400,00	\$108,700.00	\$0.00	\$1,470,400.0
[-1(b)- C1-								
Intangible Costs	1 201	\$0.400.00	ı				\$0.00	\$6,100.0
PS-Title/Permits	201	\$6,100.00		ļ			\$0.00	\$1,700.0
D-Insurance	202	\$1,700.00		-				
PS-Damages/ROW	203	\$10,100.00					\$0.00	\$10,100.0
PS-Survey/Stake Lctn	204	\$700.00					\$0.00	\$700.0
D-Lctn/Pits/Roads	205		\$86,800.00				\$0.00	\$86,800.0
D-Drilling Overhead	206		\$5,000.00				\$0,00	\$5,000.0
D-Daywork Contract	209		\$581,800.00				\$0.00	\$581,800.0
D-Directional Drlg Services	210		\$246,900.00				\$0.00	\$246,900.0
D-Fuel & Power	211		\$139,200.00				\$0.00	\$139,200.0
D-Water	212		\$32,300.00				\$0.00	\$32,300.0
D-Bits	213		\$65,200.00				\$0.00	\$65,200.0
D-Mud & Chemicals	214		\$156,100.00				\$0.00	\$156,100.0
D-Cement Surface	217		\$12,800.00				\$0.00	\$12,800.0
D-Cernent Intermed	218		\$59,900.00				\$0.00	\$59,900.0
D-Prod-2nd Int Cmt	219		\$65,200.00				\$0.00	\$65,200.0
D-Float Equipment & Centralizers	221		\$50,400.00				\$0.00	\$50,400.0
D-Csg Crews & Equip	222		\$33,000.00				\$0.00	\$33,000.0
D-Contract Labor	225		\$10,100.00				\$0.00	\$10,100.0
D-Company Sprvsn	226		\$40,400.00				\$0.00	\$40,400.0
D-Contract Sprvsn	227		\$65,200.00				\$0.00	\$65,200.0
D-Contract Sprvsn D-Tstg Csg/Tbg	228		\$33,000,00				\$0.00	\$33,000.0
	229		\$21,500.00				\$0.00	\$21,500.0
D-Mud Logging Unit			\$2,700.00				\$0.00	\$2,700.0
D-Perf/Wireline Svc	231	-					\$0.00	\$173,500.0
O-Rentals-Surface	235		\$173,500.00					\$149,300.0
D-Rentals-Subsrfc	236		\$149,300.00				\$0.00	
)-Trucking/Forklift/Rig Mob	237		\$113,700.00				\$0.00	\$113,700.0
)-Welding Services	238		\$3,400.00				\$0.00	\$3,400.0
O-Contingency	243		\$41,700.00			·	\$0.00	\$41,700.0
)-Envrnmtl/Clsd Loop	244		\$233,400.00				\$0.00	\$233,400.0
-Lctn/Pits/Roads	305			\$4,900.00			\$0.00	\$4,900.0
-Frac Equipment	307			\$900,300.00			\$0.00	\$900,300.0
-Frac Chemicals	308	i		\$548,500.00			\$0.00	\$548,500.0
-Frac Proppant	309			\$853,500.00			\$0.00	\$853,500.0
-Frac Proppant Transportation	310			\$133,300.00			\$0,00	\$133,300.0
-Fuel & Power	311			\$8,400.00			\$0.00	\$8,400.0
:-Water	312			\$646,200.00			\$0.00	\$646,200.0
-Bits	313			\$9,800.00			\$0.00	\$9,800.0
-Mud & Chemicals	314			\$18,100.00			\$0.00	\$18,100.0
-Contract Labor	325			\$9,800.00			\$0.00	\$9,800.0
-Company Sprvsn	326			\$15,400.00			\$0.00	\$15,400.0
-Contract Sprvsn	327			\$210,800.00			\$0.00	\$210,800.0
-Tstg Csg/1bg	328			\$2,800.00			\$0.00	\$2,800.0
-Perf/Wireline Svc	331			\$361,500.00			\$0.00	\$361,500.0
-Stimulation/Treating	332			\$6,300.00			\$0.00	\$6,300.0
-Completion Unit	333			\$31,400.00			\$0.00	\$31,400.0
	335			\$240,800.00			\$0.00	\$240,800.0
-Rentals-Surface				\$34,200.00			\$0.00	\$34,200.0
-Rentals-Subsrfc	336						\$0.00	\$11,200.0
-Trucking/Forklift/Rig Mob	337			\$11,200.00				\$11,200.0
-Welding Services	338			\$2,800.00			\$0,00	\$2,800.0
-Water Disposal	339			\$31,400.00			COLUMN TO THE TAXABLE PARTY OF THE PARTY OF	
-Contingency	343			\$203,100.00			\$0.00	\$203,100.0
-Envrnmti/Clsd Loop	344			\$2,800,00			\$0.00	\$2,800.0
Dyed Diesel	345			\$335,700.00			\$0.00	\$335,700.0
Coil Tubing	346			\$318,900.00			\$0.00	\$318,900.0
Flowback Crews & Equip	347			\$32,100.00			\$0.00	\$32,100.0
3-Location/Pits/Roads	353				\$61,400.00		\$0.00	\$61,400.0
B-Contract Labor	356				\$148,000.00		\$0.00	\$148,000.0
B-Water Disposal	362				\$87,700.00		\$0.00	\$87,700.0
EQ-Contract Labor	374					\$5,500.00	\$0.00	\$5,500.0
Q-Contract Supervision	376					\$5,000.00	\$0.00	\$5,000.00
Q-Completion Unit	381					\$10,500,00	\$0.00	\$10,500.00
EQ-Rentals-Surface	383					\$7,000.00	\$0.00	\$7,000.00
Q-Trkg/Forklift/Rig Mobilization	385					\$3,000.00	\$0.00	\$3,000.00
otal Intangible Costs		\$18,600,00	\$2,422,500.00	\$4,974,000.00	\$297,100.00	\$31,000.00	\$0.00	\$7,743,200.0

Total Gross Cost	\$18,600.00	\$2,834,300.00	\$5,054,500.00	\$1,166,500.00	\$139,700.00	\$0.00	\$9,213,600.00
Note: The above costs are estimates or	nly. Actual costs will be	billed as incurred.					
COG Operating LLC							
ву:					Date Prepared:		
					COG Operating LLC		
We approve: <u>% Working Interest</u>					By:		
Company: By:							
Printed Name: Title: Date:					This AFE is only an estimate, your share of the actual cost		ree to pay

MYOX 31 SF COM 502H 31: 290 FSL, 1335 FCL OR UNIT O 30: 50 FNL, 1980 FEL OR UNIT B 2ND BONE SPRING 30 & 31, T255-R28E

Prospect State & County Objective Depth TVD

ATEAS 2528 NEW MEXICO, EDDY DRILL & COMPLETE 18,000' 8,000'

