

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

**APPLICATIONS OF CIMAREX ENERGY CO.
FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, LEA COUNTY, NEW MEXICO**

Case Nos. 23448, 23449, 23450 & 23451

PREHEARING STATEMENT

Cimarex Energy Co., (“Cimarex”), OGRID No. 215099, through its undersigned attorneys, submits the following Prehearing Statement pursuant to the rules of the Oil Conservation Division (“Division”) for the above referenced Cases which are consolidated with the Case Nos. 23452-23455, 23594 – 23601 and 23508 – 23523 for a contested hearing pursuant to that certain “Further Amended Pre-Hearing Order” issued on June 8, 2023. This Prehearing Statement describes Cimarex’s Case Nos. 23448 - 23451, which propose to pool the Bone Spring formation underlying Sections 5 and 8, in Township 20 South, Range 34 East, NMPM, Lea County (“Subject Lands”) and which compete directly against Case Nos. 23516 – 23519 filed by Read & Stevens, Inc., in association with Permian Resources Operating, LLC (collectively referred to herein as “Permian Resources”) which also propose to pool the Bone Spring formation underlying the Subject Lands.

APPEARANCES

APPLICANT

Cimarex Energy Co.

ATTORNEY

Darin C. Savage
Andrew D. Schill
William E. Zimsky
Abadie & Schill, PC
214 McKenzie Street
Santa Fe, New Mexico 87501
Telephone: 970.385.4401
Facsimile: 970.385.4901

darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com

COMPETING PARTY

Read & Stevens, Inc., in association
with Permian Resources Operating, LLC

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Paula M. Vance
Holland & Hart LLP
Post Office Box 2208
Santa Fe, NM 87504
505-988-4421
Facsimile: 505-983-6043
mfeldewert@hollandhart.com
agrankin@hollandhart.com
jbroggi@hollandhart.com
pmvance@hollandhart.com

ADDITIONAL PARTIES

Sandstone Properties, LLC

Sealy Cavin, Jr.
Scott S. Morgan
Brandon D. Hajny
P.O. Box 1216
Albuquerque, NM 87103
505-243-5400
scavin@cilawnm.com
smorgan@cilawnm.com
bhajny@cilawnm.com

Northern Oil and Gas, Inc.

Blake C. Jones
Steptoe & Johnson PLLC
1780 Hughes Landing Blvd., Ste 750
The Woodlands, TX 77380
281-203-5730
Facsimile: 281-203-5701
blake.jones@steptoe-johnson.com

APPLICANT'S STATEMENT OF THE CASES

Cimarex provides this Prehearing Statement to provide a summary of Case Nos. 23448, 23449, 23450 and 23451. These four cases seek to develop the Bone Spring formation in the Subject Lands (i.e., Sections 5 and 8), and these cases are grouped and organized in a logical manner to present to the Division an intelligible overview of the cases that can be readily followed.

In Case No. 23448, Cimarex seeks an order pooling all uncommitted mineral interests in the Bone Spring formation, more specifically, from a stratigraphic equivalent of 9,373 feet (that being the top of 1st Bone Spring) in the Quail Ridge; Bone Spring formation [Pool Code 50460], a depth as defined on the log for the Hudson Federal #1 Well (API No. 30-025-32819), to a stratigraphic equivalent of 10,845 feet, as defined by same Well, that being the base of the Bone Spring formation, designated as an oil pool, underlying a standard 320.09-acre, more or less, spacing and proration unit comprised of Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 5 and the E/2 E/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Cimarex proposes and dedicates to the unit the **Mighty Pheasant 5-8 Fed Com 204H Well** and the **Mighty Pheasant 5-8 Fed Com 304H Well**, as the initial wells, to be drilled to a sufficient depth to test the Bone Spring formation. The proposed wells are orthodox in their locations, and the take points and completed intervals comply with setback requirements under statewide rules.

