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, EDDY COUNTY, NEW MEXICO.

CASE NOS. 21764-21765

EOG's MOTION TO DISMISS

EOG Resources, Inc. ("EOG") moves the Division to dismiss these applications on the grounds that Cimarex Energy Co. ("Cimarex") has (a) failed to properly propose these wells, and (b) failed to engage in good faith efforts to reach a voluntary agreement with the interest owners in the proposed spacing units prior to filing these applications. In support of this motion, EOG states:

1. EOG is the owner of uncommitted working interests in the area that is the subject of these applications in the N/2 of Sections 2 and 1, Township 20 South, Range 29 East, and the N/2 of Section 6, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

2. The Oil Conservation Division ("Division") procedure requires a pooling applicant to request the voluntary participation in the well of each owner in the spacing unit prior to any application for compulsory pooling, and the Division has set forth the necessary requirements for properly proposing a well prior to filing an application for compulsory pooling. *See* Order No. R-13165.

3. The Division, by long-standing practice, has required an applicant for compulsory pooling to first furnish all interest owners a formal well proposal at least thirty days prior to filing an application for pooling, and to then engage in good faith efforts to reach an agreement on the development of the acreage before invoking the pooling authority of the Division. *Id*.

4. To foster informed, good faith discussion, the Division requires that the formal well proposal include, at the very least, the footage location of the proposed well, the formations or pools targeted by the proposed well, a proposed form of joint operating agreement, and an authorization for expenditures (AFE) setting forth the estimated costs. *Id.* at ¶ 5(a). *See also* Division Order No. R-13155 (Aug. 11, 2009).

5. In this case, Cimarex submitted well proposals to EOG for the N/2 of Sections 2 and 1, Township 20 South, Range 29 East, and the N/2 of Section 6, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, by letter dated February 25, 2021. However, this well proposal letter was deficient in that it did not identify a footage location for either the surface or bottom hole location of the proposed wells. *See* **Exhibit A**.

6. On March 5, 2021, only a few days after sending its deficient well proposal letters, Cimarex filed its pooling applications in these cases. *See* **Exhibit B**.

7. EOG requested more information from Cimarex, specifically regarding the footage location for the wells, and Cimarex's landman advised that Cimarex was still "scouting for viable SHLs." *See* **Exhibit C**. Allowing these pooling hearings to proceed would force EOG to make a decision to participate in wells that do not have a location.

8. On March 25, 2021, Cimarex sent EOG updated well proposals indicating Cimarex was changing the TVD's for each of the wells, but again no footage locations for any of the wells was provided. *See* Exhibit D.

9. The hearing in these cases are set on April 8, 2021, a mere 38 days from when EOG first received Cimarex's deficient well proposals.

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10. Cimarex has represented in its Applications to the Division that it "has in good faith sought to obtain the voluntary joinder of all other mineral interests" in each of the proposed spacing units. *See* **Exhibit B** at \P 5.

11. However, no such good faith efforts have taken place prior to invoking the pooling authority of the Division.

12. Under long-standing Division practice, EOG and other working interest owners should be permitted at least thirty days to consider the well proposals and determine whether the parties are able to reach a voluntary agreement.

13. Cimarex denied EOG's requested continuance of the proceedings, and Cimarex did not respond to EOG's request for more information regarding Cimarex's premature applications for pooling. *See* Exhibit E.

14. Application of the Division's long-standing practice to dismiss these premature applications will further good faith efforts by the parties to reach a voluntary agreement.

WHEREFORE, EOG respectfully requests that the Division dismiss these applications and require that Cimarex, (a) first furnish to the interest owners a proper well proposal for the development of the acreage comprising its proposed spacing units, and (b) thereafter attempt in good faith to reach a voluntary agreement with each of the interest owners prior to invoking the pooling authority of the Division.

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Respectfully submitted,

HOLLAND & HART, LLP

Michael H. Feldewert Adam G. Rankin Kaitlyn A. Luck Post Office Box 2208 Santa Fe, New Mexico 87504 TEL: (505) 988-4421 FAX: (505) 983-6043 Facsimile mfeldewert@hollandhart.com agrankin@hollandhart.com kaluck@hollandhart.com

ATTORNEYS FOR EOG RESOURCES, INC.

CERTIFICATE OF SERVICE

I hereby certify that on April 6, 2021, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Darin C. Savage William E. Zimsky Andrew D. Schill ABADIE & SCHILL, PC 214 McKenzie Street Santa Fe, New Mexico 87501 (970) 385-4401 (970) 385-4901 FAX darin@abadieschill.com bill@abadieschill.com andrew@abadieschill.com

Attorneys for Cimarex Energy Co.

Ernest L. Padilla Padilla Law Firm, P.A. Post Office Box 2523 Santa Fe, New Mexico 87504 (505) 988-7577 padillalaw@gwestoffice.net

Attorney for Colgate Operating, LLC

Kaitlyn A. Luck

EXHIBIT A

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EOG RESOURCES, INC MIDLAND DIVISION



Cimarex Energy Co. 600 N. Marienfeld St. Suite 600 Midland, TX 79701 Main: 432.571.7800

February 25, 2021

EOG Resources, Inc. 5505 Champions Dr. Midland, TX 79706

> Re: Proposal to Drill Crest 2-1-6 State Fed Com 1H & 2H N/2 of Sections 2 & 1, Township 20 South, Range 29 East N/2 of Section 6, Township 20 South, Range 30 East Eddy County, NM

Dear Working Interest Owner,

Cimarex Energy Co. hereby proposes to drill the Crest 2-1-6 Fed Com wells at a legal location in Section 2, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico.

<u>Crest 2-1-6 State Fed Com 1H</u> - The intended surface hole location for the well is in the N/2 of Section 2, Township 20 South, Range 29 East, and the intended bottom hole location is in the N/2 of Section 6, Township 20 South, Range 30 East. The well is proposed to be drilled vertically to the Bone Spring formation and laterally in a southerly direction within the formation to the referenced bottom hole location. Total vertical depth of the well is proposed to be approximately 9,200' feet.