PEQ-Pumping Unit	506						\$0.00	\$0
PEQ-Rods	508			<del>                                     </del>			\$0.00	\$0
1B-Tanks	510			T	\$84,300.00		\$0.00	\$84,300
TB-Flowlines/Pipelines	511				\$77,200.00		\$0.00	\$77,200
TB-Htr Trtr/Seprtr	512		ļ		\$189,600.00	*	\$0.00	\$189,600
TB-Electrical System/Equipment C-Pckrs/Anchors/Hgrs	513 514		<del>-</del>	\$34,000.00	\$126,400.00		\$0.00 \$0.00	\$126,400 \$34,000
B-Couplings/fittings/Valves	515			334,000.00	\$189,600.00		\$0.00	\$189,600
B-Gas Lift/Compression	516				\$133,400.00		\$0.00	\$133,400
B-Pumps-Surface	521				\$19,700.00	***************************************	\$0.00	\$19,700
B-Meters/Lacts	525				\$24,600.00		\$0.00	\$24,600
B-Flares/Combusters/Emission	526		ļ		\$24,600.00		\$0.00	\$24,600
C-Gas Lift/Compression PEQ-Instrumentation/SCADA/POC	527 529		<del> </del>	\$8,300.00		\$7,100.00	\$0.00	\$8,300 \$7,100
EQ-Tubing	530					\$5,000.00	\$0.00	\$5,000
EQ-Wellhead Equipment	531					\$3,000.00	\$0.00	\$3,000
EQ-Pumps	532					\$5,000.00	\$0.00	\$5,000
EQ-Electrical System	533					\$15,100.00	\$0.00	\$15,100
EQ-Packers/Anchors/Hangers	534					\$70,500.00	\$0.00	\$70,500
EQ-Miscellaneous	535					\$3,000.00	\$0.00	\$3,000
otal Tangible Costs	h	\$0.00	\$411,800.00	\$80,500.00	\$869,400.00	\$108,700.00	\$0.00	\$1,470,400
ntangible Costs								
S-Title/Permits	201	\$6,100.00	T				\$0.00	\$6,100.
-Insurance	202	\$1,700.00					\$0.00	\$1,700
S-Damages/ROW	203	\$10,100.00					\$0.00	\$10,100.
S-Survey/Stake Lctn	204	\$700.00					\$0.00	\$700
-Letn/Pits/Roads	205		\$86,800.00				\$0.00	\$86,800
Drilling Overhead  Daywork Contract	206		\$5,000.00 \$581,800.00				\$0.00 \$0.00	\$5,000. \$581.800.
Directional Drlg Services	210		\$246,900.00				\$0.00	\$246,900.
Fuel & Power	211		\$139,200.00				\$0.00	\$139,200
Water	212		\$32,300.00	****************			\$0.00	\$32,300.
Bits	213		\$65,200.00				\$0.00	\$65,200.
Mud & Chemicals	214		\$156,100.00				\$0.00	\$156,100.
Cement Surface	217		\$12,800.00				\$0.00	\$12,800.
Cement Intermed	218		\$59,900.00			-	\$0.00	\$59,900.
Prod-2nd Int Cmt Float Equipment & Centralizers	219		\$65,200.00 \$50,400.00				\$0.00 \$0.00	\$65,200. \$50,400.
Csg Crews & Equip	222		\$33,000.00				\$0.00	\$33,000.0
Contract Labor	225		\$10,100.00				\$0.00	\$10,100.0
Company Sprvsn	226		\$40,400.00				\$0.00	\$40,400.0
Contract Sprysn	227		\$65,200.00				\$0.00	\$65,200.0
Tstg Csg/Tbg	228		\$33,000.00				\$0.00	\$33,000.0
Mud Logging Unit	229		\$21,500,00				\$0.00 \$0.00	\$21,500.0 \$2,700.0
Perf/Wireline Svc Rentals-Surface	231		\$2,700.00 \$173,500.00				\$0,00	\$173,500.0
Rentals-Subsrtc	236		\$149,300.00				\$0,00	\$149,300.0
Trucking/Forklift/Rig Mob	237		\$113,700.00				\$0.00	\$113,700.0
Welding Services	238		\$3,400.00				\$0.00	\$3,400.0
Contingency	243		\$41,700.00				\$0.00	\$41,700.0
Envrnmtl/Clsd Loop	244		\$233,400.00				\$0.00	\$233,400.0
ctn/Pits/Roads rac Equipment	305 307			\$4,900.00 \$900,300.00			\$0.00	\$4,900.0 \$900,300.0
rac Chemicals	308			\$548,500.00			\$0.00	\$548,500.0
rac Proppant	309			\$853,500.00		-	\$0.00	\$853,500.0
rac Proppant Transportation	310			\$133,300.00			\$0.00	\$133,300.0
uel & Power	311			\$8,400.00			\$0.00	\$8,400.0
Vater	312			\$646,200.00			\$0.00	\$646,200.0
lits	313			\$9,800.00			\$0.00	\$9,800.0
Mud & Chemicals contract Labor	314 325			\$18,100.00 \$9,800.00			\$0.00	\$18,100.0
ompany Sprvsn	325			\$15,400.00			\$0.00	\$15,400.0
ontract Sprvsn	327			\$210,800.00			\$0.00	\$210,800.0
stg Csg/Tbg	328			\$2,800.00			\$0.00	\$2,800.0
erf/Wireline Svc	331			\$361,500.00			\$0.00	\$361,500.0
timulation/Treating	332			\$6,300.00			\$0.00	\$6,300.0 \$31,400.0
ompletion Unit entals-Surface	333 335			\$31,400.00 \$240,800.00			\$0.00	\$31,400.0
entals-Subsrfc	335			\$34,200.00			\$0.00	\$34,200.0
rucking/Forklift/Rig Mob	337			\$11,200.00			\$0.00	\$11,200.0
/elding Services	338			\$2,800.00			\$0.00	\$2,800.0
ater Disposal	339			\$31,400.00			\$0.00	\$31,400.0
ontingency	343			\$203,100.00			\$0.00	\$203,100,0
nvrnmti/Clsd t.oop	344			\$2,800.00			\$0.00	\$2,800.0
yed Diesel	345 346			\$335,700.00 \$318,900.00		<del>-</del>	\$0.00 \$0.00	\$335,700.0 \$318,900.0
oil Tubing owback Crews & Equip	346			\$32,100.00			\$0.00	\$32,100.0
Location/Pits/Roads	353			552,.50.50	\$61,400.00		\$0.00	\$61,400.0
Contract Labor	356				\$148,000.00		\$0.00	\$148,000.0
Water Disposal	362				\$87,700.00		\$0.00	\$87,700.0
1-Contract Labor	374					\$5,500.00	\$0.00	\$5,500.0
-Contract Supervision	376					\$5,000.00 \$10,500.00	\$0.00 \$0.00	\$5,000.0 \$10,500.0
L-Completion Unit	381 383					\$10,500.00	\$0.00	\$70,500.0
		1						
-Rentals-Surface				1	1	\$3,000.00	\$0.00	\$3,000.00
Q-Rentals-Surface Q-Trkg/Forklift/Rig Mobilization al Intangible Costs	385	\$18,600.00	\$2,422,500.00	\$4,974,000.00	\$297,100.00	\$31,000.00	\$0.00	\$3,000.00 \$7,743,200.00

COG Operating LLC	
Ву:	Date Prepared:
	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.

