

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING March 3, 2022**

**APPLICATION OF CIMAREX ENERGY CO. OF COLORADO
TO REOPEN CASE NOS. 22145 AND 22146 FOR A HORIZONTAL SPACING UNIT
AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

**Case No. 22577
Reopen Case No. 22145
Order No. R-21892**

**Case No. 22578
Reopen Case No. 22146
Order No. R-21893**

Cimarex Energy Co. of Colorado

TABLE OF CONTENTS

| | |
|-------|--|
| TAB 1 | Reference for Case Nos. 22577 and 22578 Application Case No. 22577 Application Case No. 22578 Copy of Order No. R-21892 Copy of Order No. R-21893 Copy of Initial Request Case No. 22145 Copy of Initial Request Case No. 22146 |
| TAB 2 | Exhibit A: Affidavit of Riley Morris, Landman Exhibit A-1: Order No. R-21892 Exhibit A-2: Order No. R-21893 |
| TAB 3 | Exhibit B: Affidavit of Notice, Darin C. Savage Exhibit B-1: Notice Letter Exhibit B-2: Mailing Report Exhibit B-3: Green Card |

TAB 1

Reference for Case Nos. 22577 and 22578

Application Case No. 22577

Application Case No. 22578

Copy of Order No. R-21892

Copy of Order No. R-21893

Copy of Initial Request Case No. 22145

Copy of Initial Request Case No. 22146

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

**APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO TO REOPEN CASE NO. 22145 (ORDER NO. R-
21892) FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. _____
Reopen Case No. 22145; Order No. R-
21892

APPLICATION

Cimarex Energy Co. of Colorado (“Cimarex”), OGRID No. 162683, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order to reopen Case No. 22145 to provide Cimarex the opportunity to cure a deficiency in letter notice in regard to one (1) working interest owner.

In support of its Application, Cimarex states the following:

1. On August 10, 2021, Cimarex filed an Application for a Horizontal Spacing Unit and Compulsory Pooling (“Application”) seeking: the approval of a standard 320-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico (“Subject Lands”); the pooling of all uncommitted mineral interests in the Bone Spring formation underlying the proposed unit; the approval of the **Parkway 16-17 State Com 3H Well** as the well for the unit; the designation of Cimarex as operator of this unit and the horizontal well to be drilled thereon; the authorization for Cimarex to recover its costs of drilling, equipping, and completing the well; the approval of actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting

procedures; and setting a 200% charge for the risk assumed by Cimarex in drilling and completing the well in the event a working interest owner elects not to participate in the well.

2. The Application was heard by the Hearing Examiner on October 7, 2021, during which Cimarex presented evidence through affidavits in support of the Application. No other party made an appearance or presented evidence at the hearing.

3. On October 22, 2021, the Division issued **Order No. R-21892** granting Cimarex's Application, pooling uncommitted interests in the unit and designating Cimarex as operator of the unit and well.

4. After the Division issued **Order No. R-21892**, Cimarex has become aware of an oversight to provide letter notice pursuant to NMAC 19.15.4.9 to Colgate Energy and its subsidiary Colgate Operating, LLC (collectively "Colgate"), who had subsequently acquired a minority working interest in the unit by assignment from Crump Energy Partners III, LLC ("Crump Energy") and Crown Oil Partners VI, LLC ("Crown"), the owners listed in the original title work.

5. In retrospect, Cimarex recognizes that it should have provided letter notice to Colgate but had inadvertently utilized an outdated mailing list and the letter notice that should have been mailed to Colgate was, by unintentional oversight, mailed to Crump Energy and Crown instead.

6. In the original hearing, Colgate was correctly listed as a Working Interest Owner in the Ownership Breakdown provided to the Division as Exhibit "A-2" in Cimarex's Hearing Packet; and therefore, Colgate's minority interest was accounted for in the proceedings and pooled, subject to the curing of the oversight involving the letter notice, as sought by Cimarex herein.

7. Colgate was notified of Cimarex's Application via email and phone correspondence as reported in the Communication Status of Uncommitted Owners provided to the Division as Exhibit "A-4" in Cimarex's Hearing Packet, but Cimarex desires to cure the oversight of the notice

letter requirement as described herein.

WHEREFORE, Cimarex respectfully requests that this Application to Reopen Case No. 22145 be set for hearing on March 3, 2022, and after notice and hearing as required by law, the Division enter an order:

A. Acknowledging and affirming that the notice letter to Colgate, as a working interest owner of record, pursuant to NMAC 19.15.4.9 and this Application to Reopen, has been properly sent and received pursuant to this Application; and therefore, the notice requirement due Colgate for the pooling of the Subject Lands described herein has been satisfied.

B. Affirming and upholding the validity, effectiveness, and applicability of the Division's Pooling **Order No. R-21892**, as issued, for the proper pooling of the Subject Lands and granting to Cimarex the operating rights to the unit and well described herein pursuant to said Order.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

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

Attorneys for Applicant

Application of Cimarex Energy Co. of Colorado to Reopen Case No. 22145 (Order No. R-21892) for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks to reopen Case No. 22145 for purposes of curing notice due to one working interest owner, Colgate Energy and its subsidiary Colgate Operating, LLC (“Colgate”). Division Order No. R-21892 was issued pooling the Bone Spring formation underlying the N/2 S/2 of Section 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and dedicating the **Parkway 16-17 State Com 3H Well** to the unit. Cimarex seeks an order affirming proper notice to Colgate and the continued validity and effectiveness of Order No. R-21892, granting Cimarex operatorship of the unit and well. The well and lands are located approximately 14 miles northeast of Carlsbad, New Mexico.

