

**-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. 23448-23455**

**APPLICATIONS OF CIMAREX ENERGY CO.  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO**

**CASE NOS. 23594-23601**

**APPLICATIONS OF READ & STEVENS, INC.  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**CASE NOS. 23508-23523**

**READ & STEVENS, INC'S CONSOLIDATED PRE-HEARING STATEMENT**

Read & Stevens, Inc ("Read & Stevens" or "Applicant"), the applicant in the above-Case Nos. 23508-23523, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division and the governing Amended Prehearing Order.

**APPEARANCES**

**APPLICANT**

Read & Stevens, Inc.  
Permian Resources Operating, LLC

**ATTORNEY**

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

**OPPOSING PARTY**

Cimarex Energy Co.

**ATTORNEY**

Darin C. Savage  
Andrew D. Schill  
William E. Zimsky  
Abadie & Schill PC  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
darin@abadieschill.com  
andrew@abadieschill.com  
bill@abadieschill.com

**OTHER PARTIES**

Northern Oil and Gas, Inc.

**ATTORNEY**

Blake C. Jones  
1780 Hughes Landing Blvd., Suite 750  
The Woodlands, TX 77380  
Steptoe & Johnson PLLC  
blake.jones@steptoe-johnson.com

Sandstone Properties, LLC

Sealy Cavin, Jr.  
Scott S. Morgan  
Brandon D. Hajny  
Cavin & Ingram, P.A.  
P.O. Box 1216  
Albuquerque, NM 87103  
(504) 243-5400  
scavin@cilawnm.com  
smorgan@cilawnm.com  
bhajny@cilawnm.com

**APPLICANT'S STATEMENT OF THE CASE**

In these consolidated cases, Read & Stevens seeks orders (1) designating Permian Resources Operating, LLC (OGRID No. 372165) operator of the proposed horizontal spacing units and of the proposed initial wells, and (2) separately pooling all uncommitted mineral owners in the Bone Spring and Wolfcamp formations, as follows:

- Under **Case No. 23508**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 4 and the W/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially

dedicated to the proposed **Bane 4-9 Federal Com 111H, 121H, 122H, 171H, and 131H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 9, Township 20 South, Range 34 East.

- Under **Case No. 23509**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 4 and the E/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 112H, 123H, 124H, 172H, and 132H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 9, Township 20 South, Range 34 East.
- Under **Case No. 23510**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 4 and the W/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be dedicated to the following proposed initial wells:
  - **Bane 4-9 Federal Com 113H and 173H wells**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East; and
  - **Bane 4-9 Federal Com 125H, 126H, and 133H wells**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East.
- Under **Case No. 23511**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 4 and the E/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 114H, 127H, 128H, 174H, and 134H wells**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 9, Township 20 South, Range 34 East.
- Under **Case No. 23512**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 4 (NW/4 NW/4 equivalent), the SW/4 NW/4, and the W/2 SW/4 of Section 4 and the W/2 W/2 of Section 9, Township 20 South,

Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 201H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 9, Township 20 South, Range 34 East.

- Under **Case No. 23513**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 3 (NE/4 NW/4 equivalent), the SE/4 NW/4, and the E/2 SW/4 of Section 4 and the E/2 W/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 202H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 9, Township 20 South, Range 34 East.
- Under **Case No. 23514**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 2 (NW/4 NE/4 equivalent), the SW/4 NE/4, and the W/2 SE/4 of Section 4 and the W/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 203H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 9, Township 20 South, Range 34 East.
- Under **Case No. 23515**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing comprised of Lot 1 (NE/4 NE/4 equivalent), the SE/4 NE/4, and the E/2 SE/4 of Section 4 and the E/2 E/2 of Section 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Bane 4-9 Federal Com 204H well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Lot 1) of Section 4, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 9, Township 20 South, Range 34 East.
- Under **Case No. 23516**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 111H, 121H, 122H, 171H, and 131H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 8, Township 20 South, Range 34 East.

- Under **Case No. 23517**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 112H, 123H, 124H, 172H, and 132H wells**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SW/4 (Unit N) of Section 8, Township 20 South, Range 34 East.
- Under **Case No. 23518**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 113H, 125H, 126H, 173H, and 133H wells**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SW/4 SE/4 (Unit O) of Section 8, Township 20 South, Range 34 East.
- Under **Case No. 23519**, Read & Stevens seeks to pool all uncommitted interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 114H, 127H, 128H, 174H, and 134H wells**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to bottom hole locations in the SE/4 SE/4 (Unit P) of Section 8, Township 20 South, Range 34 East.
- Under **Case No. 23520**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 201H well**, to be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 8, Township 20 South, Range 34 East.
- Under **Case No. 23521**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 202H well**, to be horizontally drilled from a

surface location in the NE/4 NW/4 (Lot 3) of Section 5, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 8, Township 20 South, Range 34 East.

- Under **Case No. 23522**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 203H well**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 8, Township 20 South, Range 34 East.
- Under **Case No. 23523**, Read & Stevens seeks to pool all uncommitted interests in the Wolfcamp formation underlying a standard 320-acre, more or less, horizontal well spacing 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, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. Said unit will be initially dedicated to the proposed **Joker 5-8 Federal Com 204H well**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Lot 2) of Section 5, Township 20 South, Range 34 East, to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 8, Township 20 South, Range 34 East.

Read & Stevens has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the proposed spacing units. The pooling of interests will allow Read & Stevens to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

Cimarex Case Nos. 23448-23455 and 23594-23601 seek to create competing Bone Spring and Wolfcamp spacing units, respectively, in same acreage Read & Stevens seeks to develop with its proposed wells.