Well Nar SHL BHL Formation MYOX 31 ST COM 503H 31: 270 FSL, 1420 FWL OR UNIT N 30: 50 FNL, 1980 FWL OR UNIT C 2ND BONE SPRING 30 & 31, T255-R28E

Prospect State & County Objective Depth TVD

ATLAS 2528 NEW MEXICO. EDDY DRILL & COMPLETE 18.000' 8.000'

Date

Cost Description Code] PreSpud (PS) | Drilling (DR) | Completions (C) | Tank Bity Constrctn(TB) | Pmpq Equip (PEQ) Total Revision \$15,900.00 D-Surface Casing 401 \$0.00 \$15,900.00 \$87,700.00 \$265,600.00 \$42,600.00 D-Intermed Cs 402 \$87,700.00 D-Production Casin D-Wellhead Equip C-Tubing \$0.00 -Wellhead Equip 505 \$13,900.00 \$0.00 \$13,900.00 \$0.00 \$0.00 \$84,300.00 PEQ-Pumping Unit 506 508 510 \$84,300.00 \$77,200.00 \$189,600.00 TB-Flowlines/Pipelines
TB-Htr Trtr/Seprtr 511 \$0.00 \$189,600.00 TB-Electrical System/Equip 513 514 515 \$126,400.00 \$0.00 \$126,400.00 C-Pckrs/Anchors/Hgrs TB-Couplings/Fittings/Valv \$34,000.00 \$189,600.00 \$34,000.00 \$0.00 TB-Gas Lift/Compression 521 B-Pumps-Surface \$19,700.00 \$0.00 \$19,700.00 525 526 527 529 \$0.00 \$0.00 \$0.00 \$0.00 \$24,600.00 \$24,600.00 \$8,300.00 \$7,100.00 TB-Meters/Lacts TB-Flares/Combusters/Emission C-Gas Lift/Compression PEQ-Instrumentation/SCADA/PO \$8,300.00 \$7,100.00 \$5,000.00 \$0.00 \$5,000.00 PEQ-Wellhead Equipmen 531 \$3,000.00 \$0,00 \$3,000.00 PEQ-Pumps
PEQ-Electrical System PEQ-Packers/Anchors/Hangers \$0.00 PEQ-Miscellaneous 535 \$3,000,00 Total Tangible Costs \$0.00 \$411,800.00 \$80,500.00 \$869,400.00 \$108,700.00 \$0.00 \$1,470,400.00 ntangible Costs 201 PS-Title/Permits \$6,100.00 \$1,700.00 \$10,100.00 \$700.00 \$0.00 \$1,700.00 S-Damages/ROW S-Survey/Stake Lctn \$10,100.00 \$700.00 \$86,800.00 \$5,000.00 \$0.00 D-Lctn/Pits/Roads \$0.00 D-Drilling Overhead \$5,000.00 D-Daywork Contract D-Directional Drig Services D-Fuel & Power \$581,800.00 \$581,800.00 \$0.00 \$0.00 \$246,900,00 \$0.00 211 212 D-Bits 213 \$65,200.00 \$65,200.00 D-Mud & Chemicals D-Cement Surface D-Cement Intermed 214 \$156,100.00 \$0.00 \$156,100.00 \$12,800.00 \$59,900.00 218 D-Prod-2nd Int Cm \$65,200.00 D-Float Equipment & Centralizers \$0.00 D-Csg Crews & Equip D-Contract Labor D-Company Sprvsn 22: 22: 22: \$33,000.00 \$33,000.00 \$10,100.00 \$40,400.00 \$65,200.00 \$33,000.00 \$0.00 \$10,100.00 \$0.00 D-Contract Sprvsn 22 D-Tstg Csg/Tbg 228 D-Mud Logging Unit D-Pert/Wireline Svc D-Rentals-Surface \$21,500.00 \$2,700.00 \$173,500.00 \$0,00 \$2,700.00 \$173,500.00 \$149,300.00 \$113,700.00 \$3,400.00 \$0.00 D-Trucking/Forklift/Rig Mol 237 238 243 244 D-Welding Services \$3,400.00 \$0,00 D-Contingency D-Envrnmtl/Clsd Loop \$41,700.00 \$41,700.00 \$0.00 \$0.00 \$0.00 \$0.00 \$233,400.00 \$4,900.00 \$900,300.00 \$548,500.00 \$233,400.0 \$4,900.00 -Ectn/Pits/Road 30 \$900,300.00 \$548,500.00 -Frac Chemicals 308 C-Frac Proppant C-Frac Proppant Transports C-Fuel & Power \$853,500.00 \$0.00 \$133,300.00 \$8,400.00 \$646,200.00 \$9,800.00 311 \$646,200.00 -Water 31 313 314 325 \$9,800.00 -Mud & Chemica -Contract Labor \$18,100.00 \$0.00 \$18,100.00 \$9,800.00 \$15,400.00 \$210,800.00 \$0.00 \$9,800.00 \$15,400.00 \$210,800.00 \$2,800.00 \$361,500.00 -Company Sprvsn 326 327 C-Contract Sprvsn C-Tstg Csg/Tbg
C-Perf/Wireline Svc
C-Stimulation/Treating 328 \$2,800.00 \$361,500.00 \$6,300.00 \$31,400.00 332 \$6,300.00 \$31,400.00 \$240,800.00 \$0.00 \$0.00 C-Completion Unit 335 \$34,200.00 \$11,200.00 -Rentals-Subsrf 336 C-Trucking/Forklitt/Rig Mob C-Welding Services C-Water Disposal 337 338 339 \$11,200,00 \$2,800.00 \$31,400.00 \$0.00 \$0.00 \$31,400.00 \$203,100.00 \$2,800.00 -Contingency 343 -Envrnntl/Clsd Loop
-Dyed Diesel
-Coil Tubing
-Flowback Crews & Equip 344 346 347 353 \$318,900.00 \$32,100.00 \$61,400.00 \$148,000.00 \$87,700.00 \$0.00 \$61,400.00 TB-Location/Pits/Roads \$0.00 \$0.00 \$148,000.00 35€ TB-Contract Labor \$148,000.00 \$87,700.00 \$5,500.00 \$5,000.00 \$10,500.00 \$7,000.00 TB-Water Disposal PEQ-Contract Labor
PEQ-Contract Supervision
PEQ-Completion Unit
PEQ-Rentals-Surface
PEQ-Trkg/Forklift/Rig Mol 374 370 381 383 385 \$10,500.00 \$7,000.00 \$7,743,200.00 \$4,974,000.00 \$297,100.00 \$31,000.00 \$0.00 \$18,600.00 \$2,422,500.00 Total Intangible Costs \$0.00 \$9,213,600.00 \$18,600.00 | \$2,834,300.00 | \$1,166,500.00 \$139,700.00 Total Gross Cost \$5,054,500.00

COG Operating LLC	
ay:	Date Prepared:
	COG Operating LLC
We approve: % Working Interest	Ву:
Company:	
3y:	
Printed Name: Fitle:	This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

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

IN THE MATTER OF APPLICATION	FOR
COMPULSORY POOLING SUBMITTI	ED BY
COG OPERATING LLC	

CASE NO.	20979
ORDER NO.	R-21135

### ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on January 9, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

## FINDINGS OF FACT

- 1. COG Operating LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- 3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

## CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

## **ORDER**

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

CASE NO.	<u> 20979</u>
ORDER NO.	R-21135

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well. Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

CASE NO. <u>20979</u> ORDER NO. R-21135 Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978.