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

**APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO TO REOPEN CASE NO. 22146 (ORDER NO. R-
21893) FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. _____
Reopen Case No. 22146; Order No. R-
21893

APPLICATION

Cimarex Energy Co. of Colorado (“Cimarex”), OGRID No. 162683, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17 and NMAC 19.15.4.12(A), for an order to reopen Case No. 22146 to provide Cimarex the opportunity to cure an oversight in letter notice in regard to one (1) working interest owner.

In support of its Application, Cimarex states the following:

1. On August 10, 2021, Cimarex filed an Application for a Horizontal Spacing Unit and Compulsory Pooling (“Application”) seeking: the approval of a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico (“Subject Lands”); the pooling of all uncommitted mineral interests in the Bone Spring formation underlying the proposed unit; the approval of the **Parkway 16 State Com 4H Well** as the well for the unit; the designation of Cimarex as operator of this unit and the horizontal well to be drilled thereon; the authorization for Cimarex to recover its costs of drilling, equipping, and completing the well; the approval of actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

setting a 200% charge for the risk assumed by Cimarex in drilling and completing the well in the event a working interest owner elects not to participate in the well.

2. The Application was heard by the Hearing Examiner on October 7, 2021, during which Cimarex presented evidence through affidavits in support of the Application. No other party made an appearance or presented evidence at the hearing.

3. On October 22, 2021, the Division issued **Order No. R-21893** granting Cimarex's Application, pooling uncommitted interests in the unit and designating Cimarex as operator of the unit and well.

4. After the Division issued **Order No. R-21893**, Cimarex has become aware of an oversight to provide letter notice pursuant to NMAC 19.15.4.9 to Colgate Energy and its subsidiary Colgate Operating, LLC (collectively "Colgate"), who had subsequently acquired a minority working interest in the unit by assignment from Crump Energy Partners III, LLC ("Crump Energy") and Crown Oil Partners VI, LLC ("Crown"), the owners listed in the original title work.

5. In retrospect, Cimarex recognizes that it should have provided letter notice to Colgate but had inadvertently utilized an outdated mailing list, and the letter notice that should have been mailed to Colgate was, by unintentional oversight, mailed to Crump Energy and Crown instead.

6. In the original hearing, Colgate was correctly listed as a Working Interest Owner in the Ownership Breakdown provided to as Exhibit "A-2" in Cimarex's Hearing Packet; and therefore, Colgate's minority interest was accounted for in the proceedings and pooled, subject to the curing of the oversight involving the letter notice, as sought by Cimarex herein.

7. Colgate was notified of Cimarex's Application via email and phone correspondence as reported in the Communication Status of Uncommitted Owners provided to the Division as Exhibit "A-4" in Cimarex's Hearing Packet, but Cimarex desires to cure the oversight of the notice

letter requirement as described herein.

WHEREFORE, Cimarex respectfully requests that this Application to Reopen Case No. 22146 be set for hearing on March 3, 2022, and after notice and hearing as required by law, the Division enter an order:

A. Acknowledging and affirming that the notice letter to Colgate, as a working interest owner of record, pursuant to NMAC 19.15.4.9 and this Application to Reopen, has been properly sent and received pursuant to this Application; and therefore, the notice requirement due Colgate for the pooling of the Subject Lands described herein has been satisfied.

B. Affirming and upholding the validity, effectiveness, and applicability of the Division's Pooling **Order No. R-21893**, as issued, for the proper pooling of the Subject Lands and granting to Cimarex the operating rights to the Unit and Well described herein pursuant to said Order.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

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

Attorneys for Applicant

Application of Cimarex Energy Co. of Colorado to Reopen Case No. 22146 (Order No. R-21893) for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks to reopen Case No. 22146 for purposes of curing notice due to one working interest owner, Colgate Energy and its subsidiary Colgate Operating, LLC (“Colgate”). Division Order No. R-21893 was issued pooling the Bone Spring formation underlying the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and dedicating the **Parkway 16 State Com 4H Well** to the unit. Cimarex seeks an order affirming proper notice to Colgate and the continued validity and effectiveness of Order No. R-21893, granting Cimarex operatorship of the unit and well. The well and lands are located approximately 14 miles northeast of Carlsband, New Mexico.

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CIMAREX ENERGY COMPANY OF COLORADO**

**CASE NO. 22145
ORDER NO. R-21892**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on October 7, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Cimarex Energy Company of Colorado (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the

election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

- 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 10/22/2021

CASE NO. 22145
ORDER NO. R-21892

Exhibit A

Received by OCD: 10/5/2021 9:14:51 AM

Page 8 of 107

| COMPULSORY POOLING APPLICATION CHECKLIST | |
|--|---|
| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case: 22145 | APPLICANT'S RESPONSE |
| Date | October 5, 2021 |
| Applicant | Cimarex Energy Co. of Colorado |
| Designated Operator & OGRID (affiliation if applicable) | 162683 |
| Applicant's Counsel: | Darin C. Savage - Abadie & Schill, PC |
| Case Title: | Application of Cimarex Energy Co. of Colorado for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico |
| Entries of Appearance/Intervenors: | N/a |
| Well Family | Parkway |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Exhibit B-2; TVD approx. 8,960' |
| Pool Name and Pool Code: | Parkway; Bone Spring, West [Code: 98199] |
| Well Location Setback Rules: | NMAC statewide rules apply |
| Spacing Unit Size: | 320 acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 320 acres, more or less |
| Building Blocks: | quarter quarter sections (40 ac tracts) |
| Orientation: | east - west |
| Description: TRS/County | N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico |
| Standard Horizontal Well Spacing Unit (Y/N), If No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | No |
| Applicant's Ownership in Each Tract | See Landman Exhibit A-2 |
| Well(s) | |

