

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

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

Case Nos. 23594 - 23601

AMENDED PREHEARING STATEMENT

Cimarex Energy Co., (“Cimarex”), OGRID No. 215099, through its undersigned attorneys, submits the following Amended 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, 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 the status of Cimarex’s Case Nos. 23594 - 23601, which were originally filed in response to Read & Stevens, Inc., in association with Permian Resources Operating, LLC (collectively referred to herein as “Permian Resources”) proposing to pool the Wolfcamp formation underlying Sections 5 and 8, and Sections 4 and 9, in Township 20 South, Range 34 East, NMPM, Lea County (“Subject Lands”) in Case Nos. 23512-23515 and 23520 – 23523.

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APPLICANT'S STATEMENT OF THE CASES

Cimarex provides this Prehearing Statement to inform the Division of the current status of Case Nos. 23594, 23595, 23596 and 23597. A little more than a month after Cimarex filed its applications to develop and pool the Bone Spring formation in the Subject Lands, Permian Resources not only filed applications for the Bone Spring but also filed applications for drilling and pooling the Wolfcamp formation in the Subject Lands in Case Nos. 23512-23515 and 23520 – 23523, and proposed to drill wells in the Upper Wolfcamp of the Subject Lands despite the fact that, based on the geological and reservoir data, those wells would drain the 3rd Bone Spring Sand and would likely result in permanent damage to the target reservoir located in the Bone Spring where the target reservoir is located.

Permian Resources' decision to propose to develop the Upper Wolfcamp created a dilemma for Cimarex. On the one hand, Cimarex understood, based on clear geological and reservoir data, that the Upper Wolfcamp should not be developed in the Subject Lands but, on the other hand, Cimarex understood that once Permian Resources filed its application to pool the Upper Wolfcamp, Cimarex needed to provide a counter proposal that would oppose Permian Resources' Upper Wolfcamp applications.

Consequently, Cimarex drafted competing pooling applications for the Wolfcamp in which it explained that the best way to develop the target reservoir is by drilling wells in the 3rd Bone Springs Sands, the same wells proposed by Cimarex's Bone Spring applications and prohibit the drilling of wells in Upper Wolfcamp to prevent drainage from and damage to the target reservoir. Cimarex filed its Wolfcamp applications in Case Nos. 23594 – 23601, in which it dedicated the Wolfcamp units exclusively to wells drilled in the 3rd Bone Spring Sands, and not in the Upper Wolfcamp, in order preserve the Upper Wolfcamp from being drilled and thereby protect the 3rd Bone Spring Sand from drainage and damage.

After a thorough evaluation of prospects for the Wolfcamp formation, Cimarex provides the Division with two options for considering the role the Wolfcamp formation should plan in Case Nos. 23594 – 23601. In its **Option 1**, Cimarex proposes to develop the common source of supply in the Subject Lands in the same manner as Operators in the Area of Interest have overwhelmingly and successfully developed it, including Permian Resources who has used this same approach to develop the common source of supply in 10 of its 11 pooling applications in the Area of Interest; that is, to pool and drill the Bone Spring formation, with particular focus on the Third Bone Spring.

Cimarex asks the Division that if it takes Option 1 into consideration, that it also concurrently take into consideration Cimarex's "Amended Motion for an Order to Prohibit the Drilling of Wells in the Upper Wolfcamp to Protect Correlative Rights and Optimize Production of the Subject Lands," ("Amended Motion") submitted to the Division on July 28, 2023, which would complement Cimarex's development of the Bone Spring formation.

In its **Option 2**, Cimarex proposes to pool the Wolfcamp formation and thereby produce the Wolfcamp by dedicating its Third Bone Spring wells to its production. Since the Third Bone Spring wells are ideally positioned to produce the single reservoir as the common source of supply as it relates to the prolific reserves of the Bone Spring formation as well as to any smaller percentage of oil and gas that could be captured in the Wolfcamp formation, once Cimarex's Third Bone Spring wells are dedicated to the Wolfcamp units and the Wolfcamp units pooled, Cimarex will be able to produce the Wolfcamp formation at significantly lower costs than Permian Resources' plan by avoiding the drilling of unnecessary wells, thereby, preventing waste and providing a meaningful and measurable protection of correlative rights.

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 and Coterra Energy Inc. ("Coterra") for approximately 4 years, and I have been working in New Mexico for 4 years. (I was originally employed by Cimarex. Since October 1, 2021, when Cimarex merged with Cabot Oil & Gas Corporation to form Coterra, I have been an employee of Coterra.) 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. 11 |
| Geologist: Staci Mueller 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 of Science 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 and Coterra (as of October 1, 2021) 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 in Reservoir Engineering, and my credentials have been accepted of record. | Approx. 45 minutes | Approx. 23 |
| Facilities Engineer: Calvin Boyle Qualifications: I attended the University of Oklahoma and graduated with a Bachelor of Science 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 and have been employed as a Field, Production, and Facilities engineer for Cimarex and Coterra (as of October 1, 2021) 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 facilities proposed by Cimarex involved. I have not testified previously before the Division and am providing a one-page resume. | Approx. 15 min | Approx. 2 |

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 drilled and developed and should be developed; however, there is disagreement about whether the Upper Wolfcamp should be drilled and developed simultaneously with the Bone Spring.

LIST OF DISPUTED FACTS AND ISSUES

The central issue in Cimarex's Case Nos. 23594 - 23601 and Permian Resources' competing Case Nos. 23512 – 23515 and 23520 - 23523 is 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 to the target reservoir, and therefore the Upper Wolfcamp should not be drilled; while Permian Resources proposes to drill the Upper Wolfcamp). In its Option 1, as an alternative to drilling the Upper Wolfcamp, Cimarex has filed a Motion to establish a protective buffer zone in the Upper Wolfcamp to prevent it from being drilled. In its Option 2, also as an alternative to drilling the Upper Wolfcamp, Cimarex has proposed to pool the Wolfcamp and dedicate its Third Bone Spring wells in the Subject Lands to pooled units; in this way, because of the pooling and spacing, any amounts drained from the Wolfcamp would be classified as production without having to drill the Upper Wolfcamp. It is the unique geology of the Subject Lands, its single reservoir as the common source of supply that makes this possible.

PROCEDURAL MATTERS

For Cimarex's Case Nos. 23594 – 23601 and Permian Resources' Case Nos. 23512 – 23515 and 23520 – 23523, Cimarex requests that the Division consider its Option 1 and Option 2 proposals as options in the alternative such that, if Cimarex's development plan is selected, the Division apply either Option 1 or Option 2 for optimal production, prevention of waste, the protection of correlative rights, and the avoidance of drilling unnecessary wells.

Respectfully submitted,

ABADIE & SCHILL, PC

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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 August 2, 2023:

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QUESTIONS

Action 247310

QUESTIONS

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| Operator: CIMAREX ENERGY CO. 6001 Deauville Blvd Midland, TX 79706 | OGRID: 215099 |
| | Action Number: 247310 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

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| Testimony | |
| Please assist us by provide the following information about your testimony. | |
| Number of witnesses | 4 |
| Testimony time (in minutes) | 150 |