

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

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

CASE NO. 22853

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING AND A
HORIZONTAL SPACING UNITSUBMITTED BY
CIMAREX ENERGY COMPANY**

CASE NO. 23295

ORDER NO. R-23132

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through legal and technical Hearing Examiners on July 20, 2023, and after considering the testimony, evidence, and recommendation of the Hearing Examiners, issues the following Order.

FINDINGS OF FACT

1. Pride Energy Company (“Pride”) submitted an application (“Pride Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit as seen in Pride’s exhibits.
2. Cimarex Energy Company (“Cimarex”) submitted an application (“Cimarex Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit as seen in Cimarex’s exhibits.
3. Both parties are proposing to develop the W/2 W/2 of Sections 12 and 13, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. Pride’s plan for these lands is named the “Go State”. Cimarex’s plan for these lands is named the “Showbiz”.
4. Pride’s application proposed drilling one well in the Wolfcamp formation.
5. Cimarex’s application proposed drilling three wells in the Bone Spring formation.
6. The lands proposed for drilling by both parties lacks natural barriers that would prevent communication between the Third Bone Spring Sand and Upper Wolfcamp, thereby creating a single reservoir or common source of supply.
7. Cimarex’s geologist Staci Mueller affidavit testimony stated that:

Paragraph 9: ...*These help to show that the 3rd Sand & Wolfcamp XY behave as one geomechanical reservoir...*

Paragraph 10: ...*With a separation of 100 ft between Cimarex's proposed 3rd Sand landing and Pride's Upper Wolfcamp landing, and no indication of frac baffles in between, Pride's Wolfcamp well will produce mostly out of the 3rd Sand.*

Paragraph 12: ...*This is due to the lack of frac baffles between the 3rd Sand and Upper Wolfcamp...*

8. Pride's contract Geologist Harvin Broughton was questioned and answered as follows:

Q: Okay. Did you analyze whether or not there's any baffling or natural barriers between the third Bone Spring and the upper Wolfcamp?

A: Yes. And I don't believe there are any -- any baffles. And when I think, more specifically, they're -- they're frack baffles, you know, or frack barriers... I -- I agree that there are no -- you know, and I looked at the Cimarex geology presentation also and I am in agreement with that.

(See Tr. Pg 141: lines 13-19, 24-25 and Pg 142: line 1)

Q: Would you say that without a baffle, you'd have communication between the formation and the reservoir?

A: I would say it's likely. But I -- to a degree, I couldn't -- couldn't say.

(See Tr. Pg 142: lines 17-21)

9. Pride and Cimarex both acknowledged that wells completed in the Bone Spring and Wolfcamp formations will share production from both the Bone Spring and Wolfcamp formations.
10. Neither Pride nor Cimarex requested in their applications or at hearing the creation of a special pool to accommodate the communication of the Bone Springs and Wolfcamp formations such that there is a common supply.
11. Neither applicant requested a special pool order accounting for the common source of supply, or provided notice of a special pool request.

CONCLUSIONS OF LAW

12. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.

13. A “Pool” is defined as “an underground reservoir containing a common accumulation of oil or gas. Each zone of a general structure, which zone is completely separated from other zones in the structure, is covered by the word pool as used in 19.15.2 NMAC through 19.15.39 NMAC. “Pool” is synonymous with “common source of supply” and with “common reservoir”. 19.15.2.7.P(5) NMAC.
14. Chapter 70-2-12 B of the Oil and Gas Act requires OCD:
 - (2) to prevent crude petroleum oil, natural gas or water from escaping from strata in which it is found into other strata;
 - (7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;
 - (12) to determine the limits of any pool producing crude petroleum oil or natural gas or both and from time to time redetermine the limits;
15. 19.15.16.9 NMAC requires that during the drilling of an oil well, injection well or other service well, the operator shall seal and separate the oil, gas and water strata above the producing or injection horizon to prevent their contents from passing into other strata.
16. 19.15.12.9 NMAC requires that an operator shall produce each pool as a single common source of supply and complete, case, maintain and operate wells in the pool so as to prevent communication within the well bore with other pools. An operator shall at all times segregate oil or gas produced from each pool. The combination commingling of production, before marketing, with production from other pools without division approval is prohibited.
17. OCD has the authority to create special pool orders when required pursuant to 19.15.2.9 NMAC, when proper notice has been satisfied.
18. The evidence currently in the record before OCD indicates that Pride’s and Cimarex’ proposals would lead to either impairment of correlative rights or illegal allocation. Both parties testify that their production would extend outside of their respective pools and impact other pools, as such both requests extend outside of a standard compulsory pooling request.
19. Neither application can be approved while remaining in compliance with OCD rules and regulations that require pool segregation, prevent waste and protect correlative rights.

ORDER

20. OCD hereby denies both applications except insofar as either applicant or both applicants choose to propose a special pool, a Wolfbone pool, that would account for the lack of frac baffles between the Bone Spring and Wolfcamp formations in

this area. The record is left open for such a proposal and will prompt a reopening of the hearing record on both applications.

21. It is not necessary for the parties to repeat the testimony or resubmit the exhibits regarding their original proposed plans; they may refer to existing evidence to the extent needed to justify the special pool request.
22. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



DYLAN M. FUGE
DIRECTOR (Acting)
DMF/jag

Date: 4/8/24