<u>Crest 2-1-6 State Fed Com 2H</u> - The intended surface hole location for the well is in the N/2 of Section 2, Township 20 South, Range 29 East, and the intended bottom hole location is in the N/2 of Section 6, Township 20 South, Range 30 East. The well is proposed to be drilled vertically to the Bone Spring formation and laterally in a southerly direction within the formation to the referenced bottom hole location. Total vertical depth of the well is proposed to be approximately 9,200' feet.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Cimarex Energy Co. is proposing to drill these wells under the modified terms of the 1989 AAPL Operating Agreement and a form of said Operating Agreement will be forwarded to your following your receipt of this proposal. The Operating Agreement will have the following general provisions:

-100%/300%/300% non-consent provisions -\$8,000/\$800 drilling and producing rates -Cimarex Energy Co. named as operator

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Enclosed, in duplicate, is (i) our detailed AFE reflecting estimated costs associated with this proposal. If you intend to participate, please approve and return one (1) original of the enclosed AFE, along with the contact information to receive your well data, to the undersigned within thirty (30) days of receipt

EXHIBIT A

of this proposal. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

Please call the undersigned with any questions or comments.

Respectfully,

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Kiley CM-8

Riley C. Morris Sr. Landman 432.620.1966 rmorris@cimarex.com

EXHIBIT A
ELECTION TO PARTICIPATE Crest 2-1-6 State Fed Com 1H
EOG Resources, Inc. elects TO participate in the proposed Crest 2-1-6 State Fed Com 1H well.
EOG Resources, Inc. elects NOT to participate in the proposed Crest 2-1-6 State Fed Com 1H well.
, 2021.
TO participate in the proposed Crest 2-1-6 State Fed Com 1H well, then: EOG Resources, Inc. elects TO be covered by well control insurance procured by Cimarex Energy Co. EOG Resources, Inc. elects NOT to be covered by well control insurance procured by Cimarex Energy Co. and agrees to provide Cimarex Energy Co. with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex Energy Co.

	EXHIBIT A
	ELECTION TO PARTICIPATE Crest 2-1-6 State Fed Com 2H
	EOG Resources, Inc. elects TO participate in the proposed Crest 2-1-6 State Fed Com 2H well.
	EOG Resources, Inc. elects NOT to participate in the proposed Crest 2-1-6 State Fed Com 2H well.
Dated this	day of, 2021.
Signature:	
Title:	
If your elec	tion above is TO participate in the proposed Crest 2-1-6 State Fed Com 2H well, then:
; ;	EOG Resources, Inc. elects TO be covered by well control insurance procured by Cimarex Energy Co.
	EOG Resources, Inc. elects NOT to be covered by well control insurance procured by Cimarex Energy Co. and agrees to provide Cimarex Energy Co. with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex Energy Co.
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	EXH	IBIT A		
CIMAREX	Authorization For Expenditure	Drilling		AFE # 26821020
Company Entity				Date Prepared 2/25/2021
Exploration Region	Well Name	Prospect	Property Number	AFE
Permian Basin	CREST 2-1-6 FED COM 1H	New Mexico Bone Spring Pro (Eddy)	s 309775-339.01	26821020
County, State _	_ Location _	. <u>.</u> .	Estimated Spud	Estimated Completion
Eddy, NM	Section 2 & 1, Township 20 South, R Township 20 South, Range 30E	ange 29 East & Section 6,	12/9/2021	
X New	Formation	Well Type	Til Measured Depth	Ttl Vetical Depth
Supplement Revision	Bone Spring	DEV	24,200	9,200
Purpose Drill and con	nplete well			
Description				
Intangible		, and a second	After Casing Point	Completed Well Cost
Drilling Costs		\$2,418,400		\$2,418,400
Completion Costs			\$5,747,325	\$5,747,325
Total Intangible Cost		\$2,418,400	\$5,747,325	\$8,165,725
Tangible		Dry Hole	After Casing Point	Completed Well Cost.
Well Equipment		\$110,000	\$592,000	\$702,000
Lease Equipment			\$947,375	\$947,375
Total Tangible Cost		\$110,000	\$1,539,375	\$1,649,375
Total Well Cost		\$2,528,400	\$7.286.700	\$9.815.100

Comments On Well Costs

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1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations.-You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy.

Marketing Election

Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold. Failure to make an election below shall be deemed an election to market your gas with Cimarex under the terms and conditions set forth above.

] I elect to take my gas in kind.

[]] I elect to market my gas with Cimarex pursuant to the terms and conditions of its contract.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Nonoperator Approval			
Company	Approved By (Print Name)	Approved By (Signature)	Date
NOTICE TO NONOPERATOR: C	osts shown on this form are estimates only. By executing	this AFE, the consenting party agrees to pay its proportion	ate
share of actual costs incurred. C	verhead will be charged in accordance with the Joint Ope	erating Agreement.	2/25/2021

EXHIBIT A CIMAREX Authorization For Expenditure - CREST 2-1-6 FED COM 1H

AFE # 26821020

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EXHIBIT A CIMAREX Authorization For Expenditure - CREST 2-1-6 FED COM 1H