CASE NO. 20979 ORDER NO. R-21135

- Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL DIRECTOR

AS/jag

Date: <u>February 20, 2020</u>

Exhibit A

CASE NO. <u>20979</u> ORDER NO. <u>R-21135</u>

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#### COMPULSORY POOLING APPLICATION CHECKLIST ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS Case: 20979 APPLICANT'S RESPONSE Date January 9, 2020 Applicant **COG Operating LLC** Designated Operator & OGRID (affiliation if applicable) 229137 Applicant's Counsel Ocean Munds Dry Case Title: APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO Entries of Appearance/Intervenors: EARL DEBRINE ON BEHALF OF EOG RESOURCES, INC Well Family MYOX WELLS Formation/Pool BONE SPRING Formation Name(s) or Vertical Extent Primary Product (Oil or Gas) OH BONE SPRING Pooling this vertical extent: Pool Name and Pool Code DELAWARE RIVER BS POOL (POOL CODE 16800) STATEWIDE Well Location Setback Rules: Spacing Unit Size: 320 AC Spacing Unit Type (Horizontal/Vertical) HORIZONTAL Size (Acres) 320 Building Blocks: QUARTER SECTION Orientation: NORTH SOUTH Description: TRS/County F/2E/2 OF 530 & 31,T25S,R28E, EDDY COUNTY, NM Standard Horizontal Well Spacing Unit (Y/N), If No, describe YES Other Situations Depth Severance: Y/N. If yes, description NO Proximity Tracts: If yes, description NO NO Proximity Defining Well. If yes, description **EXHIBIT 1, ATTACHMENT B** Applicant's Ownership in Each Tract Well(s) **EXHIBIT 1, ATTACHMENT A** Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)

CASE NO. 20979 ORDER NO. R-21135

Wels1	MAYOR 31 STATE COME WELL NO. 501H, API NO. PENDING SHL 290 FSL AND 1390 FEL (UNIT P), S31-T25S-R28E, MAPPA BHL: 50 FM, AND 576 FEL (UNIT A), S30-T25S-R28E, MAPPA COMPLETION TARGET: SECOND BONE SPRING AT APPROXITYSD TVD. WELL ORIENTATION SOUTH TO BORTH. COMPLETION LOCATION EXPECTED TO BE STANDASD.
Well #2	• • • • • • • • • • • • • • • • • • •
Horizontal Well First and Last Take Points	EXHIBIT 1, ATTACHMENT A (C-107s)
Completion Target (Formation, TVD and MD)	EXHIBIT 2, ATTACHMENT G (X-SECTION)
AFE Capex and Operating Costs	
Drilling Supervisian/Month \$	\$7000/MONTH
Production Supervision/Month \$	\$700/MONTH
Justification for Supervision Costs	EXHIBIT 1 (PARA. 12), ATTACHMENT C (AFES)
Requested Risk Charge	200%, SEE APPLICATION
Notice of Hearing	
Proposed Notice of Hearing	EXHIBIT 3
Proof of Mailed Notice of Hearing (20 days before hearing)	EXHIBIT 3
Proof of Published Notice of Hearing (10 days before hearing)	EXHIBIT 3
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	EXHIBIT 1, ATTACHMENT B
Tract List (including lease numbers and owners)	EXHIBIT 1, ATTACHMENT B
Pooled Parties (including ownership type)	EXHIBIT 1, ATTACHMENT B
Unlocatable Parties to be Pooled  Ownership Depth Severance (including percentage above & below)	N/A
Joinder	
Sample Copy of Proposal Letter	EXHIBIT 1, ATTACHMENT C
List of Interest Owners (ie Exhibit A of JOA)	EXHIBIT 1, ATTACHMENT 8
Chronology of Contact with Non-Joined Working Interests	EXHIBIT 1 IPARA 11 & 13) ATTACHMENT C

CASE NO. <u>20979</u> ORDER NO. <u>R-21135</u>

Overhead Rates In Proposal Letter	n/a
Cost Estimate to Drill and Complete	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate to Equip Wel	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate for Production Facilities	EXMIBIT 1, ATTACHMENT C (AFES)
Geology	5 5
Summary (including special considerations)	EXHIBIT 2
Spacing Unit Schematic	EXHIBIT 2, ATTACHMENT D
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	EXHIBIT 2
Target Formation	BONE SPRING
HSU Cross Section	EXHIBIT 2, ATTACHMENT G
Depth Severance Discussion	N/A
Forms, Figures and Tables	
C-102	EXHIBIT 1, ATTACHMENT A
Tracts	EXHIBIT 1, ATTACHMENT B
Summary of Interests, Unit Recapitulation (Tracts)	EXHIBIT 1, ATTACHMENT B
General Location Map (including basin)	EXHIBIT 1, ATTACHMENT B
Well Bore Location Map	EXHIBIT 2, ATTACHMENT D
Structure Contour Map Subsea Depth	EXHIBIT 2, ATTACHMENT E
Cross Section Location Map (including wells)	EXHIBIT 2, ATTACHMENT F
Cross Section (including Landing Zone) Additional information	EXHIBIT 2, ATTACHMENT G
CERTIFICATION: I hereby certify that the information pr	rovided in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Ocean Munds Drz
Signed Name (Attorney or Party Representative).	Ocian Munds-Dy
Date:	1/8/20

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

IN THE MATTER OF APPLICATION FOR COMPULSORY POOLING SUBMITTED BY COG OPERATING LLC

CASE NO.	20980		
ORDER NO.	R-21136		

## ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on January 9, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

## FINDINGS OF FACT

- 1. COG Operating LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

## **CONCLUSIONS OF LAW**

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

## **ORDER**

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

CASE NO. <u>20980</u> ORDER NO. <u>R-21136</u>

Page 2 of 7

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- 23. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well. Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

CASE NO. <u>20980</u> ORDER NO. <u>R-21136</u> Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- 30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout. Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above. Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978,

CASE NO. <u>20980</u> ORDER NO. <u>R-21136</u>

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- Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.

35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

Date: February 20, 2020

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL DIRECTOR

AS/jag

Exhibit A

CASE NO. <u>20980</u> ORDER NO. <u>R-21136</u>

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#### **COMPULSORY POOLING APPLICATION CHECKLIST** ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS APPLICANT'S RESPONSE Case: 20980 Date January 9, 2020 Applicant COG Operating LLC Designated Operator & OGRID (affiliation # applicable) 229137 Applicant's Counsel: Ocean Munds-Dry APPLICATION OF COG OPERATING LLC FOR Case Title: COMPULSORY POOLING, EDDY COUNTY, NEW EARL DEBRINE ON BEHALF OF EOG RESOURCES, INC Entries of Appearance/Intervenors: MYOX WELLS Formation/Pool BONE SPRING Formation Name(s) or Vertical Extent: Primary Product (Oil or Gas): OIL BONE SPRING Pooling this vertical extent: DELAWARE RIVER BS POOL (POOL CODE 16800) Pool Name and Pool Code: Well Location Setback Rules: STATEWIDE 320 AC Spacing Unit Size: Spacing Unit HORIZONTAL Type (Horizontal/Vertical) Size (Acres) 320 Building Blocks: QUARTER SECTION NORTH-SOUTH Orientation: W/2E/2 OF 530 & 31,T25 S,R28E, EDDY COUNTY, Description: TRS/County Standard Horizontal Well Spacing Unit (Y/N), If No, describe NM YES Other Situations Depth Severance: Y/N. If yes, description NO Proximity Tracts: If yes, description NO Proximity Defining Well: if yes, description EXHIBIT 1, ATTACHMENT B Applicant's Ownership in Each Tract Well(s) Name & API (if assigned), surface and bottom hole EXHIBIT 1, ATTACHMENT A location, footages, completion target, orientation, completion status (standard or non-standard) MYOX 31 STATE COME WELL NO. 502H, API NO. Well#1 PENDING SHL: 290 FSL AND 1335 FEL (UNIT O), 531-T255-RZ8E,NMPMBHL: 50 FNL AND 1814 FEL (UNIT B), S30-T25S-R28E, NMPM. COMPLETION TARGET: SECOND BONE SPRING AT APPROX 7750 TVD. WELL ORIENTATION SOUTH TO NORTH COMPLETION LOCATION EXPECTED TO BE STANDARD Well #2 EXHIBIT 1, ATTACHMENT A (C-102s) Horizontal Well First and Last Take Points EXHIBIT 2, ATTACHMENT G (X-SECTION) Completion Target (Formation, TVD and MD)