Released to Imaging: 10/5/2021 8:01:11 AM

CASE NO. 22145
ORDER NO. R-21892

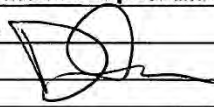
Page 5 of 7

Received by OCD: 10/5/2021 9:13:53 AM

Page 9 of 187

| | |
|---|---|
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) Well #1 | Parkway 16-17 State Com 3H Well (API No. 30-015-pending), SHL: Unit L, 1,380' FSL, 390' FWL, Section 15, T19S-R29E, NMPM; BHL: Unit L, 2,016' FSL, 100' FWL Section 17, T19S-R29E, NMPM, laydown, standard location |
| Horizontal Well First and Last Take Points | Parkway 16-17 State Com 3H Well: FTP 2,016' FSL, 100' FEL, Section 16; LTP 2,016' FSL, 100' FWL, Section 17 |
| Completion Target (Formation, TVD and MD) | Parkway 16-17 State Com 3H Well: TVD approx. 8,960', TMD approx. 19,660'; Bone Spring Formation, See Exhibit B-2 |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000, Exhibit A |
| Production Supervision/Month \$ | \$800, Exhibit A |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200%, Exhibit A |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit C, C-1 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit C-2 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit C-3 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit A-2 |
| Tract List (including lease numbers and owners) | Exhibit A-2 |
| Pooled Parties (including ownership type) | Exhibit A-2 |
| Unlocatable Parties to be Pooled | Exhibit A |
| Ownership Depth Severance (including percentage above & below) | Exhibit A-2, N/a |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-3 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-2 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-4 |
| Overhead Rates In Proposal Letter | Exhibit A-3 |
| Cost Estimate to Drill and Complete | Exhibit A-3 |
| Cost Estimate to Equip Well | Exhibit A-3 |

Released to Imaging: 10/5/2021 8:01:40 AM

| | |
|--|--|
| Cost Estimate for Production Facilities | Exhibit A-3 |
| Geology | |
| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit B-1 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit B-4 |
| Well Orientation (with rationale) | Exhibit B, B-1 |
| Target Formation | Exhibit B, B-2 |
| HSU Cross Section | Exhibit B-2, B-4, B-5 |
| Depth Severance Discussion | Exhibit B |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-1 |
| Tracts | Exhibit A-1, A-2, B-1 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-2 |
| General Location Map (including basin) | Exhibit A-2 |
| Well Bore Location Map | Exhibit B-1, B-4 |
| Structure Contour Map - Subsea Depth | Exhibit B-1 |
| Cross Section Location Map (including wells) | Exhibit B-2, B-5 |
| Cross Section (including Landing Zone) | Exhibit B-2, B-4, B-5 |
| Additional Information | |
| Special Provisions/Stipulations | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Darin C. Savage  |
| Signed Name (Attorney or Party Representative): | |
| Date: | 10/5/2021 |

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CIMAREX ENERGY COMPANY OF COLORADO**

**CASE NO. 22146
ORDER NO. R-21893**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on October 7, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Cimarex Energy Company of Colorado (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the

CASE NO. 22146
ORDER NO. R-21893

Page 2 of 7

election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 10/22/2021

CASE NO. 22146
ORDER NO. R-21893

Page 4 of 7

Exhibit A

Received by OCD: 10/5/2021 9:16:03 AM

Page 101 of 107

| COMPULSORY POOLING APPLICATION CHECKLIST | |
|---|---|
| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case: 22146 | APPLICANT'S RESPONSE |
| Date | October 5, 2021 |
| Applicant | Cimarex Energy Co. of Colorado |
| Designated Operator & OGRID (affiliation if applicable) | 162683 |
| Applicant's Counsel: | Darin C. Savage - Abadie & Schill, PC |
| Case Title: | Application of Cimarex Energy Co. of Colorado for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico |
| Entries of Appearance/Intervenors: | N/a |
| Well Family | Parkway |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Exhibit B-2; TVD approx. 8,960' |
| Pool Name and Pool Code: | Parkway; Bone Spring, West [Code: 98199] |
| Well Location Setback Rules: | NMAC statewide rules apply |
| Spacing Unit Size: | 160 acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 160 acres, more or less |
| Building Blocks: | quarter quarter sections (40 ac tracts) |
| Orientation: | east - west |
| Description: TRS/County | S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico |
| Standard Horizontal Well Spacing Unit (Y/N), if No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | No |
| Applicant's Ownership in Each Tract | See Landman Exhibit A-2 |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | |

Released to Imaging: 10/5/2021 8:02:49 AM

CASE NO. 22146
ORDER NO. R-21893

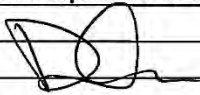
Page 5 of 7

Received by OCD: 10/5/2021 9:16:03 AM

Page 107 of 187

| | |
|--|---|
| Well #1 | Parkway 16 State Com 4H Well (API No. 30-015-pending), SHL: Unit L, 1,360' FSL, 390' FWL, Section 15, T19S-R29E, NMPM; BHL: Unit M, 802' FSL, 100' FWL, Section 16, T19S-R29E, laydown, standard location |
| Horizontal Well First and Last Take Points | Parkway 16 State Com 4H Well: FTP 802' FSL, 100' FEL, Section 16; LTP 802' FSL, 100' FWL, Section 16 |
| Completion Target (Formation, TVD and MD) | Parkway 16 State Com 4H Well: TVD approx. 8,960', TMD 14,380'; Bone Spring Formation, See Exhibit B-2 |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000, Exhibit A |
| Production Supervision/Month \$ | \$800, Exhibit A |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200%, Exhibit A |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit C, C-1 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit C-2 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit C-3 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit A-2 |
| Tract List (including lease numbers and owners) | Exhibit A-2 |
| Pooled Parties (including ownership type) | Exhibit A-2 |
| Unlocatable Parties to be Pooled | Exhibit A |
| Ownership Depth Severance (including percentage above & below) | Exhibit A-2, N/a |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-3 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-2 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-4 |
| Overhead Rates In Proposal Letter | Exhibit A-3 |
| Cost Estimate to Drill and Complete | Exhibit A-3 |
| Cost Estimate to Equip Well | Exhibit A-3 |
| Cost Estimate for Production Facilities | Exhibit A-3 |
| Geology | |
| Summary (including special considerations) | Exhibit B |

Released to Imaging: 10/5/2021 8:02:49 AM

| | |
|--|---|
| Spacing Unit Schematic | Exhibit B-1 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit B-4 |
| Well Orientation (with rationale) | Exhibit B, B-1 |
| Target Formation | Exhibit B, B-2 |
| HSU Cross Section | Exhibit B-2, B-4, B-5 |
| Depth Severance Discussion | Exhibit B |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-1 |
| Tracts | Exhibit A-1, A-2, B-1 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-2 |
| General Location Map (including basin) | Exhibit A-2 |
| Well Bore Location Map | Exhibit B-1, B-4 |
| Structure Contour Map - Subsea Depth | Exhibit B-1 |
| Cross Section Location Map (including wells) | Exhibit B-2, B-5 |
| Cross Section (including Landing Zone) | Exhibit B-2, B-4, B-5 |
| Additional Information | |
| Special Provisions/Stipulations | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Darin C. Savage  |
| Signed Name (Attorney or Party Representative): | |
| Date: 10/5/2021 | |

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

**APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 22145

APPLICATION

Cimarex Energy Co. of Colorado (“Cimarex”), OGRID No. 162683, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a standard 320-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying said unit.

In support of its Application, Cimarex states the following:

1. Cimarex is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Cimarex proposes and dedicates to the HSU the **Parkway 16-17 State Com 3H Well** as an initial well.
3. Cimarex proposes the **Parkway 16-17 State Com 3H Well**, an oil well, to be horizontally drilled from a surface location in NW/4 SW/4 (Unit L) of Section 15 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 17.
4. The proposed well is orthodox in its location, and the take points and completed interval comply with setback requirements under the Statewide rules.

5. Cimarex has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed HSU.

6. The pooling of all interests in the Bone Spring formation within the proposed HSU, and creation of the spacing unit, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Cimarex requests that all uncommitted interests in this HSU be pooled and that Cimarex be designated the operator of the proposed horizontal well and HSU.

WHEREFORE, Cimarex requests that this Application be set for hearing on September 9, 2021, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a standard 320-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.

C. Approving the **Parkway 16-17 State Com 3H Well** as the well for the HSU.

D. Designating Cimarex as operator of this HSU and the horizontal well to be drilled thereon;

E. Authorizing Cimarex to recover its costs of drilling, equipping, and completing the well;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Cimarex in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

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

Attorneys for Applicant

Application of Cimarex Energy Co. for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 320-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation underlying the unit. The proposed well to be dedicated to the horizontal spacing unit is the **Parkway 16-17 State Com 3H Well**, an oil well, to be horizontally drilled from a surface location in NW/4 SW/4 (Unit L) of Section 15 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 17. The well will be orthodox, and the take points and completed interval will comply with the setback requirements under the statewide Rules; also to be considered will be the cost of drilling and completing the well and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the well and unit; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 2.5 miles southeast of Artesia, New Mexico.

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

**APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 22146

APPLICATION

Cimarex Energy Co. of Colorado (“Cimarex”), OGRID No. 162683, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation underlying said unit.

In support of its Application, Cimarex states the following:

1. Cimarex is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Cimarex proposes and dedicates to the HSU the **Parkway 16 State Com 4H Well** as an initial well.
3. Cimarex proposes the **Parkway 16 State Com 4H Well**, an oil well, to be horizontally drilled from a surface location in NW/4 SW/4 (Unit L) of Section 15 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 16.
4. The proposed well is orthodox in its location, and the take points and completed interval comply with setback requirements under the Statewide Rules.

5. Cimarex has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed HSU.

6. The pooling of all interests in the Bone Spring formation within the proposed HSU, and creation of the spacing unit, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Cimarex requests that all uncommitted interests in this HSU be pooled and that Cimarex be designated the operator of the proposed horizontal well and HSU.

WHEREFORE, Cimarex requests that this Application be set for hearing on September 9, 2021, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying the proposed HSU.

C. Approving the **Parkway 16 State Com 4H Well** as the well for the HSU.

D. Designating Cimarex as operator of this HSU and the horizontal well to be drilled thereon;

E. Authorizing Cimarex to recover its costs of drilling, equipping, and completing the well;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Setting a 200% charge for the risk assumed by Cimarex in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

ABADIE & SCHILL, PC

/s/ Darin C. Savage

Darin C. Savage

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

Attorneys for Applicant

Application of Cimarex Energy Co. for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation underlying the unit. The proposed well to be dedicated to the horizontal spacing unit is the **Parkway 16 State Com 4H Well**, an oil well, to be horizontally drilled from a surface location in NW/4 SW/4 (Unit L) of Section 15 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 16. The well will be orthodox, and the take points and completed interval will comply with the setback requirements under the statewide Rules; also to be considered will be the cost of drilling and completing the well and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the well and unit; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 2.5 miles southeast of Artesia, New Mexico.

