

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

APPLICATIONS OF AVANT OPERATING, LLC FOR COMPULSORY POOLING AND APPROVAL OF AN OVERLAPPING NON-STANDARD HORIZONTAL SPACING UNIT, LEA COUNTY, NEW MEXICO.

CASE NOS. 24632 - 24633

APPLICATIONS OF MAGNUM HUNTER PRODUCTION, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NOS. 24756 - 24759

CASE NOS. 24913 - 24916

APPLICATIONS OF MRC PERMIAN COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NOS. 24760 – 24767

MRC’S PRE-HEARING STATEMENT

MRC Permian Company (“MRC”) (OGRID No. 4323) submits this pre-hearing statement, as required by the Prehearing Order in these consolidated matters.

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STATEMENT OF THE CASE

In these consolidated cases, MRC seek to pool standard horizontal well spacing units for two-mile stand-up horizontal wells in the Bone Spring and Wolfcamp formations underlying Sections 28 and 33, Township 18 South, Range 34 East, Lea County, New Mexico, as follows:

- Under **Case 24760**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Bone Spring formation underlying the W2W2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #121H**.
- Under **Case 24761**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Bone Spring formation underlying the E2W2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #122H**.
- Under **Case 24762**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Bone Spring formation underlying the W2E2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #123H**.
- Under **Case 24763**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Bone Spring formation underlying the E2E2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #124H**.
- Under **Case 24764**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Wolfcamp formation underlying the W2W2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #241H**.
- Under **Case 24765**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Wolfcamp formation underlying the E2W2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #242H**.
- Under **Case 24767**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Wolfcamp formation underlying the W2E2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #243H**.
- Under **Case 24766**, MRC seeks to pool a standard 320-acre horizontal spacing unit in the Wolfcamp formation underlying the E2E2 of Sections 28 and 33, for the proposed **Bobby Pickard State Com #244H**.

Magnum Hunter Production, Inc. (“Magnum Hunter”) has filed pooling applications under Cases 23913-24916 and 24756-24759 that seek to pool the Bone Spring and Wolfcamp formations under Sections 32 and 33 for two-mile laydown horizontal wells. Magnum Hunter’s laydown wells compete with MRC’s standup wells in Section 33, and Magnum Hunter’s proposed laydown orientation is contrary to the orientation of most of the wells in the subject area.¹

Magnum Hunter’s laydown orientation is inconsistent with the stress orientation in this area and will therefore result in waste.

Both companies seek to initially develop the same Bone Spring and Wolfcamp intervals. The primary difference in the initial development plan is the orientation of the proposed wells. MRC will present evidence that the maximum horizontal stress orientation in this area is approximately N75°E. Accordingly, a vast majority of the wells in the subject area are drilled in a standup orientation to allow for the most efficient and effective drainage of the targeted intervals.

MRC will also present studies analyzing the results from the few laydown wells in the area with the results from the preferred standup wells. These studies, not surprisingly, reveal a significant degradation in barrels of oil per foot when compared to the preferred north-south orientation. Accordingly, Magnum Hunter’s proposed laydown orientation will leave a significant amount of technically recoverable oil in the ground that would otherwise be recovered by wells oriented in a standup fashion, thereby causing waste. Since the prevention of waste is the paramount duty of the Oil Conservations Commission/Division, the Cimarex applications must be denied on these grounds alone. **Cont’l Oil Co. v. Oil Conservation Comm’n**, 1962-NMSC-062, ¶ 11, 70 N.M. 310, 373 P.2d 809 (noting “the prevention of waste is the paramount power, inasmuch as this term is an integral part of the definition of correlative rights.”)

¹ Magnum Hunter’s laydown wells also compete with the standup two-mile wells proposed by Avant Operating under Cases 24632 and 24633 for the Bone Spring and Wolfcamp formations under adjacent Sections 29 and 32.

Magnum Hunter's laydown orientation will require additional surface disturbance.

Due to existing infrastructure and MRC's existing standup development in the area, MRC's proposed standup wells will not require any additional surface disturbance. MRC intends to drill the proposed Bobby Pickard wells using existing drilling pad in the S2S2 of Section 21 and utilize the existing tank batteries at this facility. In contrast, Magnum Hunter has proposed surface locations in the E2 of Section 33, where no existing drilling pads or other production facilities exist.