Read & Stevens believes that the following facts are undisputed and material to the issues presented in these consolidated cases:



1. Read & Stevens has proposed a co-development plan with initial wells proposed to be completed in several zones across multiple offsetting spacing units within the Bone Spring and Wolfcamp pools. In contrast, Cimarex's competing development plan proposes to complete initial wells only in the Bone Spring pool and to create Wolfcamp spacing units without the completed interval of any proposed initial wells penetrating any of the tracts in the Wolfcamp pool. In short, Cimarex proposes to force pool working interest owners into Wolfcamp spacing units without proposing or drilling any initial wells within the Wolfcamp pool.

2. Working interest owners and their share of the working interest within the subject acreage are not uniform between the Bone Spring and Wolfcamp formations. Some owners in the Wolfcamp formation own a larger proportion of working interest in the Wolfcamp formation than they do in the Bone Spring formation. And some owners in the Wolfcamp formation do not own any interests in the Bone Spring formation.

3. Read & Stevens proposes to complete its proposed initial wells using a staggered and stacked "wine-rack" pattern across all its targeted zones with simultaneous completions across the Third Bone Spring and Wolfcamp targets at a density of 24 wells per section. In contrast, Cimarex proposes completed intervals in a vertically stacked pattern within only the Bone Spring pool at a density of 12 wells per section.

4. Read & Stevens' proposed horizontal spacing and wine-rack pattern takes into consideration the location and setbacks of existing and planned horizontal wells in offsetting spacing units, in particular Permian Resources' operated Riddler Bone Spring and Wolfcamp spacing units immediately adjacent to the east approved under Order Nos. R-22748 through R-22754.

5. There are no faults, pinch outs, or other geologic impediments to efficiently and effectively developing Read & Stevens' proposed Bone Spring and Wolfcamp spacing units with two-mile horizontal wells.

Cimarex's plan to try to develop and pool the entire Wolfcamp formation through wells drilled and completed in the Bone Spring will (1) violate the statutory mandate to allocate production under compulsory pooling orders on a strict acreage basis; (2) impair the correlative rights of working interest owners due to non-uniform ownership between the Bone Spring and Wolfcamp formations and harm royalty and overriding royalty interest owners; and (3) violate the Division's requirements governing pool rules and horizontal well spacing units.

In addition to these fatal defects that cannot be cured, Cimarex proposes sub-optimal spacing relative to existing and planned offsetting development and will cause substantial waste by failing to co-develop the Third Bone Spring with the Upper Wolfcamp using simultaneous wine-rack completions, as Read & Stevens proposes to do.

Read & Stevens has an extensive position across the acreage and a comprehensive development plan for the area that optimizes drilling flexibility, prevents waste by developing incremental reserves that would otherwise be lost, and protects the correlative rights of all owners and royalty interests in both target pools.

In addition, Read & Stevens' plan prioritizes re-use of produced water, capitalizes on substantial existing surface infrastructure, can leverage existing development and production to secure favorable takeaway agreements, and minimizes surface disturbance by consolidating roads, flowlines, pads, and tank batteries. As with its adjacent developments, it plans to commingle production from its Joker and Bane units into a



single battery, reducing surface impacts and minimizing waste by eliminating emissions with fewer surface facilities and potential emission sources.

**APPLICANT'S PROPOSED EVIDENCE**

<b>WITNESS Name and Expertise</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Travis Macha, Landman	Self-Affirmed Statement	Exhibit C and C-1 through C-14
Davro Clements, Facilities Engineer	Self-Affirmed Statement	Exhibit D and D-1 through D-5
Ira Bradford, Petroleum Geologist	Self-Affirmed Statement	Exhibit E and Exhibits E-1 through E-29
John Fechtel, Reservoir Engineer	Self-Affirmed Statement	Exhibit F and Exhibit F-1 through F-8


The qualifications for each witness and the narrative of their direct testimony are contained in the affidavits filed with this prehearing statement.

**PROCEDURAL MATTERS**

Pursuant to the Amended Prehearing Order entered in these matters, Read & Stevens has filed with this prehearing statement affidavits containing the direct testimony for each witness, the exhibits referenced in those affidavits, and the notice affidavits and exhibits.

Respectfully submitted,

HOLLAND & HART LLP

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

**ATTORNEYS FOR READ & STEVENS, INC. &  
PERMIAN RESOURCES OPERATING, LLC**

**CERTIFICATE OF SERVICE**

I hereby certify that on July 13, 2023, I served a copy of the foregoing document to the following counsel of record via Electronic Mail:

Darin C. Savage  
Andrew D. Schill  
William E. Zimsky  
214 McKenzie Street  
Santa Fe, New Mexico 87501  
darin@abadieschill.com  
andrew@abadieschill.com  
bill@abadieschill.com

***Attorneys for Cimarex Energy Co.***

Blake C. Jones  
1780 Hughes Landing Blvd., Suite 750  
The Woodlands, TX 77380  
blake.jones@steptoe-johnson.com

***Attorney for Northern Oil and Gas, Inc.***

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

***Attorneys for Sandstone Properties, LLC***



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Adam G. Rankin

**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 240097

QUESTIONS

Operator: Permian Resources Operating, LLC 1001 17th Street, Suite 1800 Denver, CO 80202	OGRID: 372165
	Action Number: 240097
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	Not answered.
Testimony time (in minutes)	Not answered.