TAB 2

Exhibit A: Affidavit of Riley Morris, Landman
Exhibit A-1: Order No. R-21892
Exhibit A-2: Order No. R-21893

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

**APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO TO REOPEN CASE NO. 22145 (ORDER NO. R-
21892) FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 22577;
Reopen Case No. 22145;
Order No. R-21892

**APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO TO REOPEN CASE NO. 22146 (ORDER NO. R-
21893) FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

Case No. 22578;
Reopen Case No. 22146;
Order No. R-21893

AFFIDAVIT OF RILEY MORRIS

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

I, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Affidavit, which is based on my personal knowledge.
2. I am employed as a Landman with Cimarex Energy Co. (“Cimarex”), and I am familiar with the subject application and the lands involved.
3. I graduated in 2010 from the Texas Tech University with a bachelor’s degree in Business Administration with an emphasis on Energy Commerce. I have worked at Cimarex for approximately 3 years, and I have been working in New Mexico for 3 years. My credentials as a

**EXHIBIT
A**

petroleum landman have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.

4. This affidavit is submitted in connection with the filing by Cimarex of the above-referenced applications in Case Nos. 22577 and 22578, to reopen Case Nos. 22145 and 22146, in order to provide Cimarex the opportunity to cure an oversight in letter notice in regard to a single minority working interest owner.

5. Following a hearing on October 7, 2021, the Division issued **Order Nos. R-21892 and R-21893**. In **Order No. 21892**, the Division approved a standard 160-acre, more or less, spacing and proration unit comprised of the N/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico; pooled all uncommitted mineral interests in the Bone Spring formation underlying the unit; approved the **Parkway 16-17 State Com 3H Well** as the well dedicated to the unit; designated Cimarex the operator of the unit and the well; authorized Cimarex to recover its costs of drilling, equipping, and completing the well; approved the actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and set a 200% charge for the risk assumed by Cimarex in drilling and completing the well in the event a working interest owner elects not to participate in the well. In **Order No. R-21893**, the Division granted all of the above for the standard 160-acre, more or less, spacing and proration unit comprised of the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico (collectively with the above unit referred to herein as “Subject Lands”) and the **Parkway 16 State Com 4H Well** dedicated to said unit.

6. After the Division entered **Order Nos. 21892 and 21893**, Cimarex became aware of a oversight to provide letter notice to Colgate Energy and its subsidiary Colgate Operating, LLC

(collectively “Colgate”). Colgate had acquired a small amount working interest in the unit by assignment from Crump Energy Partners III, LLC (“Crump Energy”) and Crown Oil Partners VI, LLC (“Crown”). These two prior owners were sent and received the letter notice that should have been sent to Colgate. This oversight was caused by an unintentional delay in updating the mailing list used in the cases referenced herein.

7. While Colgate was not provided with letter notice, its interest was accounted for in the pooling. Our records show the transition of the interest from Crump Energy and Crown to Colgate, and Colgate was correctly listed as a Working Interest Owner in the Ownership Breakdown provided in Cimarex’s Hearing Packet. Moreover, Colgate was notified of Cimarex’s Applications via email and phone correspondence as reported in the Communication Status of Uncommitted Owners report in Cimarex’s Hearing Packet. Despite Colgate’s interest being accounted for in the proceeding, Cimarex desires to cure the oversight of the notice letter requirement as described herein. *See* Cimarex’s Exhibits A-2 and A-4 in Case Nos. 22145 and 22146.

8. Cimarex respectfully asks that the Division enter an order acknowledging that the notice letter to Colgate, as a working interest owner of record, has been properly sent and received pursuant to the application in the present case, and therefore, the notice requirement due Colgate for the pooling of the Subject Lands described herein has been satisfied. Moreover, Cimarex asks that the order affirm the validity of the Division’s Pooling **Order Nos. R-21892 and R-21893**, for the proper pooling of the Subject Lands and granting Cimarex the operating rights to the Units and Wells described herein pursuant to said Order. *See* Exhibits A-1 and A-2 for copies of the orders, attached hereto.

9. Cimarex, through its counsel, timely notified Colgate of Cimarex’s request to re-open the cases described herein for the purpose of providing letter notice to Colgate and to provide

Colgate its due process rights of addressing any concerns it may have at hearing. See Exhibit B-

1. No objections have been made, and Cimarex does not anticipate any.

10. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

11. The foregoing is correct and complete to the best of my knowledge and belief.

[Signature page follows]

FURTHER AFFIANT SAYETH NAUGHT

Riley Morris
Riley Morris

Subscribed to and sworn before me this 28 day of February 2022.