\$7000/MONTH

CASE NO. 20980 ORDER NO. R-21136

AFE Capex and Operating Costs

Drilling Supervision/Month \$

Production Supervision/Month \$	\$700/MONTH
Justification for Supervision Costs	EXHIBIT 1 (PARA. 12), ATTACHMENT C (AFES)
Requested Risk Charge	200%, SEE APPLICATION
Notice of Hearing	The second secon
Proposed Notice of Hearing	EXHIBIT 3
Proof of Mailed Notice of Hearing (20 days before he	aring EXHIBIT 3
Proof of Published Notice of Hearing (10 days before he	arin EXHIBIT 3
Ownership Determination	The second secon
Land Ownership Schematic of the Spacing Unit	EXH BIT 1, ATTACHMENT B
Tract List (including lease numbers and owners)	EXH BIT 1, ATTACHMENT B
Pooled Parties (including ownership type)	EXHIBIT 1, ATTACHMENT B
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage	And the state of t
above & below)	N/A
Joinder	1 -001-115 - 200 - 1-201
Sample Copy of Proposal Letter	EXHIBIT 1, ATTACHMENT C
List of Interest Owners (ie Exhibit A of JOA)	EXHIBIT 1, ATTACHMENT B
Chronology of Contact with Non-Joined Working Inter	A AND ADDROGRAM AND AN A COMMISSION AND A COMMISSION AND A COMMISSION AND ADDROGRAM AN
Overhead Rates In Proposal Letter	N/A
Cost Estimate to Drill and Complete	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate to Equip Well	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate for Production Facilities	EXHIBIT 1, ATTACHMENT C (AFES)
Geology	
Summary (including special considerations)	EXHIBIT 2
Spacing Unit Schematic	EXHIBIT 2, ATTACHMENT D
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	EXHIBIT 2
Target Formation	BONE SPRING
HSU Cross Section	EXHIBIT 2, ATTACHMENT G
Depth Severance Discussion	N/A
Forms, Figures and Tables	And the second s
C-102	EXHIBIT 1 ATTACHMENT A
Tracts	EXHIBIT 1 ATTACHMENT B
Summary of Interests, Unit Recapitulation (Tracts)	EXHIBIT 1 ATTACHMENT B
General Location Map (including basin)	EXHIBIT 1 ATTACHMENT B
Well Bore Location Map	EXHIBIT 2 ATTACHMENT D
Structure Contour Map - Subsea Depth	EXHIBIT 2 ATTACHMENT E
Cross Section Location Map (including wells)	EXHIBIT 2 ATTACHMENT F
Cross Section (including Landing Zone)	EXHIBIT 2 ATTACHMENT G
Additional Information	
	on provided in this checklist is complete and accurate
Printed Name (Attorney or Party Representative)	- A harmony programmy and a second confirmation in a continuous
Signed Name (Attorney or Party Representative):	Crear-Mands- by
Date:	1/1/20

CASE NO. 20980 ORDER NO. R-21136

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

IN THE	<b>MATTER</b>	OF APPI	<b>ICATION</b>	FOR
COMPU	LSORY P	OOLING	SUBMITT	ED BY
COGO	PERATING	LLC		

CASE NO.	20981		
ORDER NO.	R-21137		

## **ORDER**

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on January 9, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

## FINDINGS OF FACT

- 1. COG Operating LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- 3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

## CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- 9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

### ORDER

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

CASE NO. <u>20981</u> ORDER NO. R-21137

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- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

CASE NO. <u>20981</u> ORDER NO. <u>R-21137</u> Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the

CASE NO. <u>20981</u> ORDER NO. <u>R-21137</u>

Page 4 of 7

revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.* 

- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

Date: February 20, 2020

STATE OF NEW MEXICO OIL CONSERVATION/DIVISION

ADRIENNE SANDOVAL DIRECTOR

AS/jag

ORDER NO. <u>R-21137</u>

CASE NO. 20981

Page **5** of **7** 

ALL INFORMATION IN THE APPLICATION MUST	BE SUPPORTED BY SIGNED AFFIDAVITS
Case: 20981	APPLICANT'S RESPONSE
Date	January 9, 2020
Applicant	COG Operating LLC
Designated Operator & OGRID (affiliation if applicable)	229137
Applicant's Counsel:	Ocean Munds-Dry
Case Title:	APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW
Entries of Appearance/Intervenors: Well Family	EARL DEBRINE ON BEHALF OF EOG RESOURCES, IN
Formation/Pool	produce the second seco
Formation Name(s) or Vertical Extent:	BONE SPRING
Primary Product (Oil or Gas):	OIL
Pooling this vertical extent:	BONE SPRING
Pool Name and Pool Code:	DELAWARE RIVER BS POOL (POOL CODE 16800)
Well Location Setback Rules:	STATEWIDE
Spacing Unit Size:	320 AC
Spacing Unit	
Type (Horizontal/Vertical)	HORIZONTAL
Size (Acres)	1320
Building Blocks:	QUARTER SECTION
Orientation:	NORTH-SOUTH
Description: TRS/County	E/2W/2 OF S30 & 31,T255,R28E, EDDY COUNTY,
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	NM YES
Other Situations	
Depth Severance: Y/N. If yes, description	NO
Proximity Tracts: If yes, description	NO
Proximity Defining Well: if yes, description	NO
Applicant's Ownership in Each Tract	EXHIBIT 1, ATTACHMENT B
Weil(s)	The same of the sa
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status	EXHIBIT 1, ATTACHMENT A
(standard or non-standard)	
Well #1	MYOX 31 STATE COME WELL NO 503H, APINO. PENDING. SHL: 270 FSL AND 1420 FWL (UNIT N), \$31- T25S-R28E,NMPM BHL: 50 FNL AND 2228 FWL (UNIT C),
	S30-T255-R28E, NMPM. COMPLETION TARGET: SECOND BONE SPRING AT APPROX 7750 TVD. WELL ORIENTATION SOUTH TO NORTH. COMPLETION
	LOCATION EXPECTED TO BE STANDARD
Well #2	EXHIBIT 1, ATTACHMENT A (C-102s)
Horizontal Well First and Last Take Points  Completion Target (Formation, TVD and MD)	EXHIBIT 2, ATTACHMENT G (X-SECTION)
AFE Capex and Operating Costs	
Orilling Supervision/Month S	\$7000/MONTH