AFE # 26821020

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UGL - Supervision	,	£ .	ę – į		, ,				t .	1
urvey 1		ł	í l		Í		[]		1	1
ontingency	DIDC.435	DICC220	115 000	DICC.220	STIM.220	1.11	14,000	STIM.220	CON.220	212,000
ontingency	2.4744	· · · · · ·	112,000		1	· · · ·	1		1	1 11000
Total Intangible Cost		1	2,418,400				289,800			4,455,000
	DWEB.130			.	<u>.</u>		205,000			1 4433,000
onductor Pipe		1	8,000		1				n '	1
Inface Casing	DWEB,140	l	11,000		ļ		1			1
termediate Casing 1	DWEB, 145	\$ -	53,000		6		r 1			1 3
oduction Casing or Liner		1		DWEA 100	i.		392,000		1	.1 '
ibing 👔	ł					·. 1	r I	ST04T.105	4	36,000
ellhead, Tree, Chokes	DWEB.115	DWEA.120	38,000	DWEA,120	STIMT.120	~	18,000	STIMT,120]	38,000
icker, Nipples	-0 16						, <u> </u>	STIMT.400	*	28,000
		ĺ	·		i	1		_	}	1
IORT ORDERS			L 1		-	-			+	1
						. 1	1		e.	Í
IMPS 1					1	1				
IMPS 2		L.						CTRAT 440	\$	1
IMPS [] ALKOVERS Winhole Lift Equipment	"					·		STIMŤ#10	' *	80,000
IMPS ALKOYERS Winhole Uft Equipment C Lease Equipment	"					× .	•	stimť.410.		80,000
IMPS ALKOVERS winhole Lift Equipment C Lease Equipment hts, Tanks Steps, Stairs	. N. M.	a a a a a a a a a a a a a a a a a a a	× ********	******		مربعة فري	-	STIMŤ410.	nwan r∀ n, aw	80,000
JMPS] ALKOVERS Winhole Lift Equipment IC Lease Equipment Ints, Tanks Steps, Stairs	N M N AMO A J	a an Inna I is donar	>		abergere a	ه مربعه مربع	-	STIMŤA10.	- 	80,000
IMPS	. N M M 4944 A 4	a an stann i is in inter-	× ********			م مربع مربع جا رو م	-	STIMŤ.410.	- 	80,000
IMPS	. N. H. (Mar. 1.)	an stand of the spinor	* *********			n a '	-	STIMŤ.410.	n mahan na sa	80,000 × × +
IMPS		an Ingan Panganan Ingan Ingan	> x#4p.x++			م میں مراجع میں جاری اگ		STIMŤ410.	naniha y v n n ni	80,000 × × × × × ×
IMPS	N M K 4 M M M M	an Iana i is in a mara	> XX40.x			agarah dari ta Mangarah dari ta		STIMŤ410.	numbra v V na Mil	80,000 × × × × × ×
IMPS	N M K 4 M M M M	and Anna i i i i i i i i i i i i i i i i i i	* X944a.a.			a Agan de der be St. og d		STIMŤ410.		80,000 × × × × ×
IMPS	N # K 4 PA & A	s second se				a Angara da dar ba Angara da da da Angara da da		STIMŤ410.		80,000
JMPS	N M N (M+ A)		- X84aa-			a ayan da dan ba Si ya da		STIMŤA10.		80,000
JMPS	N M N (Maa Aa					4 20 - 20 - 20 - 20 21 - 20 2		STIMŤA10.	number of ny and number of ny and the second seco	80,000
UMPS	Мин (нь л	an fan a san a						STIMŤA10.		80,000
HORT ÖRDERS UMPS [] ALLKOVERS ownhole UIF Equipment // Lease Equipment attery Equipment scondary Containments verhead Power Distribution ucility Electrical elecommunication Equipment electry and Metering Equipment electry Line Pipe asse Automation Materials //GL = Naterials	а мин цин а а 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1					agan di dan ta		STIMŤ410.		80,000
JMPS JM			110,000				410,000			80,000