Kaimi Brownlee
Notary Public

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CIMAREX ENERGY COMPANY OF COLORADO**

**CASE NO. 22145
ORDER NO. R-21892**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on October 7, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Cimarex Energy Company of Colorado (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

**EXHIBIT
A-1**

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the

CASE NO. 22145
ORDER NO. R-21892

Page 2 of 7

election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

- 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 10/22/2021

CASE NO. 22145
ORDER NO. R-21892

Exhibit A

Received by OCD: 10/5/2021 9:14:51 AM

Page 8 of 107

| COMPULSORY POOLING APPLICATION CHECKLIST | |
|--|---|
| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case: 22145 | APPLICANT'S RESPONSE |
| Date | October 5, 2021 |
| Applicant | Cimarex Energy Co. of Colorado |
| Designated Operator & OGRID (affiliation if applicable) | 162683 |
| Applicant's Counsel: | Darin C. Savage - Abadie & Schill, PC |
| Case Title: | Application of Cimarex Energy Co. of Colorado for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico |
| Entries of Appearance/Intervenors: | N/a |
| Well Family | Parkway |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Exhibit B-2; TVD approx. 8,960' |
| Pool Name and Pool Code: | Parkway; Bone Spring, West [Code: 98199] |
| Well Location Setback Rules: | NMAC statewide rules apply |
| Spacing Unit Size: | 320 acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 320 acres, more or less |
| Building Blocks: | quarter quarter sections (40 ac tracts) |
| Orientation: | east - west |
| Description: TRS/County | N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico |
| Standard Horizontal Well Spacing Unit (Y/N), If No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | No |
| Applicant's Ownership in Each Tract | See Landman Exhibit A-2 |
| Well(s) | |

Released to Imaging: 10/5/2021 8:01:11 AM

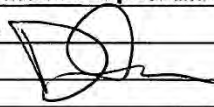
CASE NO. 22145
ORDER NO. R-21892

Received by OCD: 10/5/2021 9:13:53 AM

Page 9 of 187

| | |
|---|---|
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) Well #1 | Parkway 16-17 State Com 3H Well (API No. 30-015-pending), SHL: Unit L, 1,380' FSL, 390' FWL, Section 15, T19S-R29E, NMPM; BHL: Unit L, 2,016' FSL, 100' FWL Section 17, T19S-R29E, NMPM, laydown, standard location |
| Horizontal Well First and Last Take Points | Parkway 16-17 State Com 3H Well: FTP 2,016' FSL, 100' FEL, Section 16; LTP 2,016' FSL, 100' FWL, Section 17 |
| Completion Target (Formation, TVD and MD) | Parkway 16-17 State Com 3H Well: TVD approx. 8,960', TMD approx. 19,660'; Bone Spring Formation, See Exhibit B-2 |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000, Exhibit A |
| Production Supervision/Month \$ | \$800, Exhibit A |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200%, Exhibit A |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit C, C-1 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit C-2 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit C-3 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit A-2 |
| Tract List (including lease numbers and owners) | Exhibit A-2 |
| Pooled Parties (including ownership type) | Exhibit A-2 |
| Unlocatable Parties to be Pooled | Exhibit A |
| Ownership Depth Severance (including percentage above & below) | Exhibit A-2, N/a |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-3 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-2 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-4 |
| Overhead Rates In Proposal Letter | Exhibit A-3 |
| Cost Estimate to Drill and Complete | Exhibit A-3 |
| Cost Estimate to Equip Well | Exhibit A-3 |

Released to Imaging: 10/5/2021 8:01:40 AM

| | |
|--|--|
| Cost Estimate for Production Facilities | Exhibit A-3 |
| Geology | |
| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit B-1 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit B-4 |
| Well Orientation (with rationale) | Exhibit B, B-1 |
| Target Formation | Exhibit B, B-2 |
| HSU Cross Section | Exhibit B-2, B-4, B-5 |
| Depth Severance Discussion | Exhibit B |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-1 |
| Tracts | Exhibit A-1, A-2, B-1 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-2 |
| General Location Map (including basin) | Exhibit A-2 |
| Well Bore Location Map | Exhibit B-1, B-4 |
| Structure Contour Map - Subsea Depth | Exhibit B-1 |
| Cross Section Location Map (including wells) | Exhibit B-2, B-5 |
| Cross Section (including Landing Zone) | Exhibit B-2, B-4, B-5 |
| Additional Information | |
| Special Provisions/Stipulations | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Darin C. Savage  |
| Signed Name (Attorney or Party Representative): | |
| Date: | 10/5/2021 |

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CIMAREX ENERGY COMPANY OF COLORADO**

**CASE NO. 22146
ORDER NO. R-21893**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on October 7, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Cimarex Energy Company of Colorado (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

**EXHIBIT
A-2**

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the

election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

- 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR

AES/jag

Date: 10/22/2021

CASE NO. 22146
ORDER NO. R-21893

Exhibit A

Received by OCD: 10/5/2021 9:16:03 AM

Page 104 of 107

| COMPULSORY POOLING APPLICATION CHECKLIST | |
|---|---|
| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case: 22146 | APPLICANT'S RESPONSE |
| Date | October 5, 2021 |
| Applicant | Cimarex Energy Co. of Colorado |
| Designated Operator & OGRID (affiliation if applicable) | 162683 |
| Applicant's Counsel: | Darin C. Savage - Abadie & Schill, PC |
| Case Title: | Application of Cimarex Energy Co. of Colorado for a Horizontal Spacing Unit and Compulsory Pooling, Eddy County, New Mexico |
| Entries of Appearance/Intervenors: | N/a |
| Well Family | Parkway |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Bone Spring |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Exhibit B-2; TVD approx. 8,960' |
| Pool Name and Pool Code: | Parkway; Bone Spring, West [Code: 98199] |
| Well Location Setback Rules: | NMAC statewide rules apply |
| Spacing Unit Size: | 160 acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 160 acres, more or less |
| Building Blocks: | quarter quarter sections (40 ac tracts) |
| Orientation: | east - west |
| Description: TRS/County | S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico |
| Standard Horizontal Well Spacing Unit (Y/N), if No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | No |
| Applicant's Ownership in Each Tract | See Landman Exhibit A-2 |
| Well(s) | |
| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | |

Released to Imaging: 10/5/2021 8:02:49 AM

CASE NO. 22146
ORDER NO. R-21893

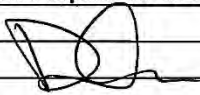
Page 5 of 7

Received by OCD: 10/5/2021 9:16:03 AM

Page 107 of 187

| | |
|--|--|
| Well #1 | Parkway 16 State Com 4H Well (API No. 30-015-pending), SHL: Unit L, 1,360' FSL, 390' FWL, Section 15, T19S-R29E, NMPPM; BHL: Unit M, 802' FSL, 100' FWL, Section 16, T19S-R29E, laydown, standard location |
| Horizontal Well First and Last Take Points | Parkway 16 State Com 4H Well: FTP 802' FSL, 100' FEL, Section 16; LTP 802' FSL, 100' FWL, Section 16 |
| Completion Target (Formation, TVD and MD) | Parkway 16 State Com 4H Well: TVD approx. 8,960', TMD 14,380'; Bone Spring Formation, See Exhibit B-2 |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000, Exhibit A |
| Production Supervision/Month \$ | \$800, Exhibit A |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200%, Exhibit A |
| Notice of Hearing | |
| Proposed Notice of Hearing | Exhibit C, C-1 |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit C-2 |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit C-3 |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibit A-2 |
| Tract List (including lease numbers and owners) | Exhibit A-2 |
| Pooled Parties (including ownership type) | Exhibit A-2 |
| Unlocatable Parties to be Pooled | Exhibit A |
| Ownership Depth Severance (including percentage above & below) | Exhibit A-2, N/a |
| Joinder | |
| Sample Copy of Proposal Letter | Exhibit A-3 |
| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-2 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-4 |
| Overhead Rates In Proposal Letter | Exhibit A-3 |
| Cost Estimate to Drill and Complete | Exhibit A-3 |
| Cost Estimate to Equip Well | Exhibit A-3 |
| Cost Estimate for Production Facilities | Exhibit A-3 |
| Geology | |
| Summary (including special considerations) | Exhibit B |

Released to Imaging: 10/5/2021 8:02:49 AM

| | |
|--|---|
| Spacing Unit Schematic | Exhibit B-1 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibit B-4 |
| Well Orientation (with rationale) | Exhibit B, B-1 |
| Target Formation | Exhibit B, B-2 |
| HSU Cross Section | Exhibit B-2, B-4, B-5 |
| Depth Severance Discussion | Exhibit B |
| Forms, Figures and Tables | |
| C-102 | Exhibit A-1 |
| Tracts | Exhibit A-1, A-2, B-1 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-2 |
| General Location Map (including basin) | Exhibit A-2 |
| Well Bore Location Map | Exhibit B-1, B-4 |
| Structure Contour Map - Subsea Depth | Exhibit B-1 |
| Cross Section Location Map (including wells) | Exhibit B-2, B-5 |
| Cross Section (including Landing Zone) | Exhibit B-2, B-4, B-5 |
| Additional Information | |
| Special Provisions/Stipulations | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Darin C. Savage  |
| Signed Name (Attorney or Party Representative): | |
| Date: 10/5/2021 | |

TAB 3

Exhibit B: Affidavit of Notice, Darin C. Savage
Exhibit B-1: Notice Letter
Exhibit B-2: Mailing Report
Exhibit B-3: Green Card



Darin C. Savage

SUBSCRIBED AND SWORN to before me this 15th day of March, 2022, by Darin C. Savage.



Notary Public

My Commission Expires:

March 09, 2024

STATE OF NEW MEXICO
NOTARY PUBLIC
AYMEE MARQUEZ
COMMISSION # 1128383
EXPIRES MARCH 9, 2024



For the Pursuit of Energy

ABADIE | SCHILL PC

| | |
|-----------|--------------|
| Colorado | New Mexico |
| Louisiana | Texas |
| Kansas | Utah |
| Nebraska | Wyoming |
| Montana | California |
| Oklahoma | North Dakota |

February 9, 2022

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Colgate Energy and Colgate Operating, LLC (“Colgate”)

Re: Application of Cimarex Energy Co. of Colorado to reopen Case No. 22145 (Order No. R-21892) for horizontal spacing and compulsory pooling, Eddy County, New Mexico
Parkway 16-17 State Com 3H Well (Case No. 22577)

Re: Application of Cimarex Energy Co. of Colorado to reopen Case No. 22146 (Order No. R-21893) for horizontal spacing and compulsory pooling, Eddy County, New Mexico
Parkway 16 State Com 4H Well (Case No. 22578)

Case Nos. 22577 and 22578:

Dear Mr. Hajdik, Colgate Energy:

This letter is to advise you that Cimarex Energy Co. of Colorado (“Cimarex”) has filed the enclosed applications, Case Nos. 22577 and 22578, with the New Mexico Oil Conservation Division to reopen Case Nos. 22145 and 22146 (Order Nos. R-21892 and R-21893), which created standard horizontal spacing units and the compulsory pooling of the Bone Spring formation, in order to cure an oversight in letter notice to Colgate.

In Case No. 22145, Cimarex pooled the N/2 S/2 of Sections 16 and 17, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, a standard unit encompassing 320 acres, more or less, dedicated to the Parkway 16-17 State Com 3H Well.