In Case No. 23449, Cimarex seeks an order pooling all uncommitted mineral interests in the Bone Spring formation, more specifically, from a stratigraphic equivalent of 9,373 feet (that being the top of 1st Bone Spring) in the Quail Ridge; Bone Spring formation [Pool Code 50460], a depth as defined on the log for the Hudson Federal #1 Well (API No. 30-025-32819), to a stratigraphic equivalent of 10,845 feet, as defined by same Well, that being the base of the Bone

Spring formation, designated as an oil pool, underlying a standard 320.01-acre, more or less, spacing and proration unit comprised of Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 5 and the W/2 W/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Cimarex proposes and dedicates to the unit the **Mighty Pheasant 5-8 Fed Com 301H Well**, as the initial well, to be drilled to a sufficient depth to test the Bone Spring formation. The proposed well is orthodox in its location, and the take points and completed interval comply with setback requirements under statewide rules.

In Case No. 23450, Cimarex seeks an order pooling all uncommitted mineral interests in the Bone Spring formation, more specifically, from a stratigraphic equivalent of 9,373 feet (that being the top of 1st Bone Spring) in the Quail Ridge; Bone Spring formation [Pool Code 50460], a depth as defined on the log for the Hudson Federal #1 Well (API No. 30-025-32819), to a stratigraphic equivalent of 10,845 feet, as defined by same Well, that being the base of the Bone Spring formation, designated as an oil pool, underlying a standard 320.04-acre, more or less, spacing and proration unit comprised of Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Cimarex proposes and dedicates to the unit the **Mighty Pheasant 5-8 Fed Com 302H Well**, as the initial well, to be drilled to a sufficient depth to test the Bone Spring formation. The proposed well is orthodox in its location, and the take points and completed interval comply with setback requirements under statewide rules.

In Case No. 23451, Cimarex seeks an order pooling all uncommitted mineral interests in the Bone Spring formation, more specifically, from a stratigraphic equivalent of 9,373 feet (that being the top of 1st Bone Spring) in the Quail Ridge; Bone Spring formation [Pool Code 50460], a depth as defined on the log for the Hudson Federal #1 Well (API No. 30-025-32819), to a

stratigraphic equivalent of 10,845 feet, as defined by same Well, that being the base of the Bone Spring formation, designated as an oil pool, underlying a standard 320.06-acre, more or less, spacing and proration unit comprised of Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Cimarex proposes and dedicates to the unit the **Mighty Pheasant 5-8 Fed Com 303H Well**, as the initial well, to be drilled to a sufficient depth to test the Bone Spring formation. The proposed well is orthodox in its location, and the take points and completed interval comply with setback requirements under statewide rules.

Cimarex's four cases described herein and its plans for development compete directly with Case Nos. 23516, 23517, 23518, and 23519 filed by Permian Resources for the Subject Lands. In Case No. 23516, Permian Resources seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, spacing and proration unit comprised of Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 5 and the W/2 W/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, dedicating the Joker 5-8 Federal Com 111H, 121H, 122H, 171H, and 131H wells to said unit.

In Case No. 23517, Permian Resources seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, spacing and proration unit comprised of Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 5 and the E/2 W/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, dedicating the Joker 5-8 Federal Com 112H, 123H, 124H, 172H, and 132H wells to said unit.

In Case No. 23518, Permian Resources seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, spacing and proration unit

comprised of Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 5 and the W/2 E/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, dedicating the Joker 5-8 Federal Com 113H, 125H, 126H, 173H, and 133H wells to said unit.

In Case No. 23519, Permian Resources seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, spacing and proration unit comprised of Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 5 and the E/2 E/2 of Section 8, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, dedicating the Joker 5-8 Federal Com 114H, 127H, 128H, 174H, and 134H wells to said unit.

APPLICANT'S PROPOSED EVIDENCE AND WITNESS QUALIFICATIONS

WITNESS	ESTIMATED TIME	EXHIBITS
Landman: John Coffman Qualifications: I graduated in 2018 from Texas Tech University with a bachelor's degree in Business Administration with an emphasis on Energy Commerce. I have worked at Cimarex for approximately 4 years, and I have been working in New Mexico for 4 years. My credentials as an expert witness in petroleum land matters have been accepted by the Division and made a matter of record.	Approx. 45 min	Approx. 9
Geologist: Staci Meuller Qualifications: I have a Bachelor of Science Degree in Geophysical Engineering from Colorado School of Mines, and a Master of Science Degree in Geophysics from Colorado School of Mines. I have worked on New Mexico Oil and Gas matters since July 2018. My credentials as an expert witness in geology have been accepted by the Division and made a matter of record.	Approx. 45 min	Approx. 21
Reservoir Engineer: Eddie Behm Qualifications: I attended the University of Tulsa and graduated with a bachelor's in petroleum engineering in 2011. I have worked for Occidental, California Resources prior to working for Cimarex and have been employed as a Production and Reservoir engineer for Cimarex for the last 6 years, working in the Delaware Basin with a primary focus on Lea County, New Mexico. I have previously testified before the Division as an expert reservoir engineer, and my credentials have been accepted of record.	Approx. 45 minutes	Approx. 17