Magnum Hunter's applications are subject to a title dispute with Avant, do not account for an ownership depth severance in the Bone Spring formation, and provide no notice of proposed pooling for "contract areas."

MRC understands that Magnum Hunter and Avant are involved in a title dispute regarding the acreage in Section 32, which acreage is not involved in MRC's efforts to pool Sections 28 and 33 for two-mile standup wells. In addition to this title dispute, Section 32 also apparently has an ownership depth severance in the Bone Spring formation. Presumably because of this ownership depth severance, Magnum Hunter's initially filed applications sought to create Bone Spring spacing units pooling "from the top of the First Bone Spring (at a depth of the stratigraphic equivalent of 7,760 measured feet) to a depth of the stratigraphic equivalent of 9,668 measured feet as identified on the Spectral Density Dual Spaced Neutron Log in the Matador Petroleum Corporation Zafiro State 32 Com 1 (API No. 30-025-34508) ("Bone Spring Interval")." *See* Magnum Hunter Cases 24684-24687. Those cases were recently dismissed by Magnum Hunter and replaced with Cases 24913-24916. These newly filed applications seek to pool the entire Bone Spring formation underlying Sections 32 and 33, without mentioning or addressing the ownership depth severance in Section 32. *See* Magnum Hunter Cases 24913-24916.

However, MRC received a notice letter from Magnum Hunter stating that due to an ownership depth severance in the Bone Spring formation, Magnum Hunter has proposed two "Contract

Areas” and that “Magnum will ask the Oil Conservation Division to recognize these contract areas in any pooling orders issued by the Division for the proposed units.” *See* Exhibit F hereto. Magnum Hunter is not in a position to request that the Division pool the two proposed “Contract Areas” because:

- Magnum Hunter’s well proposal letters do not identify an ownership depth severance in the Bone Spring formation and do not provide notice of any desire to pool separate “Contract Areas;”
- Magnum Hunter’s filed applications do not identify an ownership depth severance in the Bone Spring formation and do not seek to pool separate “Contract Areas,” instead they seek to pool the entire Bone Spring formation; and
- The Division’s public notice for these cases likewise does not provide notice of an ownership depth severance in the Bone Spring formation or a desire to pool separate “Contract Areas.”

As a result, Magnum Hunter’s applications have not only a title dispute that will likely delay development of its proposed laydown Bone Spring spacing units, but the filed applications do not address the depth severance that exists in the Bone Spring formation underlying Section 32. In contrast, MRC’s applications to pool Sections 28 and 33 for the more efficient and effective standup horizontal well spacing units have no title or procedural issues.

MRC believes the following facts are undisputed and material to the issues presented in these consolidated cases:

1. Most operators in the subject area have drilled standup horizontal wells due to the stress orientation underlying this acreage.
2. Both MRC and Magnum Hunter seek to initially develop the Second Bone Spring interval and the Wolfcamp D interval.

3. There are no faults, pinch outs, or other geologic impediments preventing MRC from efficiently and effectively developing the Bone Spring and Wolfcamp formations under the subject acreage with the 2-mile horizontal wells.

4. MRC has existing facilities in place to accommodate its proposed initial development plan.

FILED EVIDENCE

Pursuant to the Amended Prehearing Order entered for these consolidated matters, MRC has filed the following with this prehearing statement:

The Applications filed in MRC Cases 24760 – 24763 (Bone Spring formation) and MRC Cases 24764-24767 (Wolfcamp formation)

Compulsory Pooling Checklists for MRC Cases 240760-24767

MRC Exhibit A: Self-affirmed Statement of Clay Wooten, Petroleum Landman

MRC Exhibit B: Self-affirmed Statement of Andrew Parker, Petroleum Geologist

MRC Exhibit C: Self-affirmed Statement of Tanner Shulz, Petroleum Engineer

MRC Exhibit D: Notice Affidavits for MRC Cases 24760-24767

MRC Exhibit E: Affidavits of Publication for MRC Cases 24760-24767

MRC Exhibit F: Magnum Hunter Hearing Notice Letter

The qualifications for each witness and the narrative of their direct testimony are contained in the self-affirmed statements filed with this prehearing statement.

PROCEDURAL MATTERS

MRC reserves the right to call these or other witnesses to address issues that arise with the filing of additional information.