In Case No. 22146, Cimarex pooled the S/2 S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, a standard unit encompassing 160 acres, more or less, dedicated to the Parkway 16 State Com 4H Well.

abadieschill.com

214 McKenzie Street, Santa Fe, New Mexico, 87501

O : 970.385.4401 • F : 970.385.4901

EXHIBIT
B-1

In both Cases 22145 and 22146, Cimarex inadvertently utilized an outdated mailing list, and the letter notice that should have been mailed to Colgate was, by unintentional oversight, mailed to Crump Energy Partners III, LLC and Crown Oil Partners VI, LLC, the owners listed in the original title work.

A hearing has been requested and scheduled to be heard before a Division Examiner on March 3, 2022. The status of the hearing can be monitored through the Division's website. Division hearings will commence at 8:15 a.m., traditionally in Porter Hall at the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. However, under the COVID-19 Public Health Emergency, the hearing will be conducted remotely. For information about remote access, you can visit the Division's website at: <https://www.emnrd.nm.gov/ocd/hearing-info/> or call (505) 476-3441.

You are being notified as a minority working interest owner and are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B NMAC to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5 p.m. mountain time on the Thursday preceding the scheduled hearing date. This statement must be filed online or at the Division's Santa Fe office at the above specified address and should include: The names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Riley Morris at (432) 620-1966 or at rmorris@cimarex.com.

Sincerely,



Darin C. Savage

Attorney for Cimarex Energy Co. of Colorado

18 WI
33 ORRI

| Interest | Owner | Address | CITY | State | ZIP | USPS # | Date Mailed | Status | Date Delivered | Green Card Returned? | Notes |
|-------------------|--------------------|----------------------------------|---------|-------|-------|---------------------|-------------|--------|----------------|----------------------|-------|
| 1H, 2H, 3H, 4H | Cimarex Energy Co. | | | | | | | | | | |
| | CLIENT/OWNER | | | | | | | | | | |
| WI 1H, 2H, 3H, 4H | Colgate Energy | 300 N. Marienfeld St. Suite 1000 | Midland | TX | 79701 | 7021095000069887473 | | | 2/9/22 | | |

EXHIBIT
B-2

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY | | | | | | | | | | | | | | | | | |
|---|---|-------------------------|--|---|--|---|---|--|---|--|--|---|--|--|---------------------------------------|--|--|--|
| <ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. | A. Signature <input type="checkbox"/> Agent <input type="checkbox"/> Addressee X | | | | | | | | | | | | | | | | | |
| 1. Article Addressed to: <p style="text-align: center; font-family: cursive;">Colgate Energy 300 N. Marienfeld St. Suite 1000 Midland, Tx 79701</p>  9590 9402 6862 1104 4348 61 | B. Received by (<i>Printed Name</i>) | C. Date of Delivery | | | | | | | | | | | | | | | | |
| 2. Article Number (<i>Transfer from service label</i>) 7021 0950 0000 6988 7473 | D. Is delivery address different from Item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No 3. Service Type <table border="0" style="width: 100%;"> <tr> <td><input type="checkbox"/> Adult Signature</td> <td><input type="checkbox"/> Priority Mail Express®</td> </tr> <tr> <td><input type="checkbox"/> Adult Signature Restricted Delivery</td> <td><input type="checkbox"/> Registered Mail™</td> </tr> <tr> <td><input checked="" type="checkbox"/> Certified Mail®</td> <td><input type="checkbox"/> Registered Mail Restricted Delivery</td> </tr> <tr> <td><input type="checkbox"/> Certified Mail Restricted Delivery</td> <td><input type="checkbox"/> Signature Confirmation™</td> </tr> <tr> <td><input type="checkbox"/> Collect on Delivery</td> <td><input type="checkbox"/> Signature Confirmation Restricted Delivery</td> </tr> <tr> <td><input type="checkbox"/> Collect on Delivery Restricted Delivery</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Insured Mail</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Insured Mail Restricted Delivery (RM)</td> <td></td> </tr> </table> | | <input type="checkbox"/> Adult Signature | <input type="checkbox"/> Priority Mail Express® | <input type="checkbox"/> Adult Signature Restricted Delivery | <input type="checkbox"/> Registered Mail™ | <input checked="" type="checkbox"/> Certified Mail® | <input type="checkbox"/> Registered Mail Restricted Delivery | <input type="checkbox"/> Certified Mail Restricted Delivery | <input type="checkbox"/> Signature Confirmation™ | <input type="checkbox"/> Collect on Delivery | <input type="checkbox"/> Signature Confirmation Restricted Delivery | <input type="checkbox"/> Collect on Delivery Restricted Delivery | | <input type="checkbox"/> Insured Mail | | <input type="checkbox"/> Insured Mail Restricted Delivery (RM) | |
| <input type="checkbox"/> Adult Signature | <input type="checkbox"/> Priority Mail Express® | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> Adult Signature Restricted Delivery | <input type="checkbox"/> Registered Mail™ | | | | | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> Certified Mail® | <input type="checkbox"/> Registered Mail Restricted Delivery | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> Certified Mail Restricted Delivery | <input type="checkbox"/> Signature Confirmation™ | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> Collect on Delivery | <input type="checkbox"/> Signature Confirmation Restricted Delivery | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> Collect on Delivery Restricted Delivery | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> Insured Mail | | | | | | | | | | | | | | | | | | |
| <input type="checkbox"/> Insured Mail Restricted Delivery (RM) | | | | | | | | | | | | | | | | | | |
| PS Form 3811, July 2020 PSN 7530-02-000-9053 | | Domestic Return Receipt | | | | | | | | | | | | | | | | |

EXHIBIT
B-3