Facilities Engineer: Calvin Boyle Available for questions (15 min) Approx. 1
Qualifications: I attended the University of Oklahoma and graduated with a bachelor's in petroleum engineering in 2016 followed by Oklahoma State University where I graduated with a Master of Business Administration in 2018. I worked for Halliburton prior to working for Cimarex Energy Co. ("Cimarex") and have been employed as a Field, Production, and Facilities engineer for Cimarex for the last 4 years, working in the Delaware Basin with a primary focus on Lea County, New Mexico. I am familiar with the subject applications filed in the above-referenced Cases and the engineering involved. I have not testified previously before the Division and am providing a one-page resume.

LIST OF MATERIAL FACTS NOT IN DISPUTE

Parties are in general agreement that the Bone Spring formation underlying the Subject Lands would be productive if developed and should be developed; however, there are factual differences regarding the best way to achieve optimum development and productivity of the Bone Spring.

LIST OF DISPUTED FACTS AND ISSUES

The central issue in Cimarex's Case Nos. 23448-23451 and Permian Resources' competing Case Nos. 23516 – 23519 is which party should be the designated operator for the Bone Spring formation in the Subject Lands. In addition, there are specific disagreements between the parties regarding (1) the number of wells that should be used to develop the Bone Spring, (2) the depths and spacing of the wells, (3) the costs of developing the Bone Spring underlying the Subject Lands; and (4) a dispute about whether the Upper Wolfcamp should be drilled and developed (Cimarex asserts that the drilling of the Upper Wolfcamp would result in waste and harm to correlative rights and should not be done; while Permian Resources proposes to drill the Upper Wolfcamp).

PROCEDURAL MATTERS

This contested hearing includes Cimarex's Case Nos. 23448-23451 and Permian Resources' competing applications in Case Nos. 23516 – 23519, as described herein, but the

hearing also includes numerous additional cases for the Bone Spring in Sections 4 and 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, and consideration of whether to drill the Wolfcamp formation. In all, the Division will need to review and consider 32 cases addressing both the Bone Spring and Wolfcamp in Sections 5 and 8 and Sections 4 and 9, all in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. The Prehearing Statements submitted in these matters, three Prehearing Statements in all, are organized in an effort to provide a manageable approach to reviewing the cases by addressing (1) the 8 competing cases in the Bone Spring for Sections 5 and 8; (2) the 8 competing cases in the Bone Spring for Sections 4 and 9; and finally (3) the status of the competing cases filed for the Wolfcamp formation in both Sections 4 and 9 and Sections 5 and 8.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

Andrew D. Schill
William E. Zimsky
214 McKenzie Street
Santa Fe, New Mexico 87501
Telephone: 970.385.4401
Facsimile: 970.385.4901
darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com

Attorneys for Cimarex Energy Co.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico Oil Conservation Division and was served on counsel of record via electronic mail on July 13, 2023:

Michael H. Feldewert – mfeldewert@hollandhart.com
Adam G. Rankin – agrankin@hollandhart.com
Julia Broggi – jbroggi@hollandhart.com
Paula M. Vance – pmvance@hollandhart.com

*Attorneys for Read & Stevens, Inc.;
and Permian Resources Operating, LLC*

Blake C. Jones – blake.jones@steptoe-johnson.com

Attorney for Northern Oil and Gas, Inc.

Sealy Cavin, Jr. – scavin@cilawnm.com
Scott S. Morgan – smorgan@cilawnm.com
Brandon D. Hajny – bhajny@cilawnm.com

Attorneys for Sandstone Properties, LLC

/s/ Darin C. Savage

Darin C. Savage

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 240053

QUESTIONS

Operator: CIMAREX ENERGY CO. 6001 Deauville Blvd Midland, TX 79706	OGRID: 215099
	Action Number: 240053
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	4
Testimony time (in minutes)	48