CIIV	IAREX

EXHIBIT A Authorization For Expenditure - CREST 2-1-6 FED COM 1H

AFE # 26821020

Jescription coads & Lácation Jamoges Aud/Ruids Disposal W Rate	[Production Equip			Post Completion		Total
mages i ud/Fluids Disposal	Codes	l l	Amount	Codes		Amount	Cost
d/Fluids Disposal 🍡 👘	CON 100	ŧ	45,750	PCOM.100		7,000	157,750
	CON.105	1	1,250				16,250
	ł .	1	1	PCOM.255		0	205,000
· · · · · · · · · · · · · · · · · · ·	Į .	1					445,200
sc Preparation	1	1					20,000
s i	ļ			PCOM.125	ļ	0	62,000
el }.)			PCOM.130		0	48,000
ater for Drilling Rig (Not Frac Water)		المحاجبة والمحاجبة و		PCOM.135		0	56,000
ud & Additives	1						220,000
ND PIPED TO 3RD PARTY SWD WELL	1	Į į		PCOM.257		102,000	102,000
urface Rentals	CONL140	1	2,250			.45.000	324,250
owback Labor				PCOM.141		28,000	28,000
ownhole Rentals		1		PCOM.145		0	107,000
utomation Labor	CONL150	Į į	61,250	PCOM.150		7,000	68,250
lud Logging					2 2		24,000
C & EXTERNAL PAINTING	CON.165		18,625				18,625
ementing & Float Equipment		1					227,000
ubular Inspections	1			PCDM.160		익	42,000
asing Crews	1	ŧ į					30,000
lechanical Labor	CON.170	1	241,375		ļ.	0	264,375
rucking/Transportation	CON.175	1	25,000		• /	0)	57,000
upervision	CON.160]	26,000	PCOM.180	1	0	168,000
railer House/Camp/Catering	1	1		L			93,000
ther Misc Expenses	CON.190]	37,500	PCOM.190		0	135,500
werhead	ł'	1	,				15,000
10B/DEMOB	1	1					300,000
irectional Drilling Services	ł	1			•		402,000
olids Control	ſ	1			1		38,000
/ell Control Equip (Snubbing Services)		1		PCOM240		0	171,000
ompletion Rig	i '			PCOM.115	ľ	0	21,000
oil Tubing Services	•			PCOM260	N.	° 0	224,000
ompletion Logging/Perforating/Wireline	1			PCOM.200		0	305,000
omposite Plugs	a.:	1 · · · · · · · · · · · · · · · · · · ·	į l	PCOM.390		0	80,000
imulation Pumping/Chemicals/Additives/Sand	1 -	1	l İ	PCOM210		12,000	2,587,000
timulation Water/Water Transfer/Water Storage		1 × 62 24	•				358,000
imarex Owned Frac/Rental Equipment	î î	f ··· }		PCOM.305		59,000	101,000
egal/Regulatory/Curative	CON1300	1	0				10,000
Vell Control Insurance		f	-			Í	9,000
L/GL+ ON PAD LABOR	CON.495		21,750				21,750
L/GL=Labor	CON.500	·	- 77,750				77,750
/GL - Supervision	CON:505		18,750			1	18,750
urvey	CON.515	1 1	1,625			· ·	1,625
ontingency	CON.220		135,000	PCOM 220		.9,900	485,900
ontingency	CON.221		18,750		1 ·		16,750
I Total Intangible Cos			732,625			269,900	8,165,725
onductor Pipe	(h 		8,000
urface Casing	I 1	† I			r I	1	11,000
itermediate Casing 1	;				k		\$3,000
roduction Casing or Liner	i .				*		392,000
abing:		÷ ,		PCOMT.105	ан а	0	36,000
elihead, Tree, Chokes	1	t l		PCOMT.120		ŏ	94,000
cker, Nipples	ł		· · · · · · · · ·	PCOMT.400		0	28,000
IORT ORDERS	CONT.380	† i i	5,000		* **	l í	5,000
	CONT.385	i i i i i i i i i i i i i i i i i i i	27,625				27,625
impså:⇒	CONT390	t	10,000				10.000
	1	Į.	,0,000	PCOMT.410	· ·	0	80,000
ALKOVERS	t		265,250		Í		265,250
ALKOVERS swithole Lift Equipment	CONT 400	1			and a server Max er.		203,250
ALKOVERS Swittiche Lift Equipment /C Lesse Equipment	CONT.400	A A A A A A A A A A A A A A A A A A A	73,750		*		170,875
ALKÓVÉRS Swithole Lift Equipment IC Lesse Equipment Ints, Janks Steps, Stairs	CONT.405	ALL THE BE PERSONAL REPRESENCE WHEN WE	494.094				1/0,0/5
ALKOVERS Swithole Lift Equipment IC Lesse Equipment nks, Tanks Steps, Stairs	CONT.405 CONT.410	AL 148 BE CREAKE STREET, 10 199 84	170,875				
ALKOVERS oximitate Equipment DC Lease Equipment nnts, Tanke Steps, Stairs Tanker Equipment scendary Containments	CONT.405 CONT.410 CONT.415	AL	26,250				26,250
ans, Janus Steps, Stars Stepy Equipment econdary Containments werhead Power Distribution	CONT.405 CONT.410 CONT.415 CONT.420	A A AN AN AN OPENARY A COMPANY OF THE A	26,250 93,000				93,000
/ALKOVERS ovimbale Lift Equipment /C Lesse Equipment ants, Tanks Steps, Stairs attery Equipment steps de Jones The Statistics verbead Power Distribution idligt Electrical	CONT.405 CONT.410 CONT.415 CONT.420 CONT.425	ah ian mi iranada yisamiikini hinak	26,250 93,000 68,750				93,000 68,750
/ALKOVERS owinhole Lift Equipment /C Lesse Equipment anks, Yanks Steps, Stairs anks, Yanks Steps, Stairs attury Equipment scondary Containments vertead Power Distribution solity Electrical lecommunication Equipment	CONT.405 CONT.410 CONT.415 CONT.420 CONT.425 CONT.425	an an ma cranate a company of the second	26,250 93,000 68,750 1,000			•	93,000 68,750 1,000
JALKOVERS Journale Lift Equipment J/C Lesse Equipment ants, Janks Steps, Stairs Latory Equipment econtainy Containments werbead Power Distriburion autity Electrical eleconfrunciation Equipment telers and Metering Equipment	CONT.405 CONT.410 CONT.415 CONT.420 CONT.425 CONT.426 CONT.426	an an an ar an ar an ar an ar	26,250 93,000 68,750 1,000 31,125				93,000 68,750 1,000 31,125
IALKOVERS owithole Lift Equipment I/C Lesse Equipment anks, Tanks Steps, Stairs tatepy Equipment economy Containments werbesed Power Distribution addity Electrical becommunication Equipment teers and Metering Equipment	CONT.405 CONT.410 CONT.415 CONT.420 CONT.425 CONT.426 CONT.445 CONT.445	an in an air de na da ge standig a standig	26,250 93,000 68,750 1,000 31,125 33,750		e de la constante de	•	93,000 68,750 1,000 31,125 33,750
ALKOVERS ovinhole Lift Equipment AC Lesse Equipment anks, Tanks Steps, Stairs anks, Tanks Steps, Stairs tathy Equipment scondary Containments verbaad Power Distribution scility Electrical lecommunication Equipment leters and Metering Equipment stathy Une Pipe sase Automation Materials	CONT.405 CONT.410 CONT.415 CONT.420 CONT.425 CONT.425 CONT.425 CONT.450 CONT.455	an a	26,250 93,000 68,750 1,000 31,125			•	93,000 68,750 1.000 31,125 33,750 86,000
ALKOVERS owimbole Lift Equipment //C Lesse Equipment ants, Janks Steps, Stairs ants, Janks Steps, Stairs ants, Janks Steps, Stairs ants, Jenks Steps, Stairs ants, Jenks Steps, Stairs verthead Power Distribution sciling Electrical lefection and Metering Equipment lefection and Metering Equipment sase Automation Materials //CL - Materials	CONT405 CONT410 CONT415 CONT420 CONT425 CONT425 CONT450 CONT455 CONT455 CONT550	an a	26,250 93,000 68,750 1,000 31,125 33,750			•	93,000 68,750 1,000 31,125 33,750 86,000 11,500
ALKOVERS ovinhole Lift Equipment AC Lesse Equipment anks, Tanks Steps, Stairs anks, Tanks Steps, Stairs tathy Equipment scondary Containments verbaad Power Distribution scilling Electrical lecommunication Equipment leters and Meterining Equipment stathy Like Pipe sase Automation Materials	CONT.405 CONT.410 CONT.415 CONT.420 CONT.425 CONT.425 CONT.425 CONT.450 CONT.455		26,250 93,000 68,750 1,000 31,125 33,750 86,000		2	0	93,000 68,750 1.000 31,125 33,750 86,000

1	EXF	1181
CIMAREX	Authorization For Expenditure	Drillina

ΕΧΗΙΒΙΤ Δ

AFE # 26821021

Company Entity	~ ~ ~ ~ ~		1 .00.00.00	Date Prepared 2/25/2021
Exploration Region	Well Name	Prospect	Property Number	AFE
Permian Basin	CREST 2-1-6 FED COM 2H	New Mexico Bone Spring Pro (Eddy)	os 309775-340.01	26821021
County, State	Location -		Estimated Spud	Estimated Completion
Eddy, NM	Section 2 & 1, Township 20 South Township 20 South, Range 30E	h, Range 29 East & Section 6,	12/15/2021	
X	Formation	Well Type	Ttl Measured Depth	Ttl Vetical Depth
Supplement Revision	Bone Spring	DEV	24,200	9,200
Purpose Drill and comp	lete well			
Description i				
Intangible	ſ	Dry Hole	After Casing Point	Completed Well Cost
Drilling Costs		\$2,418,400	··· ···· ··· ···	\$2,418,400
Completion Costs			\$5,747,325	\$5,747,325
Total Intangible Cost		\$2,418,400	\$5,747,325	\$8,165,725
Tangible	- (i)- 1140 - (i) 1	Dry Hole	After Casing Point	Completed Well Cost
Well Equipment		\$110,000	\$592,000	\$702,000
Lease Equipment			\$947,375	\$947,375
Total Tangible Cost		\$110,000	\$1,539,375	\$1,649,375

Total Well Cost \$2,528,400

Comments On Well Costs

1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations.- You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

\$7,286,700

\$9,815,100

[_] I elect to purchase my own well control insurance policy.

