

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

**APPLICATIONS OF CIMAREX ENERGY CO.
FOR A HORIZONTAL SPACING UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NOS. 23448-23455

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

CASE NOS. 23594-23601

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

CASE NOS. 23508-23523

**MOTION FOR EXPEDITED ORDER STAYING THE ADMINISTRATIVE
APPROVAL OF CIMAREX'S APDS PENDING ISSUANCE OF A POOLING ORDER**

Pursuant to 19.15.4.23.B, 19.15.2.11, and 19.15.14.10.B NMAC, Read & Stevens, Inc. and Permian Resources Operating, LLC (“Permian Resources”) (collectively “Permian Resources”), through undersigned counsel, file this motion to stay administrative approval of Cimarex Energy Co.’s (“Cimarex”) APDs and the assignment of API numbers for its Loosey Goosey 4 9 Fed Com #204H, #301H, #302H, and #303H pending issuance of compulsory pooling orders in these contested cases. Cimarex’s Loosey Goosey wells were proposed as initial wells under Case Nos. 23452-23455 and 23598-23601 (the “Loosey Goosey wells”) and directly compete with Permian Resources’ proposed wells in Case Nos. 23508-23515 (the “Bane wells”). To maintain the status quo and prevent irreparable injury to Permian Resources and working interest owners in the Wolfcamp formation within the subject acreage, the Division should issue an order instituting the requested stay or, in the alternative, the

Division should impose a stay as a condition of approval on the Loosey Goosey APDs pending issuance of a pooling order. In support of this motion, Permian Resource states, as follows:

1. On February 6, 2024, the Oil Conservation Division's district office administratively approved the APDs and accompanying C-102s and assigned API numbers for the following horizontal wells:

- **Loosey Goosey 4 9 Fed Com #240H** (API No. 30-025-52500) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the E/2 E/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico;
- **Loosey Goosey 4 9 Fed Com #301H** (API No. 30-025-52501) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the W/2 W/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico;
- **Loosey Goosey 4 9 Fed Com #302H** (API No. 30-025-52502) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the E/2 W/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico; and
- **Loosey Goosey 4 9 Fed Com #303H** (API No. 30-025-52501) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the W/2 E/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico.

See Federal Form 3160-3 and accompanying NMOCD Form C-102 in each well file.¹

2. Permian Resources understands that Cimarex either owns an interest or has obtained the voluntary commitment of at least one working interest owner in each tract in which any part of the completed intervals of Loosey Goosey wells will be located. See 19.15.16.15.A(1)(a) NMAC. Cimarex is, therefore, authorized under Division rules to commence drilling its Loosey Goosey wells even though operatorship of the subject acreage and spacing units is still pending in the competing compulsory pooling cases and doing so will jeopardize the existing status quo.

3. Cimarex's Loosey Goosey wells are subject to a competing compulsory pooling proceeding that was heard by a Division-appointed Hearing Examiner over a three-day period from August 9-11, 2023. Permian Resources is a working interest owner in this acreage and has a competing plan of development and compulsory pooling cases represented by its Bane wells.

4. As explained in Permian Resources' closing argument and accompanying findings and conclusions, filed on September 21, 2023, Cimarex's Loosey Goosey wells, if drilled, will cause substantial waste by leaving unrecovered reserves in place and will irreparably impair correlatively rights.

5. Cimarex's Loosey Goosey wells will be completed only within the lower portion of the Third Bone Spring interval. Cimarex has not proposed to drill and complete wells in the underlying Wolfcamp formation. At hearing, Cimarex's landman testified that Cimarex's Loosey Goosey Bone Spring wells will "produce the primary concentrations of hydrocarbons in the

¹ https://ocdimage.emnrd.nm.gov/Imaging/FileStore/santafe/wf/20240206/3002552500000_02_06_2024_11_04_55.pdf, https://ocdimage.emnrd.nm.gov/Imaging/FileStore/santafe/wf/20240206/30025525010000_02_06_2024_11_07_23.pdf, https://ocdimage.emnrd.nm.gov/Imaging/FileStore/santafe/wf/20240206/30025525020000_02_06_2024_11_13_20.pdf, https://ocdimage.emnrd.nm.gov/Imaging/FileStore/santafe/wf/20240206/30025525030000_02_06_2024_11_16_36.pdf.

Wolfcamp” but will allocate production only to Bone Spring mineral owners in proportion to their ownership interests in the Bone Spring on a surface acreage basis, as the compulsory pooling statute requires. Wolfcamp owners, including owners who own no interests in the Bone Spring, will receive no payment on production from the Wolfcamp in proportion to their Wolfcamp ownership. To the extent such owners own a greater share in the Wolfcamp, or own only in the Wolfcamp, their correlative rights will be irreparably impaired under this approach. *See Permian Resources’ Closing Argument, filed 9/21/24.*

6. Cimarex’s preferred approach under these cases (i.e., Cimarex’s Option One) also will prohibit Permian Resources and other Wolfcamp owners from drilling any wells in the “sweet spot” Permian Resources identified within the Wolfcamp XY interval by instituting a “buffer zone” where no production would be permitted. Owners who do not own in the Bone Spring formation would be barred from accessing their Upper Wolfcamp reserves and would receive no production under a Bone Spring compulsory pooling order even though the “primary concentrations” of their Upper Wolfcamp reserves would be produced by Cimarex’s Bone Spring wells. This effort to prevent mineral owners in the Wolfcamp from accessing their Wolfcamp oil and gas reserves is a textbook impairment of correlative rights.