CASE NO. 20981 ORDER NO. R-21137

Production Supervision/Month \$	5700/MONTH
Justification for Supervision Costs	EXHIBIT 1 (PARA 12), ATTACHMENT C (AFES)
Requested Risk Charge	200%, SEE APPLICATION
Notice of Hearing	and the second s
Proposed Notice of Hearing	EXHIBIT 3
Proof of Mailed Notice of Hearing (20 days before hearing)	EXHIBIT 3
Proof of Published Notice of Hearing (10 days before hearing)	EXHIBIT 3
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	EXHIBIT 1, ATTACHMENT B
Tract List (including lease numbers and owners)	EXHIBIT 1, ATTACHMENT 8
Pooled Parties (including ownership type)	EXHIBIT 1, ATTACHMENT B
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above &	
below)	N/A
loinder	The second secon
Sample Copy of Proposal Letter	EXHIBIT 1, ATTACHMEN' C
List of Interest Owners (ie Exhibit A of IOA)	
Chronology of Contact with Non-Joined Working Interests	EXHIBIT 1, ATTACHMENT B  EXHIBIT 1 (PARA: 11 & 13), ATTACHMENT C
The state of the s	* ***
Overhead Rates In Proposal Letter	N/A
Cost Estimate to Drill and Complete	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate to Equip Well	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate for Production Facilities	EXHIBIT 1, ATTACHMENT C (AFES)
Geology Summary (including special considerations)	EXHIBIT 2
	EXHIBIT 2, ATTACHMENT D
Spacing Unit Schematic	N/A
Gunbarrel/Lateral Trajectory Schematic	
Well Orientation (with rationale)	EXHIBIT 2
Target Formation	BONE SPRING
HSU Cross Section	EXHIBIT 2, ATTACHMENT G
Depth Severance Discussion	N/A
Forms, Figures and Tables	· · · · · · · · · · · · · · · · · · ·
C-102	EXHIBIT 1, ATTACHMENT A
Tracts	EXHIBIT 1, ATTACHMENT B
Summary of Interests, Unit Recapitulation (Tracts)	EXHIBIT 1, ATTACHMENT B
General Location Map (including basin)	EXHIBIT 1, ATTACHMENT B
Well Bore Location Map	EXHIBIT 2, ATTACHMENT D
Structure Contour Map - Subsea Depth	EXHIBIT 2, ATTACHMENT E
Cross Section Location Map (including wells)	EXHIBIT 2, ATTACHMENT F
Cross Section (including Landing Zone)	EXHIBIT 2, ATTACHMENT G
Additional Information	
CERTIFICATION: I hereby certify that the information pro-	vided in this checklist is complete and accurate.
and the second of the second o	T
Printed Name (Attorney or Party Representative):	Wrean Irlunds Ury
Signed Name (Attorney or Party Representative):	Ocean Munds Dry DCEANMunds logg
Date:	18/20

CASE NO. 20981 ORDER NO. R-21137



February 24, 2020

Via CMRRR No. 9489 0090 0027 6155 1659 97 EOG Resources Inc. 5509 Champions Drive Midland, TX 79706

Attn: Land Manager

Re: Well Proposal Under Order No. R-21137

Myox 31 State Com 503H

E/2W/2 of Sections 30 & 31, T25S-R28E

Eddy County, New Mexico

Dear Sir or Madam:

COG Operating, LLC ("COG") hereby previously proposed and now hereby propose the following horizontal wells with productive laterals located in the E/2W/2 of Sections 30 and 31, T25S-R28E, Eddy County, New Mexico, under Compulsory Pooling Order No. as described above.

Myox 31 State Com 503H, to be drilled to a depth sufficient to test the Bone Spring formation at
a total vertical depth of 8,000' and total measured depth of 18,000'. The surface location is
proposed at a legal location in Unit N of Section 31, T25S-R28E, and the bottom hole location at a
legal location in Unit C of Section 30, T25S-R28E. The dedicated project area will be the E2W2 of
Sections 30 and 31, T25S-R28E, Eddy County, New Mexico. The total estimated cost to drill and
complete said well is \$9,213,600.00, as shown on the attached Authority for Expenditure ("AFE").

As stated, COG has received a Compulsory Pooling order for the captioned lands, which I have enclosed for your review. Your interest in these lands has been pooled under the terms of the Orders. Pursuant to the Orders, if you wish to participate in the Operations described above, please indicate so in the space provided below, and sign and return the enclosed AFE within 30 days of receipt of this correspondence, along with a check for your proportionate share of the above proposed well costs payable to COG Operating LLC within 30 days of election. Our records credit EOG Resources Inc., with an estimated 13.418669% working interest (subject to review by a title attorney) which makes your estimated cost to participate in the 503H well \$1,236,342.49. Please indicate your election in the space provided below.

In the meantime, should you have any questions, please do not hesitate to contact me at 432.221.0452 or tmacha@concho.com.

Sincerely,

**COG Operating LLC** 

Travis Macha

One Concho Center | 600 West Illinois Avenue | Midland, Texas 79701 | P 432.683.7443 | F 432.683.7441

TM:bh Enc

WELL	ELECT TO PARTICIPATE IN THE	ELECT not TO PARTICIPATE IN
	DRILLING AND COMPLETION	THE DRILLING AND
		COMPLETION
Myox 31 State Com 503H		

## EOG Resources, Inc.

Ву:	
Name:	
Title: _	
Date:	

Well Name SHL BHL Formation Legal AFE Number MYOX 31 ST COM 503H 31: 270 FSL, 1420 FWL OR UNIT N 30: 50 FML, 1980 FWL OR UNIT C 2ND BONE SPRING 30 & 31, T255-R28E

Cost Description	Code	PreSpud (PS)	Drilling (DR)	Completions (C)	Tank Bity Constrctn(TB)	Pmpg Equip (PEQ)	Revision	Tota
Tangible Costs								
D-Surface Casing	401		\$15,900.00		T		\$0.00	\$15,900.00
D-Intermed Csg	402		\$87,700.00				\$0.00	\$87,700.00
D-Production Casing/Liner	403		\$265,600.00				\$0.00	\$265,600.00
D-Wellhead Equip	405		\$42,600.00				\$0.00	\$42,600.00
C-Tubing	504			\$24,300.00			\$0.00	\$24,300.00
C-Wellhead Equip	505			\$13,900.00			\$0.00	\$13,900.00
PEQ-Pumping Unit	506						\$0.00	\$0.00
PEQ-Rods	508						\$0.00	\$0.00
TB-Tanks	510				\$84,300.00		\$0.00	\$84,300.00
TB-Flowlines/Pipelines	511			,	\$77,200.00		\$0.00	\$77,200.00
TB-Htr Trtr/Seprtr	512				\$189,600.00		\$0.00	\$189,600.00
TB-Electrical System/Equipment	513				\$126,400.00		\$0.00	\$126,400.00
C-Pckrs/Anchors/Hgrs	514			\$34,000.00			\$0.00	\$34,000.00
TB-Couplings/Fittings/Valves	515				\$189,600.00		\$0.00	\$189,600.00
TB-Gas Lift/Compression	516				\$133,400.00		\$0.00	\$133,400.00
TB-Pumps-Surface	521				\$19,700.00		\$0.00	\$19,700.00
TB-Meters/Lacts	525				\$24,600.00		\$0.00	\$24,600.00
TB-Flares/Combusters/Emission	526				\$24,600.00		\$0.00	\$24,600.00
C-Gas Lift/Compression	527			\$8,300.00			\$0.00	\$8,300.00
PEQ-Instrumentation/SCADA/POC	529					\$7,100.00	\$0.00	\$7,100.00
PEQ-Tubing	530					\$5,000.00	\$0.00	\$5,000.00
PEQ-Wellhead Equipment	531					\$3,000.00	\$0.00	\$3,000.00
PEQ-Pumps	532					\$5,000.00	\$0.00	\$5,000.00
PEQ-Electrical System	533					\$15,100.00	\$0.00	\$15,100.00
PEQ-Packers/Anchors/Hangers	534					\$70,500.00	\$0.00	\$70,500.00
PEQ-Miscellaneous	535					\$3,000.00	\$0.00	\$3,000.00
Total Tangible Costs		\$0.00	\$411,800.00	\$80,500.00	\$869,400.00	\$108,700.00	\$0.00	\$1,470,400.00
Intangible Costs								
P5-Title/Permits	201	\$6,100.00					\$0.00	\$6,100.00
D-Insurance	202	\$1,700.00					\$0.00	\$1,700.00
PS-Damages/ROW	203	\$10,100.00					\$0.00	\$10,100.00
PS-Survey/Stake Lctn	204	\$700.00					\$0.00	\$700.00
O-Lctn/Pits/Roads	205		\$86,800.00				\$0.00	\$86,800.00