Marketing Election

Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold. Failure to make an election below shall be deemed an election to market your gas with Cimarex under the terms and conditions set forth above.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contract.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Nonoperator Approval			
Company	Approved By (Print Name)	Approved By (Signature)	Date
ļ			
	Costs shown on this form are estimated only. By avery	ting this AFE, the consenting party agrees to pay its proportionate	
	Overhead will be charged in accordance with the Joint I		2/25/2021

EXHIBIT A

CIMAREX Authorization For Expenditure - CREST 2-1-6 FED COM 2H

AFE # 26821021

		100001		A10.0001							
t/GL = Line Pipe Total Tangible Cos	ļ	110,000		410,000	•	182,000	CON1.553	43,500 947,375		0	4
L/GL - Matenais L/GL - Line Pipe			• .		-		CONT.550 CONT.555 1	11,500		L	1
ease Automation Materials L/GL – Materials	 ^ ∵ ~	^	. 9 <u>5</u> .		. e *		CONT.455	54 - F	e 11.) i i i	8
acility Line Pipe				× 3. %			CONT.450	33,750		L. I	3
teters and Metering Equipment							CONT.445		•	°∿ . 1	3
elecommunication Equipment							CONT.426	1,000			
acility Electrical				y a s			CONT.425			k	6
Werhead Power Distribution	} 1					1	CONT.420				9
econdary Containments						y 1	CONT.415			1	2
attery Equipment	1						CONT.410	170,875		r I	170
anks, Tanks Steps, Stairs	مېند ر		** *** ***	1.10	***	in mi	CONT.405			#XXxXx	· · · 7,
/C Lease Equipment							CONT.400	265,250		Ŷ	26
ownhole Lift Equipment	1			· ^ _	STIMTA10	80,000		{	PCOMT410	0	8
ALKOVERS	1					i .	CONT.390	10,000	'		1
UMPS 2				· .			CONT.385	27,625	ł	' I	2
HORT ORDERS	1						CONT.380	5,000			-
acker, Nipples		1996 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 -	·····		STIATT.400	28,000			PCOMT.400	0	
(elihead, Tree, Chokes	DWEB.115	38,000	DWEA.120	18,000	STIMT.120	38,000		r .	PCOMT.120	o	9
ubing }	-	•	10 1 A 2		STIMT.TOS	36,000	e		PCOMT,105	÷۲ 0	3
roduction Casing or Liner			DWEA.100	392,000							39
ntermediate Casing 1	DWEB.145	53,000				1. 5.	:	5	ł	:	5
urface Casing	DWEB.140	11,000		`	· ·	С.		1		, f	1
onductor Pipe	DWEB.130	8,000		200,000	þ 1	000				000,000	
Total Intangible Cos	{	2,418,400		289,800	ł	4,455,000		732,625		269,900	8,10
onlingency	، دیجیجی (113,000		° 14,000		- CIC,000	CON220	135,000		.9,900	40
ontingency	DIDC435	115,000	.DICC220	14,000	STIM.220	212,000	CON 220	1,625	PCOM220	9,900	.48
urvey				- · ·			CON.505			1 1	1
L/GL - Labor					[.	į	CON.500	77,750			
L/GL - ON PAD LABOR L/GL - Labor	·		<u>`</u>		[}	CON.495 CON.500	21,750		، <i>د</i> ا	
Vell Control Insurance	10000285	9,000			Į .						
egal/Regulatory/Curative	DIDC300	10,000					CON.300	i. 0	ľ	· ·	1
Imarex Owned Frac/Rental Equipment	in the second	40.000	;		STIM.305	42,000	CON 300	t _	PCOM.305	59,000	10
	1			1	STIM.395	358,000				, <u>, , , , , , , , , , , , , , , , , , </u>	35
imulation Pumping/Chemicals/Additives/Sand	.	-			1	2,575,000	.	*	PCOM.210	12,000	2,58
omposite Pugs timulation Pumping/Chemicals/Additives/Sand	[ſ.	STIM.390 STIM.210	80,000		•		0	3
ompletion Logging/Pertorating/Wireline	{ ·				•	306,000		ł	PCOM-200 PCOM-390	, 0	
on Tubing services	1		i .	È i	5TIM.200			ł			2
ompredenting off Tubing Services	l			10	STIM.260	21,000	İ	L	PCOM260	. 0	-
ompletion Rig	1	:00,000	0100.290		STIM.115	21,000		5	PCOM 115	0	
/ell Control Equip (Snubbing Services)	DIDC265	80,000	DICC.240	0	STIM.240	5 ⁶ 91,000	. N	1	PCOM.240	, * , , , , , , , , , , , , , , , , , ,	17
olids Control	DIDC260	38,000			Í	f i			1	1	
irectional Drilling Services	DIDC245	402,000		ł.	. ;			•		ь.	4
10B/DEMOB	DIDC.240	300,000		1		1		ş	ł	. 4	30
Verhead .	DDC225	10,000	DICC 195	5,000		1	ł	1	ł	Ĩ	
Other Misc Expenses	DIDC.220	3,000	DICC.190	0	STIM.190	95,000	CON.190	37,500	PCOM.190	0	13
Irailer House/Camp/Catering	DIDC.280	39,000	DICC.255	6,000	STIN1280	48,000	r .	1	ł	ц.э. — — — — — — — — — — — — — — — — — —	
Supervision	DDC210	68,000	DICC.180	12,000	STIM.180	62,000	CON 160	26,000	PCOM.160	0	
Frucking/Transportation	D/DC.205	15,000	DICC.175	15,000		2,000	CON,175	25,000	PCOM.175	· 🔨 0	9
vtechanical Labor	DIDC.200	20,000	DICC.170	3,000		0	CON.170	241,375	PCOM.170	0	
Lasing Crews	DIDC.195	15,000	DICC.165	15,000		0		1	ł	* ·	<u> </u>
fubular inspections	DIDC.190	30,000	DICC.160	10,000		2,000	1		PCOM.160	0	4
Comenting & Float Equipment	DIDC.185	102,000	DICC.155	125,000	1	1		÷	1	-	22
PC & EXTERNAL PAINTING				· ·	1	Г' 1	CON 165	18,625		· ·	[i
dua Logging	DIDC 170	24,000	×	l.'	1	4. 4.		{			
Automation Labor		`				1	CON.150	61,250	PCOM.150	7,000	5
Downhole Rentals	DIDC.155	72,000		Con a c	STIM.145	35,000	· . ·	ł	PCOM.145	, Ö	-10
lowback Labor				-	STIM.141	0		i	PCOM.141		
urface Rentals	DIDC.150	91,000	DICC.140	i 0	STIM.140	186,000	CON.140	2,250		45,000	
WD PIPED TO 3RD PARTY SWD WELL	1	220,000	Ì		1	1		(PCOM257	102,000	1
Aud & Additives	DIDC.145	220,000			<u> </u> ≁ +	*******		1	برن <u>د</u> د	آجا ہے جب وہ ہو: ا	2 2
Vater for Drilling Rig (Not Frac Water)	DIDC 140	25,000	DICC.135	Ō	STIM.135	31,000		1	PCOM.135		1
uel e	DIDC135	48,000					[PCOM 130	ň	
Bits	DIDC125	62,000	DICC.125	a 👘	STIM.125	0		3	PCOM.125	<u> </u>	
Aist Preparation	DIDC.120	20,000		130 L	ł	1			ŀ	÷ .	
Day Rate	DIDC.115	360,400	DICC.120	84,800	1	1 00,000	1 · ·	1			4
Aud/Fluids Disposal 2	DIDC255	125,000	· 07	· .	STIM 255	80,000		1 1,230	PCOM255	0	1
Damages	DIDC.105	15,000	i ·			, 3,000	CON 105	1,250	5 · · ·	[7,000	
		100,000		1	STIM.100	5,000	CON.100	45,750	PCONL100	7,000	1
escription oads & Location	Codes DIDC.100	Amount	Codes	Amount		Amount	Codes	Amount	Codes	Amount	4

