

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATIONS OF CIMAREX ENERGY CO.
FOR HORIZONTAL SPACING AND UNITS AND
COMPULSORY POOLING, EDDY COUNTY**

**NEW MEXICO. Case Nos. 22144 and 22317 (White City units)
Case Nos. 22295, 22297, and 22333 (Southern Hills units)**

**APPLICATIONS OF CHEVRON U.S.A.INC.
FOR COMPULSORY POOLING, EDDY COUNTY**

NEW MEXICO. Case Nos. 22343 and 22344 (White City units)

CIMAREX ENERGY CO.'S MOTION TO SEGREGATE CASES

Cimarex Energy Co. ("Cimarex") has filed pooling applications with the New Mexico Oil Conservation Division ("Division") in the above-referenced cases pursuant to NMSA Section 70-2-17.C. Similarly, Chevron U.S.A. Inc. ("Chevron") has filed its applications as noted above. The cases involve two distinct geographical areas and very different fact patterns. As a result Cimarex files this motion to segregate a hearing on the White City units from a hearing on the Southern Hills units. In support thereof, Cimarex states:

I. Facts and procedural history

1. Cimarex's White City units cover acreage in Sections 8, 17, and 20, Township 25 South, Range 27 East, NMPM. Chevron's white City units¹ cover acreage in Sections 17 and 20, in the same township.

2. Cimarex has been working on the development of its White City wells over the past year. Cimarex sent its well proposals on the White City units on June 1, 2021, and filed pooling applications for development of the Bone Spring formation on August 10, 2021.

¹ Chevron's proposed wells are not named White City, but that term is used herein for both companies' wells for ease of reference.

Chevron made an appearance in the White City cases on September 1, 2021. At the time, Chevron offered no competing well proposals or development plans, but asked Cimarex to enter into negotiations to work out their differences. In October, Chevron sent well proposals, and subsequently filed its applications to pool acreage in the Wolfcamp formation.

3. In addition, Cimarex has submitted well proposals for the Wolfcamp formation, and Chevron has submitted well proposals for the Bone Spring formation, in the White City acreage. Pooling applications have not yet been filed on those proposals.

4. Cimarex owns 100% of the working interest in Section 8 and 33% in the E/2 of Section 20, giving Cimarex about a 45% working interest in its White City proposed units. Chevron owns about 90% of the remainder of the units (the S/2 of Section 17 and S/2 of Section 20). Therefore, the working interest in Cimarex's proposed White City units is split at 50/50, more or less.

5. Cimarex in good faith entered into negotiations and agreed to two continuances during the course of effort made to reach a resolution. The parties were not able to reach an agreement.

6. Cimarex planned to move forward with the pooling of the White City units, but Chevron objected to a hearing by affidavit. A status conference was held on October 21, 2021, at which time it was determined that Chevron would be provided time to submit pooling applications to compete with Cimarex's White City wells. The Division scheduled a status conference for December 2, 2021 to evaluate the parties' progress.

7. In the meantime, Cimarex filed applications for its Southern Hills units, in Sections 29 and 32, Township 25 South, Range 27 East, NMPM. These applications involve a completely different set of facts and development plans. Unlike Cimarex's proposed White City

units, where there is an approximate 50/50 split in the working interest, Chevron only owns an approximate 10% working interest in the Southern Hills units, with Cimarex being the majority owner. In addition, Chevron has not provided any proposals or alternative plans for the development of Sections 29 and 32.

8. At the status conference Chevron asserted that the Southern Hills units are directly related to the White City units, and Chevron requested that all the cases be tied up in a consolidated hearing. Such consolidation will prevent Cimarex from moving forward with its development plans for the Southern Hills units, creating unwarranted delays in its drilling schedule.

II. Chevron should not be allowed to seek unwarranted consolidation of unrelated cases.

9. With only a 10% working interest, Chevron is clearly a minority interest owner in the Southern Hills units. Past decisions of the Division demonstrate that a party, such as Chevron, with a small working interest, is not in a tenable position to claim operatorship of a unit when the facts and factors weigh heavily in favor of a majority interest owner, such as Cimarex.

10. With its larger working interest in the proposed White City units, covering Section 8, 17, and 20, Chevron has a position to submit competing well proposals and applications, although it is curious that Chevron had no well proposals or applications on the table during the time leading up to its objection to Cimarex proceeding to hearing. In fact, when Chevron finally sent well proposals on October 11, 2021, it proposed a 2-mile development plan for Sections 17 and 20 versus Cimarex's 3-mile plan.

11. By advocating the consolidation of Cimarex's applications for the White City units and the Southern Hills units, in which it owns only a small interest, Chevron will stall

Cimarex's progress and/or obtain what it was not able to achieve through good-faith, voluntary negotiations. Cimarex provided Chevron with two continuances and ample time to negotiate on a voluntary basis, and it is unfortunate the parties did not reach a fruitful resolution, including a trade proposed by Chevron. But, this outcome should not allow Chevron to delay the adjudicatory process in Southern Hills which threatens Cimarex with the risk of missing its drilling schedule deadlines and missing the opportunity to achieve optimal production in a timely manner, preventing waste and protecting correlative rights.

III. For administrative efficiency and procedural clarity, Southern Hills Case Nos. 22295, 22297, and 22333 should be heard separately from the White City Case Nos. 22144 and 22317, and not consolidated.

12. Chevron has taken a kitchen sink approach to these hearings that burdens the Division and creates undue delay for Cimarex. Cimarex requests that the Division reassess the approach to these cases in light of the full set of facts that illustrate the course of prior negotiations between the parties and the clear distinctions between the cases.

13. Cimarex requests that the Southern Hills cases be heard as soon as possible, preferably on December 2, 2021, or on January 6, 2021 or such other date at the discretion of the Division, which would allow Cimarex to proceed with its plans for optimal development of Sections 29 and 32. Since Chevron is only a minority interest owner with a 10% working interest, there is no justification for the consolidation or delay of the Southern Hills cases.

14. Since Chevron and Cimarex have comparable working interests in the White City cases, and additional applications will be filed, Cimarex requests that the White City cases be scheduled for a hearing date that would allow the Division to compare and evaluate the competing plans.

Conclusion:

For the foregoing reasons, Cimarex respectfully requests that the Division reassess the consolidation of all the above-referenced cases, involving both the White City and Southern Hills units, advocated by Chevron to its advantage but prejudicial to Cimarex and its efforts to commence development. The segregation of the cases would avoid undue burden and delay for the Division and the parties involved and would allow Cimarex to pursue development in a timely manner.

WHEREFOR, Cimarex asks that the Division grant Cimarex's Motion be granted, and a hearing date be set for the Southern Hills applications.

Respectfully submitted,



James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 18th day of November, 2021 by e-mail:

Michael Feldewert
mfeldewert@hollandhart.com

Adam Rankin
agrarkin@hollandhart.com

Julia Broggi
jbroggi@hollandhart.com

Kaitlyn Luck
kaluck@hollandhart.com



James Bruce