As noted above, the newly filed Bone Spring applications filed by Cimarex under Cases 24913-24916 do not address the ownership depth severance that exists in the Bone Spring

formation under Section 32 and do not allow the Division to pool the two separate “Contract Areas” Cimarex references in the attached MRC Exhibit F.

Respectfully submitted,

HOLLAND & HART LLP

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CERTIFICATE OF SERVICE

I hereby certify that on October 30, 2024, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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Michael H. Feldewert



October 15, 2024

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL INTEREST OWNERS, OR PARTIES CLAIMING INTEREST, SUBJECT TO
POOLING PROCEEDINGS

**Re: Applications of Magnum Hunger Production, Inc. for compulsory pooling in Lea
County, New Mexico**

DEAR INTEREST OWNERS OR PARTIES CLAIMING INTEREST:

Magnum Hunter Production, Inc. (Magnum) previously proposed Bone Spring spacing units located in Sections 33 and 32, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico for the development of its Turnpike 33-32 State Com wells. Magnum determined that it needed to update its pooling applications to ensure that the pooling orders for those cases covered the entire Bone Spring formation, and as a result Magnum has refiled its applications and obtained new case numbers from the New Mexico Oil Conservation Division. The new case numbers are: 24913, 24914, 24915, and 24916.

These cases have most recently been put on a Special Docket that will be held on November 5, 2024. These cases will be heard along with Cases 24756-24759 and 24632-24633, and 24760-24767. **These cases involve a formation where there are depth severances.** Also enclosed with this letter is a copy of the proposed Exhibit A to the Joint Operating Agreement that the applicant (through its operating entity Cimarex) has prepared and previously circulated. Magnum is proposing to create two contract areas in the Bone Spring Formation:

Contract Area A: Contract Limited to those depths from the top of the First Bone Spring Interval down to and including 9,548 feet in the Hilliard No. 1 McElvain, as identified from the Gamma Ray-Compensated Neutron-Formation Density Log. Applicant has identified this stratigraphic equivalent as Limited to those depths from the top of the First Bone Spring Interval down to and including 9,667' (Upper Second Bone Spring Sand), as seen on the Spectral Density Dual Spaced Neutron Log in the Matador Petroleum Corporation Zafiro State 32 Com 1 (API#: 30-025-34508). There are a few working interest owners who only own interests within this contract area, and not other depths: D&M Snelson

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. F

Submitted by: Matador Production Company
Hearing Date: November 5, 2024
Case Nos. 24760 - 24767

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Properties, LP, Rhombus Operating Co., Ltd., Viersen Oil & Gas Co., Rhombus Energy Company, Olive Petroleum, Inc., and Mary H. Wilson; and a few overriding royalty interest owners who only own interests in this interval: Marian Leone Spears, Life Estate, as separate property, Jack Erwin, John A. Starck, Darren Printz, and Michael J. Petraitis.

Contract Area B: Limited to those depths from 9,668' to the base of the Limited to those depths below 9,668' to the base of the Bone Spring formation only.

There are frac barriers between the two proposed contract areas and, as such, it is possible to create separate contract areas to ensure that owners in each respective interval receive payments associated with the interval where each respective ownership percentage is located. Mangum will ask the Oil Conservation Division to recognize these contract areas in any pooling orders issued by the Division for the proposed units. These cases involve the following:

- **Case 24913. Application of Magnum Hunter Production, Inc. for Approval of an Overlapping Spacing Unit and Compulsory Pooling, Lea County, New Mexico.** Applicant in this case seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal spacing unit comprised of the S/2 N/2 of Sections 33 and 32, Township 18 South, Range 34 East; NMPM, Lea County, New Mexico. The proposed well to be dedicated to the horizontal spacing unit is the Turnpike 33-32 State Com 213H Well, an oil well, to be horizontally drilled from a surface location in SE/4 NE/4 (Unit H) of Section 33 to a bottom hole location in the SW/4 NW/4 (Unit E) of Section 32. Applicant seeks to designate Cimarex Energy Co. of Colorado as the operator of the well and unit. The completed interval and first take and last take points for the well will comply with setback requirements under statewide rules. The unit overlaps with an existing vertical well, the Union State Com #001 (API 30-025-24992) in the W/2 NW/4 of Section 32, for which Applicant will seek approval. 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; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 20.5 miles Southwest of Lovington, New Mexico.
- **Case 24914. Application of Magnum Hunter Production, Inc., for Compulsory Pooling, Lea County, New Mexico.** Applicant in this case seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal spacing unit comprised of the N/2 S/2 of Sections 33 and 32, Township 18 South, Range 34 East; NMPM, Lea County, New Mexico. The proposed well to be dedicated to the horizontal spacing unit is the Turnpike 33-32 State Com 212H Well, an oil well, to be horizontally drilled from a surface location in SE/4 SE/4 (Unit P) of Section 33 to a bottom hole location in the NW/4 SW/4 (Unit L) of Section 32. Applicant seeks to designate Cimarex Energy Co. of Colorado as the operator of the well and unit. The completed interval and first take and last take points for the well will comply with setback requirements under 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; and a 200% charge for the risk involved in drilling and