CIMAREX Authorization For Expenditure - CREST 2-1-6 FED COM 2H

EXHIBIT A

AFE # 26821021

1		BCP - Drilling		اين - ار برگر- رهايي. اين است. اين اين اين اين اين	ACP - Drillin	ġ			Comp/Stim	
escription	Codes		Amount	Codes	1		Amount	Codes		Amour
ads & Location	DIDC.100		100,000	1	ż			STIM.100	CON 100	5,00
mages (DIDC.105		15,000	[1	1			ſ	
id/Fluids Disposal	DIDC 255	1	125,000	1 C - 1	, , 3	S. 4	:	STIM 255	1 V V	80,00
Rate [DIDC.115	DICC.120	360,400	DXC.120	i .	- 1	84,800			
c Preparation	DIDC.120		20,000		ŧ.,			E		
	DIDC.125		62,000	DICC.125	STIM.125	1.	0	STIM.125	1	1
		DICC 130	48,000	DICC.130			0		· · · ·	
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ular Inspections	1	DICC.160	30,000	•	STIM 160		10,000	STIM.160		2,000
ing Crews		DKC.165	15,000		f		15,000	STIM.165	1	2,00
chanical Labor	DIDC.200	1 1 1			STIM.170	1		STEM.170	CON.170	
	1	k	20,000		1	Į	3,000		4	
cking/Transportation		DKC175	15,000				15,000	STIM.175		2,000
vervision	DIDC.210		68,000				12,000	STIM.180	CON.160	62,000
ller House/Camp/Catering	DIDC 280	4	39,000		-	· :{	6,000	STIM.280	t ,	48,000
er Misc Expenses	DIDC.220	DKC.190	3,000	DICC.190	STIM.190	Ĩ	0	STIM.190	CON.190	95,000
erhead	DIDC.225	DICC.195	10,000		<u>.</u>		5,000		ł	
B/DEMO8	DIDC.240	ļ	300,000		i	1	-,		1	1
ectional Drilling Services	DIDC.245	ł	402,000		1	1			1	1
ids Control	DIDC.260				-	ĺ			*	
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I Control Equip (Snubbing Services)	DIDC.265	3 DILL 240	80,000	DICC240	\$11M.240	- 1	0	STIM.240	1 · · · ·	91,000
npletion Rig					1			STIM.115	•	21,000
Tubing Services					1 × 1 × 3			STIM.260		224,000
npletion Logging/Performing/Wireline					4. 1			STIM.200	1	306,000
nposite Plugs	•		4		2	· ·]		STIM.390	}	80,000
nulation					i	1		STIM.210		2,575,000
nulation Water/Water Transfer/Water	a +			· · ·		: ··		STIM.395	5	358,000
arex Owned Frac/Rental Equipment		F		•	i , .	1		STIM.305	•	42,000
al/Regulatory/Curative	DIDC.300	£	10,000	· · ·	·	.: #1	,	5101.505		42,000
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CIM	AREX

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EXHIBIT A Authorization For Expenditure - CREST 2-1-6 FED COM 2H

AFE # 26821021

,	Author		For Expenditure - CREST					0021021	
			Production Equip			Post Completion		Total	
Description		Codes		Amount	Codes	1	Amount	Cost	
coads & Lo	kalion 's	CON.100	t T	45,750	PCOM 100	f .	7,000		
Damages		CON.105		1,250				16,250	
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Day Rate Misc Prepar			1	1		· ·		445,200 20,000	
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uel					PCOM.130	1 •	0	48,000	
	f (Inilling Rig (Not Frac Water)		. 3*	i 1	PCOM.135			55,000	
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lowback La					PCOM.141]	28,000	28,000	
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utomation		CON.150		61,250	PCOM.150	1	7,000	68,250	
lud Loggin			С <u>и</u>		ι,	ŧ.		24,000	
	RNAL PAINTING	CON.165		18,625		l.	1	18,625	
ementing (ubular Insp	& Float Equipment				PCOM.150			227,000	
ubular Insp asing Crew			· ·		FCOM.100	ł.	0	42,000 30,000	
asing crew techanical i		CON.170		241,375	PCOM.170	\$ 	6	264,375	
. د	ansportation	CON.175		241,575	PCOM.175			264,573	
upervision		CON.180	1	25,000	PCOM.180	1	0	168,000	
	e/Camp/Catering		Į			ķ	1	93,000	
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verhead							آ I	15,000	
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olids Contr	rol						[]	38,000	
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ompletion					PCOM.115	ļ	0	21,000	
pnidul lio			N/ 1		PCOM.260		0	224,000	
	Logging/Perforating/Wireline		Į į		PCOM 200]	0	306,000	
omposite (PCOM 390	· · ·	0	80,000	
	Pumping/Chemicals/Additives/Sand Water/Water Transfer/Water Storage	Į			PCOM.210	×*	12,000	2,587,000	
	water/Water Transfer/Water Storage med Frac/Rental Equipment	i i	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		PCOM305	5.	59,000	358,000	
	atory/Curative	CON 300	2 × 6.	0			35,000	10,000	
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<u> </u>	Total Intengible Cost			732.625			269,900	8,165,725	
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ubing §			اسانده مانع		PCOMT.105		· 0	36,000	
	ree, Chotes				PCOMT.120	\$ ~	o	94,000	
acker, Nipp				• ••••	PCOMT.400	\$ \$	0	28,000	
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UMPS		CONT.385		27,625		1	1	27,625	
ALKOVERS	s	CONT.390		10,000				10,000	
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EXHIBIT A

Cimarex Energy Co 600 N MARIENFELD ST STE 600 MIDLAND TX 79701-4405

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USPS CERTIFIED MAIL



\$5.00 US POSTAGE FIRST-CLASS Feb 25 2021 Mailed from ZIP 79701 3 oz First-Class Mail Flats Rate

11923275



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EOG Resources Inc. 5505 CHAMPIONS DR MIDLAND TX 79706-2843

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

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

Case No.

