

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

**CIMAREX ENERGY CO.'S OBJECTIONS TO READ & STEVENS, INC.'S
EXHIBITS IN CASE NOS. 23508 – 23523**

Cimarex Energy Co., (“Cimarex”), through its undersigned attorneys, submits the following objections to the exhibits submitted by Read & Stevens, Inc., and Permian Resources Operating, LLC (collectively “Read & Stevens”) in the above-referenced cases, pursuant to that certain Further Amended Pre-hearing Order issued June 8, 2023 (“PHO”).

Objection No. 1: Cimarex objects to the nature of the data and exhibits that Read & Stevens provided in its Exhibit F (Self-Affirmed Statement of John Fechtel, Reservoir Engineer) at Paragraphs 9 and 15 and Exhibits F-4 and F-8 attached thereto. Cimarex makes every effort to inform the New Mexico Oil Conservation Division (“Division”) and any opposing party involved in a contested hearing with publicly available data so that the Division and opposing parties have the opportunity to fully evaluate the data and its sources and determine the accuracy

and legitimacy of the data that Cimarex relies upon in support of its applications. For example, Exhibit C-8 for the Black and Tan wells attached to the testimony of Cimarex's Reservoir Engineer shows how wells drilled in the Upper Wolfcamp concurrently with wells drilled in the 3rd Bone Spring substantially undermine production and create significant waste. This Exhibit is based solely on public data thus allowing the Division and other parties to confirm its legitimacy and accuracy. In fact, all of Cimarex's exhibits are based on public data for purposes of transparency and fundamental fairness that undergird the adjudicatory process.

In contrast, Read & Stevens has provided exhibits for its Batman wells that rely on private and proprietary data that is not publicly available. Private data can be appropriately utilized in a public hearing as long as there is full disclosure and transparency of its source and the data set is sufficiently complete to allow for accurate evaluations and comparisons. However, Read & Stevens's submissions fail to provide any transparency and, in Cimarex's view, do not constitute a sufficiently complete set of data that allows for accurate evaluations and determinations of legitimacy either by the parties or the Division. For example, Read & Stevens did not provide tubing pressures, choke settings or Hz settings related to the production data for the Batman wells, information that is essential to better estimate ultimate recovery. This information is especially significant when only forty days of production data is being used to support Read & Stevens' co-development proposal, a truncated data set that is inherently unreliable for much EUR calculations. Nor did Read & Stevens provide contextual data necessary to evaluate and make sense of the production history. Cimarex cannot effectively cross-examine the expert witness because the production data is missing and is not publicly available. Consequently, the grounds and criteria for fundamental fairness and the proper standard of due process that are essential for an adjudicatory hearing have not been established.

Objection No. 2: Cimarex also objects to the claims and representations made by Read & Stevens in Exhibit F at Paragraph 9 and Exhibit F-4 attached thereto, that that the drilling of only 4 3rd Bone Spring wells and one Upper Wolfcamp well in the Batman and Robin test reflect or have direct relevance to what might be expected from the 4 3rd Bone Spring wells and 4 Upper Wolfcamp wells proposed by Read & Stevens for the Joker and Bane well units. Thus, not only is the data set provided for the Batman and Robin wells incomplete as presented, but the comparison of the Batman/Robin wells to the Joker/Bane wells represents an incongruous apples-to-oranges comparison based on the number of wells actually drilled and tested.

Objection No. 3: Cimarex objects to Read & Stevens' representation of the ownership and title in the units. There exists an Operating Agreement dated August 1, 1979, that Read & Steven fails to acknowledge and did not incorporate into its representations of ownership in its Exhibit Slides 10 through 20. As a result, Read & Steven's ownership data percentages are distorted and inaccurately reflect the actual ownership. The representation of accurate ownership is one of the seven factors the Division uses to evaluate the merits of a competing applications, and it is essential for the Division's resolution of the competing development plans. Cimarex will be requesting to submit rebuttal exhibits to address what Cimarex views as inaccurate ownership percentages.

Objection No. 4: Cimarex has reviewed Read & Stevens' characterization of Cimarex's history of development, presence, and activity in the described Area of Interest ("AOI") and objects to what Cimarex views as mischaracterizations and inaccuracies in the descriptions. *See, i.e.,* Read & Stevens' Landman Exhibit C, at Paras. 5, 19, and 31. Accordingly, Cimarex will be requesting to submit rebuttal exhibits to address this matter.

Objection No. 5: Cimarex objects to what it sees as a distortion in the PhiH maps in Exhibits E-4 and F-3 provided by Read & Stevens. Read & Stevens proposes to target and drill the Upper Wolfcamp but uses a PhiH that covers all of the Wolfcamp A Shale not just the Upper Wolfcamp. Cimarex submits that this distorts the data by purporting to allocate the same amount of PhiH to both formations, the Bone Spring and Wolfcamp, resulting in a materially inaccurate representation that the production will be equal between the Wolfcamp and 3rd Bone Spring. Cimarex will be requesting to submit rebuttal exhibits to address this matter.

Conclusion: Cimarex provides the objections as above-described, pursuant to the PHO, in order to better inform the Division about what Cimarex submits should be closely reviewed and considered in these cases. It is Cimarex's view that Objection No. 1, above, represents a fatal defect in Read & Stevens cases that requires and justifies, together with the reasons Cimarex expressed in its recent Motion, a continuance of the contested hearing so that Cimarex can undertake discovery in order to uphold principles of fundamental fairness and a proper standard of due process. The Division and the parties should be fully informed with sufficient data prior to the hearing; it would be inefficient and a waste of adjudicatory resources for the technical examiners and parties to spend time speculating on the nature of the missing data and to require what would otherwise be unnecessary follow-up exhibits submitted after the hearing that would deprive the examiners and parties real time review and questioning under oath of all relevant and necessary information.

Objections Nos. 2 through 5 are provided pursuant to the PHO to help the Division and parties identify areas and data that, from Cimarex's perspective, are problematic and thus warrant attention. These objections can be addressed by rebuttal exhibits at the contested hearing.

Respectfully submitted,

ABADIE& SCHILL, PC

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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 18, 2023:

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