completing the well. The well and lands are located approximately 20.5 miles Southwest of Lovington, New Mexico.

- **Case 24915. Application of Magnum Hunter Production, Inc. for Compulsory Pooling, Lea County, New Mexico.** Applicant in this case seeks an order from the Division pooling all uncommitted mineral interests in the Bone Spring formation underlying a standard 320-acre, more or less, horizontal spacing unit comprised of the S/2 S/2 of Sections 33 and 32, Township 18 South, Range 34 East; NMPM, Lea County, New Mexico. The proposed well to be dedicated to the horizontal spacing unit is the Turnpike 33-32 State Com 211H Well, an oil well, to be horizontally drilled from a surface location in SE/4 SE/4 (Unit P) of Section 33 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 32. Applicant seeks to designate Cimarex Energy Co. of Colorado as the operator of the well and unit. The completed interval and first take and last take points for the well will comply with setback requirements under 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; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 20.5 miles Southwest of Lovington, New Mexico.
- **Case 24916. Application of Magnum Hunter Production, Inc. for Compulsory Pooling, Lea County, New Mexico.** Applicant in this case seeks an order from the Division pooling all uncommitted mineral interests the Bone Spring formation underlying a standard 320-acre, more or less, horizontal spacing unit comprised of the N/2 N/2 of Sections 33 and 32, Township 18 South, Range 34 East; NMPM, Lea County, New Mexico. The proposed well to be dedicated to the horizontal spacing unit is the Turnpike 33-32 State Com 214H Well, an oil well, to be horizontally drilled from a surface location in SE/4 NE/4 (Unit H) of Section 33 to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 32. Applicant seeks to designate Cimarex Energy Co. of Colorado as the operator of the well and unit. The completed interval and first take and last take points for the well will comply with setback requirements under statewide rules. This unit overlaps with an existing vertical well, the Union State Com #001 (API 30-025-24992) in the W/2 NW/4 of Section 32, for which the Applicant will seek approval. 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; and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 20.5 miles Southwest of Lovington, New Mexico.

The hearing will be conducted in a hybrid fashion, both in-person at the Energy, Minerals, Natural Resources Department, Wendell Chino Building, Pecos Hall, 1220 South St. Francis Drive, 1st Floor, Santa Fe, NM 87505 and via the Webex virtual meeting platform on Tuesday, November 5, 2024. To participate in the electronic hearing, see the instruction posted on the docket for the hearing date: <https://www.emnrd.nm.gov/ocd/hearing-info/>.

As a party who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in the case, including the right to present evidence either in support of or in opposition to the applications. Failure to appear at the hearing may preclude you

from any involvement in the case at a later date.

You are further notified that if you desire to appear in the case, then you are requested to file a Pre-Hearing Statement with the Division at least four business days in advance of a scheduled hearing before the Division or the Commission time, with a copy delivered to the undersigned.

This notice is being sent to ensure the proper notification is given to anyone claiming title to the properties involved in these cases, but does not constitute an admission, belief, concession or valid claim of title to the underlying properties. All interests in the properties subject to the cases must be validated through proper title opinions, records, documents and decrees. Please also feel free to reach out to me or to Bella Sikes, the land professional working on these applications if you have any questions regarding these cases or the enclosures to this letter. You can reach Ms. Sikes at Bella.Sikes@coterra.com or at phone number 432-620-1639.

Sincerely,



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State of New Mexico
Energy, Minerals and Natural Resources
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QUESTIONS
 Action 397157

QUESTIONS

Operator: MATADOR PRODUCTION COMPANY One Lincoln Centre Dallas, TX 75240	OGRID: 228937
	Action Number: 397157
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>