PEQ-Packers/Anchors/Hangers	534					\$70,500.00	\$0.00	\$70,500.0
PEQ-Miscellaneous	535					\$3,000,00		\$3,000.00
Total Tangible Costs		\$0.00	\$411,800.00	\$80,500.00	\$869,400.00	\$108,700.00	\$0.00	\$1,470,400.0
Intangible Costs								
P5-Title/Permits	201	\$6,100.00		I	1	1	\$0.00	\$6,100.00
D-Insurance	202	\$1,700.00				-	\$0.00	\$1,700.00
PS-Damages/ROW	202	\$10,100.00					\$0.00	\$10,100.00
PS-Survey/Stake Lctn	204	\$700.00					\$0.00	\$700.00
D-Lctn/Pits/Roads	205	\$700.00	\$86,800.00				\$0.00	\$86,800.00
D-Drilling Overhead	206		\$5,000.00				\$0.00	\$5,000.00
D-Daywork Contract	200		\$581,800.00				\$0.00	\$581,800.00
D-Directional Drlg Services	210		\$246,900.00				\$0.00	\$246,900.00
D-fuel & Power	+		\$139,200.00				\$0.00	\$139,200.00
D-Water	211		\$32,300.00				\$0.00	\$139,200.00
D-Bits	213		\$65,200.00				\$0.00	\$65,200.00
D-Mud & Chemicals	213		\$156,100.00				\$0.00	\$156,100.00
D-Cement Surface	214		\$12,800.00				\$0.00	\$12,800.00
			\$59,900.00				\$0.00	\$59,900.00
D-Cement Intermed	218							
D-Prod-2nd Int Cmt	219		\$65,200.00				\$0.00	\$65,200.00
D-Float Equipment & Centralizers	221		\$50,400.00				\$0.00	\$50,400.00
D-Csg Crews & Equip	222		\$33,000.00				\$0.00	\$33,000.00
D-Contract Labor	225		\$10,100.00				\$0.00	\$10,100.00
D-Company Sprvsn	226		\$40,400.00				\$0.00	\$40,400.00
D-Contract Sprvsn	227		\$65,200.00				\$0.00	\$65,200.00
D-Tstg Csg/Tbg	228		\$33,000.00				\$0.00	\$33,000.00
D-Mud Logging Unit	229		\$21,500.00				\$0.00	\$21,500.00
D-Perf/Wireline Svc	231		\$2,700.00				\$0.00	\$2,700.00
D-Rentals-Surface	235		\$173,500.00				\$0.00	\$173,500.00
D-Rentals-Subsrfc	236		\$149,300.00				\$0.00	\$149,300.00
D-Trucking/Forklift/Rig Mob	237		\$113,700.00			***************************************	\$0.00	\$113,700.00
D-Welding Services	238		\$3,400.00				\$0.00	\$3,400.00
D-Contingency	243		\$41,700.00				\$0.00	\$41,700.00
D-Envrnmtl/Clsd Loop	244		\$233,400.00				\$0.00	\$233,400.00
C-Lctn/Pits/Roads	305			\$4,900.00			\$0.00	\$4,900.00
C-Frac Equipment	307			\$900,300.00			\$0.00	\$900,300.00
C-Frac Chemicals	308			\$548,500.00			\$0.00	\$548,500.00
C-Frac Proppant	309			\$853,500.00			\$0.00	\$853,500.00
C-Frac Proppant Transportation	310			\$133,300.00			\$0.00	\$133,300.00
C-Fuel & Power	311			\$8,400.00			\$0.00	\$8,400.00
C-Water	312			\$646,200.00			\$0.00	\$646,200.00
C-Bits	313			\$9,800.00			\$0.00	\$9,800.00
C-Mud & Chemicals	314			\$18,100.00			\$0.00	\$18,100.00
C-Contract Labor	325			\$9,800.00			\$0.00	\$9,800.00
C-Company Sprvsn	326			\$15,400.00			\$0.00	\$15,400.00
C-Contract Sprvsn	327			\$210,800.00			\$0.00	\$210,800.00
C-Tstg Csg/Tbg	328			\$2,800.00			\$0.00	\$2,800.00
C-Perf/Wireline Svc	331			\$361,500.00			\$0.00	\$361,500.00
C-Stimulation/Treating	332			\$6,300.00			\$0.00	\$6,300.00
-Completion Unit	333			\$31,400.00			\$0.00	\$31,400.00
-Rentals-Surface	335	~~~		\$240,800.00			\$0.00	\$240,800.00
-Rentals-Subsrfc	336			\$34,200.00			\$0.00	\$34,200.00
-Trucking/Forklift/Rig Mob	337			\$11,200.00			\$0.00	\$11,200.00
-Welding Services	338			\$2,800.00			\$0.00	\$2,800.00
-Water Disposal	339			\$31,400.00			\$0.00	\$31,400.00
-Contingency	343			\$203,100.00			\$0.00	\$203,100.00
-Envrnmtl/Clsd Loop	344			\$2,800.00			\$0.00	\$2,800.00
-Oyed Diesel	345			\$335,700.00			\$0.00	\$335,700.00
-Coil Tubing	346			\$318,900.00			\$0.00	\$318,900.00
-Flowback Crews & Equip	347			\$32,100.00			\$0.00	\$32,100.00
B-Location/Pits/Roads	353				\$61,400.00		\$0.00	\$61,400.00
B-Contract Labor	356				\$148,000.00		\$0.00	\$148,000.00
B-Water Disposal	362				\$87,700.00		\$0.00	\$87,700.00
EQ-Contract Labor	374					\$5,500.00	\$0.00	\$5,500.00
EQ-Contract Supervision	376					\$5,000.00	\$0.00	\$5,000.00
EQ-Completion Unit	381					\$10,500.00	\$0.00	\$10,500.00
EQ-Rentals-Surface	383					\$7,000.00	\$0.00	\$7,000.00
EQ-Trkg/Forklift/Rig Mobilization	385					\$3,000.00	\$0.00	\$3,000.00
otal Intangible Costs		*************	\$2,422,500.00	\$4,974,000.00	\$297,100.00	\$31,000.00	\$0.00	\$7,743,200.00

Total Gross Cost \$18,600.00 \$2,834,300.00 \$5,054,500.00 \$1,166,500.00 \$139,700.00 \$0.00 \$9,213,600.00 Note: The above costs are estimates only. Actual costs will be billed as incurred. Total Gross Cost COG Operating LLC Ву: COG Operating LLC We approve: % Working Interest Company: By: This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

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

IN THE MATTER OF APPLICATION FO	)R
COMPULSORY POOLING SUBMITTEI	) B\
COG OPERATING LLC	

CASE NO.	20981
ORDER NO.	R-21137

### ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on January 9, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

## FINDINGS OF FACT

- 1. COG Operating LLC ("Operator") submitted an application ("Application") to compulsory pool the uncommitted oil and gas interests within the spacing unit ("Unit") described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
- 2. Operator will dedicate the well(s) described in Exhibit A ("Well(s)") to the Unit.
- Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
- 4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
- 5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

## CONCLUSIONS OF LAW

- 6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978. Section 70-2-17.
- 7. Operator is the owner of an oil and gas working interest within the Unit.
- 8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
- OCD satisfied the notice requirements for the hearing as required by 19.15.4.9
   NMAC.
- 10. Operator has the right to drill the Well(s) to a common source of supply at the described depth(s) and location(s) in the Unit.
- 11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
- 12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
- 13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
- 14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

## ORDER

- 15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
- 16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
- 17. Operator is designated as operator of the Unit and the Well(s).
- 18. If the Surface Location or Bottom Hole Location of a well is changed from the location described in Exhibit A, Operator shall submit an amended Exhibit A, which the Division shall append to this Order.
- 19. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location before commencing production of the well.