APPLICATION

Cimarex Energy Co. ("Cimarex"), OGRID No. 215099, 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 480-acre, more or less, spacing and proration unit comprised of the N/2 N/2 of Sections 2 and 1, Township 20 South, Range 29 East; and the N/2 N/2 of Section 6, Township 20 South, Range 30 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. This is a competing application, and alternative development plan, in relation to the pooling application filed by Colgate Operating, LLC, in Case No. 21629.

2. Cimarex is a working interest owner in the proposed horizontal spacing and proration unit ("HSU") and has a right to drill a well thereon. Cimarex proposes to drill a well to a sufficient depth to test the Bone Spring formation.

3. Cimarex proposes to dedicate the HSU to its **Crest 2-1-6 State Fed Com 1H Well**, an oil well, proposed to be horizontally drilled from a surface location in Lot 4 (aka NW/4 NW/4) of Section 2 to a bottom hole location in Lot 1 (aka NE/4 NE/4) of Section 6. Sections 2, 1 and 6 are correction sections.

4. The well is orthodox, and the completed interval and first and last take points for the well meet the setback requirements set forth in the Division's statewide rules and regulations for horizontal oil wells.

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 before an Examiner of the Oil Conservation Division on April 8, 2021, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a standard 480-acre, more or less, spacing and proration unit comprising the N/2 N/2 of Sections 2 and 1, Township 20 South, Range 29 East; and the N/2 N/2 of Section 6, Township 20 South, Range 30 East; NMPM, Eddy County, New Mexico;

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

C. Designating the **Crest 2-1-6 State Fed Com 1H Well** as a well dedicated to the HSU.

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

2

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 Cimarex Energy Co.

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 480-acre, more or less, horizontal spacing and proration unit comprised of the N/2 N/2 of Sections 2 and 1, Township 20 South, Range 29 East; and the N/2 N/2 of Section 6, Township 20 South, Range 30 East; NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation underlying the unit. Said horizontal spacing unit is to be dedicated to the Crest 2-1-6 State Fed Com 1H Well, to be horizontally drilled from a surface location in Lot 4 (aka NW/4 NW/4) of Section 2 to a bottom hole location in Lot 1 (aka NE/4 NE/4) of Section 6. The completed interval and first take and last take point for the wells meet the Division's statewide setback requirements for horizontal oil wells. 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 wells and lands are located approximately 12 miles northeast of Carlsbad, New Mexico.

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

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

Case No.

APPLICATION

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3. Cimarex proposes to dedicate the HSU to its **Crest 2-1-6 State Fed Com 2H Well**, an oil well, proposed to be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 2 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 6. Sections 2, 1 and 6 are correction sections.

4. The well is orthodox, and the completed interval and first and last take points for the well meet the setback requirements set forth in the Division's statewide rules and regulations for horizontal oil wells.

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.

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

C. Designating the Crest 2-1-6 State Fed Com 2H Well as a well dedicated to the HSU.

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

2

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 Cimarex Energy Co.

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 480-acre, more or less, horizontal spacing and proration unit comprised of the S/2 N/2 of Sections 2 and 1, Township 20 South, Range 29 East; and the S/2 N/2 of Section 6, Township 20 South, Range 30 East; NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation underlying the unit. Said horizontal spacing unit is to be dedicated to the Crest 2-1-6 State Fed Com 2H Well, to be horizontally drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 2 to a bottom hole location in the SE/4 NE/4 (Unit H) of Section 6. The completed interval and first take and last take point for the wells meet the Division's statewide setback requirements for horizontal oil wells. 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 wells and lands are located approximately 12 miles northeast of Carlsbad, New Mexico.

EXHIBIT C

Kaitlyn A. Luck

From: Sent: To: Subject: Chris Leyendecker <Chris_Leyendecker@eogresources.com> Wednesday, March 24, 2021 12:32 PM Laci Stretcher FW: Crest Well Proposals

See below

CHRIS LEYENDECKER, RPL

LANDMAN – DELAWARE BASIN

EOG RESOURCES, INC. 5509 Champions Drive Midland, TX 79706 *Direct:* 432-686-3673 | *Cell:* 303-552-6130



From: Riley Morris <rmorris@cimarex.com>
Sent: Tuesday, March 23, 2021 9:29 AM
To: Chris Leyendecker <Chris_Leyendecker@eogresources.com>
Cc: Tracy Jordan <Tracy_Jordan@eogresources.com>; Jacob Kremers <jkremers@cimarex.com>; Lucas Haas
<lhaas@cimarex.com>
Subject: RE: Crest Well Proposals

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Chris,

Good morning. Please see below for my responses to the questions posed.

Please do not hesitate to call me should you need anything. I'm at home this week so my cell is a better option. 936-241-2200.

Thank you, Riley

From: Chris Leyendecker <<u>Chris_Leyendecker@eogresources.com</u>>
Sent: Wednesday, March 17, 2021 11:31 AM
To: Riley Morris <<u>rmorris@cimarex.com</u>>
Cc: Tracy Jordan <<u>Tracy_Jordan@eogresources.com</u>>
Subject: [External] RE: Crest Well Proposals

Hey Riley,

Just wanted to follow up on some of the previous technical questions. We're looking at these closely in consideration of participating and hoping to get a little clarity on some things.

Primarily, we'd like to know what control well you guys used to base the TVD of these wells? I'll have to defer to my Geologist, Lucas Haas, cc'd herein for that question.

EXHIBIT C

Also, wanted to confirm your intent is for 3-mile development? Or do you think there's a change you guys would break this up into two separate mile and half units? Yes, we believe it would be more efficient to drill 3 mile wells.

I didn't see the specific footage calls on the well proposals, could you provide footage calls for SHL and BHL for each well? We are in the process of scouting for viable SHLs, but we plan to situate them on the lease line in the middle of Sections 2 and 3. BHL will be in the last 40 acre tract in the E/2 E/2 of Section 6.