7. In addition, Wolfcamp owners also will lose access to their Upper Wolfcamp reserves that will be stranded under Cimarex’s plan. Cimarex contends its Bone Spring wells will produce at most 26% percent of the Upper Wolfcamp reserves. The remainder of the Upper Wolfcamp reserves not produced by Cimarex’s Bone Spring wells will be stranded due to parent-child depletion effects, making it unlikely Cimarex or any operator would revisit targeting the Upper Wolfcamp later.

8. Following issuance of Cimarex's Loosey Goosey APDs, Permian Resources requested Cimarex agree to maintain the status quo and agree not to drill these wells until the Division issues orders awarding operatorship. However, Cimarex refused to agree to preserve the status quo or that it would not drill its Loosey Goosey wells.

9. Under the Division's rules, the Division Director has authority to issue stays to prevent waste and protect correlative rights. 19.15.4.23.B NMAC. The Division also has authority to impose conditions of approval on approved APDs. 19.15.14.10.B NMAC ("The division may impose conditions on an approved permit to drill, deepen or plug back."). These provisions authorize the Division to stay Cimarex's APDs and the assignment of API numbers on Division Form C-102 for the Loosey Goosey wells pending issuance of compulsory pooling orders. And the Division or Commission is also authorized to issue an order staying the APDs and assignment of API numbers without a hearing if it finds an emergency exists. 19.15.2.11.B NMAC.

10. Here, because Cimarex has not agreed to not drill its wells, unnecessary surface disturbances may occur and the status quo pending issuance of compulsory pooling orders will be unnecessarily disrupted unless the Division issues an expedited order staying administrative approval of the Loosey Goosey APDs and assignment of API numbers issued to Cimarex.

11. Permian Resources is not aware of any undue hardship or gross negative consequences to Cimarex if the Division's administrative approval of the Loosey Goosey APDs and assignment of API numbers are stayed pending issuance of compulsory pooling orders in these cases.

12. To avoid drilling inefficient horizontal wells, to avoid unnecessary surface disturbances, to prevent waste, and to protect the correlative rights of Permian Resources and the

other working interest owners in Sections 4 and 9, the Division's administrative approval of the APDs and the assignment of API numbers for the Loosey Goosey wells should be stayed until compulsory pooling orders are issued in these cases.

13. A copy of this motion has been served by email to counsel for Cimarex.

14. A proposed form of order is attached hereto as **Exhibit A**.

WHEREFORE, Permian Resources requests that the Division Director or Chair of the Oil Conservation Commission issue an expedited order staying administrative approval of APDs and the assignment of API numbers on the Division Form C-102 for each of Cimarex's Loosey Goosey wells pending issuance of compulsory pooling orders in these cases.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on February 26, 2024, I served a copy of the foregoing document to the following counsel of record via Electronic Mail:

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EXHIBIT A

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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CASE NOS. 23508-23523

**[PROPOSED] ORDER STAYING ADMINISTRATIVE APPROVAL OF APDS
AND API NUMBERS FOR SPECIFIED WELLS**

This matter, having come before the Division Director and/or the Chair of the Oil Conservation Commission on a motion filed by Read & Stevens, Inc. and Permian Resources Operating, LLC (collectively “Permian Resources”) pursuant to 19.15.4.23.B, 19.15.2.11, and 19.15.14.10.B NMAC, and having considered the motion and otherwise being fully informed in the premises, the Director finds and concludes that a temporary stay of the Division’s administrative approvals for the following wells pending issuance of compulsory pooling orders in the above-referenced matters is necessary to maintain the status quo pending issuance of such orders and to avoid unnecessary surface disturbance, to prevent waste and to protect correlative rights:

- **Loosey Goosey 4 9 Fed Com #240H** (API No. 30-025-52500) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring

EXHIBIT A

formation comprised of the E/2 E/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico;

- **Loosey Goosey 4 9 Fed Com #301H** (API No. 30-025-52501) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the W/2 W/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico;
- **Loosey Goosey 4 9 Fed Com #302H** (API No. 30-025-52502) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the E/2 W/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico; and
- **Loosey Goosey 4 9 Fed Com #303H** (API No. 30-025-52501) to be dedicated to a 320-acre, more or less, horizontal well spacing unit in the Bone Spring formation comprised of the W/2 E/2 of Sections 4 and 9, T19S, R34E, Lea County, New Mexico.

IT IS THEREFORE ORDERED the Division’s administrative approval of the APDs and the API numbers for each of the four wells identified above is hereby **STAYED** until such time as the Division issues compulsory pooling orders in the above-referenced matters. This order is without prejudice to an adversely affected party seeking a further stay pending de novo review of any order issued by the Division in the above-referenced matters.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION/COMMISSION