CASE NO. <u>20981</u> ORDER NO. <u>R-21137</u>

Page **2** of **7** 

- 20. The Operator shall commence drilling the initial well within one (1) year after the date of this Order; and (b) for an infill well, no later than thirty (30) days after completion of the well.
- 21. Operator shall comply with the infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC.
- 22. This Order shall terminate automatically if Operator fails to comply with Paragraphs 20 or 21.
- 23. Operator shall submit to OCD and each owner of a working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs") no later than: (a) for an initial well, no later than thirty (30) days after the date of this Order; (b) for an infill well proposed by Operator, no later than (30) days after the later of the initial notice period pursuant to 19.15.13.10(B) NMAC or the extension granted by the OCD Director pursuant 19.15.13.10(D) NMAC; or (c) for an infill well proposed by an owner of a Pooled Working Interest, no later than thirty (30) days after expiration of the last action required by 19.15.13.11 NMAC.
- 24. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
- 25. No later than within one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
- 26. No later than sixty (60) days after the later of the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well

CASE NO. 20981 ORDER NO. R-21137 Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.

- 27. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
- 28. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
- 29. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
- 30. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the

CASE NO. <u>20981</u> ORDER NO. <u>R-21137</u> revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.* 

- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

Date: <u>February 20, 2020</u>

STATE OF NEW MEXICO OIL CONSERVATION/DIVISION

ADRIENNE SANDOVAL DIRECTOR

AS/jag

CASE NO. 20981 ORDER NO. R-21137

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ALL INFORMATION IN THE APPLICATION MUST	BE SUPPORTED BY SIGNED AFFIDAVITS
Case: 20981	APPLICANT'S RESPONSE
Date	January 9, 2020
Applicant	COG Operating LLC
Designated Operator & OGRID (affiliation if applicable)	229137
Applicant's Counsel:	Ocean Munds-Dry
Case Title:	APPLICATION OF COG OPERATING LLC FOR COMPULSORY POOLING, EDDY COUNTY, NEW
Entries of Appearance/Intervenors Well Family	EARL DEBRINE ON BEHALF OF EOG RESOURCES, IN
formation/Pool	
Formation Name(s) or Vertical Extent:	BONE SPRING
Primary Product (Oil or Gas):	OIL
Pooling this vertical extent:	BONE SPRING
Pool Name and Pool Code:	DELAWARE RIVER BS POOL (POOL CODE 16800)
Well Location Setback Rules:	STATEWIDE
Spacing Unit Size:	320 AC
Spa ding Unit	1
Type (Horizontal/Vertical)	HORIZONTAL
Size (Acres)	320
Building Blocks:	QUARTER SECTION
Orientation:	NORTH-SOUTH
Description: TRS/County	E/2W/2 OF 530 & 31,T255,R28E, EDDY COUNTY,
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	NM YES
Other Situations	
Depth Severance: Y/N. If yes, description	NO
Proximity Tracts: If yes, description	NO
Proximity Defining Well: if yes, description	NO
Applicant's Ownership in Each Tract	EXHIBIT 1, ATTACHMENT B
Well(s)	w
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	EXHIBIT 1, ATTACHMENT A
Well #1	MYOX 31 STATE COME WELL NO 503H, APINO.
	PENDING, SHL: 270 FSL AND 1420 FWL (UNIT N), S31
	T25S-R28E,NMPM BHL: 50 FNL AND 2228 FWL (UNIT C), S30-T25S-R28E, NMPM. COMPLETION TARGET: SECOND
	BONE SPRING AT APPROX 7750 TVD. WELL
	ORIENTATION SOUTH TO NORTH, COMPLETION
	LOCATION EXPECTED TO BE STANDARD
Well #2	
Horizontal Well First and Last Take Points	EXHIBIT 1, ATTACHMENT A (C-102s)
Completion Target (Formation, TVD and MD)	EXHIBIT 2, ATTACHMENT G (X-SECTION)
AFE Capex and Operating Costs	
Orilling Supervision/Month \$	\$7000/MONTH

CASE NO. <u>20981</u> ORDER NO. <u>R-21137</u>

Problemstranderspace international and problems and a second and a sec	CONTRACTOR OF THE CONTRACTOR O
Production Supervision/Month \$	\$700/MONTH
Justification for Supervision Costs	EXHIBIT 1 (PARA. 12), ATTACHMENT C (AFES)
Requested Risk Charge	200%, SEE APPLICATION
Notice of Hearing	The second secon
Proposed Notice of Hearing	EXHIBIT 3
Proof of Mailed Notice of Hearing (20 days before hearing)	EXHIBIT 3
Proof of Published Notice of Hearing (10 days before hearing) Ownership Determination	EXHIBIT 3
Land Ownership Schematic of the Spacing Unit	EXHIBIT 1, ATTACHMENT B
Tract List (including lease numbers and owners)	EXHIBIT 1, ATTACHMENT B
Pooled Parties (including ownership type)	EXHIBIT 1, ATTACHMENT B
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above &	
below)	N/A
Joinder	THE PERSON OF TH
Sample Copy of Proposal Letter	EXHIBIT 1, ATTACHMEN' C
List of Interest Owners (ie Exhibit A of JOA)	EXHIBIT 1, ATTACHMEN" 8
Chronology of Contact with Non-Joined Working Interests	EXHIBIT 1 (PARA. 11 & 13), ATTACHMENT C
Overhead Rates In Proposal Letter	N/A
Cost Estimate to Drill and Complete	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate to Equip Well	EXHIBIT 1, ATTACHMENT C (AFES)
Cost Estimate for Production Facilities	EXHIBIT 1, ATTACHMENT C (AFES)
Geology	The state of the s
Summary (including special considerations)	EXHIBIT 2
Spacing Unit Schematic	EXHIBIT 2, ATTACHMENT O
Gunbarrel/Lateral Trajectory Schematic	N/A
Well Orientation (with rationale)	EXHIBIT 2
Target Formation	BONE SPRING
HSU Cross Section	EXHIBIT 2, ATTACHMENT G
Depth Severance Discussion	N/A
Forms, Figures and Tables	4.5
C-102	EXHIBIT 1, ATTACHMENT A
Tracts	EXHIBIT 1, ATTACHMENT B
Summary of Interests, Unit Recapitulation (Tracts)	EXHIBIT 1, ATTACHMENT B
General Location Map (including basin)	EXHIBIT 1, ATTACHMENT B
Well Bore Location Map	EXHIBIT 2, ATTACHMENT D
Structure Contour Map - Subsea Depth	EXHIBIT 2, ATTACHMENT E
Cross Section Location Map (including wells)	EXHIBIT 2, ATTACHMENT F
Cross Section (including Landing Zone)	EXHIBIT 2, ATTACHMENT G
Additional Information	
CERTIFICATION: I hereby certify that the information pro-	vided in this checklist is complete and accurate.
Printed Name (Attorney or Party Representative):	Ocean Munds Dris
Signed Name (Attorney or Party Representative):	Ocean Munds Dry
Date:	1 1/20
V01C+	