As far as permits go, can you shed some light on the current status? Submitted? Not yet submitted? Not yet submitted.

Don't hesitate to give me a call if it's easier to discus.

Thanks,

CHRIS LEYENDECKER, RPL

LANDMAN – DELAWARE BASIN

EOG RESOURCES, INC. 5509 Champions Drive Midland, TX 79706 *Direct:* 432-686-3673 | *Cell:* 303-552-6130



From: Riley Morris <<u>rmorris@cimarex.com</u>> Sent: Wednesday, March 3, 2021 3:40 PM To: Chris Leyendecker <<u>Chris Leyendecker@eogresources.com</u>> Cc: Tracy Jordan <<u>Tracy Jordan@eogresources.com</u>> Subject: RE: Crest Well Proposals

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Chris,

Good afternoon. I've forwarded your email to my Engineer and Geologist for this project and have asked that they reach out to you with the info requested.

As far as title goes; we have not ordered a DTO on this 960 acres as of yet, but have done a pretty extensive title update. We show that EOG owns 9.822007%/8.414707% (WI/NRI) in this 960 acre proposed Contract Area. We are planning to drill these on 480 acre spacing units, being the N/2 N/2 and S/2 N/2 of Sections 2, 1 and 6.

Thank you, Riley

From: Chris Leyendecker <<u>Chris Leyendecker@eogresources.com</u>>
Sent: Wednesday, March 3, 2021 10:19 AM
To: Riley Morris <<u>rmorris@cimarex.com</u>>
Cc: Tracy Jordan <<u>Tracy_Jordan@eogresources.com</u>>
Subject: [External] Cres Well Proposals

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EXHIBIT C

Hi Riley,

I'm reaching out to confirm receipt of your recent Crest Well proposals and get some additional clarity to some of the items below. Also, do you have a recent title opinion (redacted is fine) that could share to confirm EOG's working interest in the proposed 960 acre spacing unit? I assume the JOA will cover the same? Our internal records indicate EOG would have an estimated 9.875938% WI in the proposed unit. Any confirmation of the same would be much appreciated.

- Geological Prognosis
 - API of Control Wells used to determine TVD
 - Target
 - Estimated Spud, Completion and First Production Date
- Completion Design
 - Treated Lateral Footage
 - PPF and Sand Mesh
 - GPF and Fluid Type
 - Cluster Spacing
- Gas Marketing
 - o Shrink
 - o Yield
- Lifting Method/production plan for first 2 years ESP/Gas/Other?
- Producing Method Casing or Tubing?
- LOE
 - Fixed and Variable Cost Estimates
 - SWD cost per barrel
 - Trucked or line
 - Fixed Rate cost estimate for first 24 months

Kind Regards,

CHRIS LEYENDECKER, RPL

LANDMAN - DELAWARE BASIN

EOG RESOURCES, INC. 5509 Champions Drive Midland, TX 79706 *Direct:* 432-686-3673 | *Cell:* 303-552-6130



EXHIBIT D

RECEIVED

MAR 29 2021

EOG RESOURCES, INC MIDLAND DIVISION



Cimarex Energy Co. 600 N. Marienfeld St. Suite 600 Midland, TX 79701 Main: 432.571.7800

March 25, 2021

EOG Resources, Inc. 5505 Champions Dr. Midland, TX 79706

> Re: Update Letter - Proposal to Drill Crest 2-1-6 State Fed Com 1H & 2H N/2 of Sections 2 & 1, Township 20 South, Range 29 East N/2 of Section 6, Township 20 South, Range 30 East Eddy County, NM

Dear Working Interest Owner,

By letter dated February 25, 2021 Cimarex Energy Co. proposed to drill the Crest 2-1-6 Fed Com wells at a legal location in Section 2, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico.

The TVD of the proposed wells has been adjusted from 9,200' to 9,500'. This adjustment has been implemented in order to optimize production and prevent waste. Please note that everything else with in the subject proposal has remained the same.

Please call the undersigned with any questions or comments.

Respectfully,

Cily C. M.Z

Riley C. Morris Sr. Landman -432.620.1966-----rmorris@cimarex.com

EXHIBIT D

Cimarex Energy Co 600 N MARIENFELD ST STE 600 MIDLAND TX/79701-4405



\$4.11 US POSTAGE FIRST-CLASS Mar 25 2021 Mailed from ZIP 79701 1 oz Finet-Class Mail Letter



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9407 1118 9876 5898 EOG Resources Inc 5505 CHAMPIONS DR MIDLAND TX 79706-2843

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EXHIBIT E

Kaitlyn A. Luck

From: Sent: To: Subject: Laci Stretcher <Laci_Stretcher@eogresources.com> Tuesday, March 23, 2021 4:41 PM Riley Morris RE: Crest 2-1-6 Hearing

Riley,

Can you provide some more information on the Colgate situation? Are there competing proposals? Are you filing a case anticipating an appeal?

Please provide more information for our review. As it is, I believe we can request more time since the hearing is set earlier than the Division's rules allow. It will help to better understand why you are pressing for an early hearing.

Thanks,

Laci Stretcher, RPL

Direct: 432.247.6362 Cell: 432.227.3769

Solution Solution S

From: Riley Morris <rmorris@cimarex.com>
Sent: Tuesday, March 23, 2021 5:37 PM
To: Laci Stretcher <Laci_Stretcher@eogresources.com>
Subject: RE: Crest 2-1-6 Hearing

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Laci,

We need to move forward with our hearing in order to contest the case that Colgate has working. I anticipate that we will get a de novo hearing scheduled for some time in April, which will push the Crest timeline back.

Thank you, Riley

From: Laci Stretcher <<u>Laci_Stretcher@eogresources.com</u>> Sent: Tuesday, March 23, 2021 4:57 PM To: Riley Morris <<u>rmorris@cimarex.com</u>> Subject: [External] Crest 2-1-6 Hearing

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EXHIBIT E

Hello Riley,

We received notice of the Crest 2-1-6 wells pooling date today. I'm showing we will be just outside of the 30 day review period when the hearing is scheduled. Will you push the hearing back to May so we can review potential trade ideas for the area?

Thanks,

Laci Stretcher, RPL

Senior Landman - Midland Division Direct: 432.247.6362 Cell: 432.227.3769 Email: <u>laci_stretcher@eogresources.com</u>



5509 Champions Drive | Midland, TX 79706