

**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.

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 ¶ 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.

Respectfully submitted,

HOLLAND & HART, LLP



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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:

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William E. Zimsky
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Attorney for Colgate Operating, LLC



Kaitlyn A. Luck

EXHIBIT A

RECEIVED

MAR 01 2021

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.

Crest 2-1-6 State Fed Com 1H - 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.

Crest 2-1-6 State Fed Com 2H - 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 you 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

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,

A handwritten signature in black ink, appearing to read "Riley C. Morris". The signature is written in a cursive, flowing style.

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.

Dated this _____ day of _____, 2021.

Signature: _____

Title: _____

If your election above is **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 election 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.



EXHIBIT A

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 Pros (Eddy)	309775-339.01	26821020
County, State	Location	Estimated Spud	Estimated Completion	
Eddy, NM	Section 2 & 1, Township 20 South, Range 29 East & Section 6, Township 20 South, Range 30E	12/9/2021		
<input checked="" type="checkbox"/> New Supplement Revision	Formation	Well Type	Ttl Measured Depth	Ttl Vertical Depth
	Bone Spring	DEV	24,200	9,200

Purpose Drill and complete well

Description

Intangible	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	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

- 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: Costs shown on this form are estimates only. By executing this AFE, the consenting party agrees to pay its proportionate share of actual costs incurred. Overhead will be charged in accordance with the Joint Operating Agreement.

2/25/2021

EXHIBIT A



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

AFE # 26821020

Description	BCP - Drilling		ACP - Drilling		Comp/Stim		Production Equip		Post Completion		Total	Cost
	Codes	Amount	Codes	Amount	Codes	Amount	Codes	Amount	Codes	Amount		
Roads & Location	DIDC.100	100,000			STIM.100	5,000	CON.100	45,750	PCOM.100	7,000		157,750
Damages	DIDC.105	15,000					CON.105	1,250				16,250
Mud/Fluids Disposal	DIDC.255	125,000			STIM.255	80,000			PCOM.255	0		205,000
Day Rate	DIDC.115	360,400	DICC.120	84,800								445,200
Misc Preparation	DIDC.120	20,000										20,000
Bits	DIDC.125	62,000	DICC.125	0	STIM.125	0			PCOM.125	0		62,000
Fuel	DIDC.135	48,000	DICC.130	0					PCOM.130	0		48,000
Water for Drilling Rig (Not Frac Water)	DIDC.140	25,000	DICC.135	0	STIM.135	31,000			PCOM.135	0		56,000
Mud & Additives	DIDC.145	220,000										220,000
SWD PIPED TO 3RD PARTY SWD WELL												102,000
Surface Rentals	DIDC.150	91,000	DICC.140	0	STIM.140	186,000	CON.140	2,250	PCOM.140	45,000		324,250
Flowback Labor					STIM.141	0			PCOM.141	28,000		28,000
Downhole Rentals	DIDC.155	72,000			STIM.145	35,000			PCOM.145	0		107,000
Automation Labor							CON.150	61,250	PCOM.150	7,000		68,250
Mud Logging	DIDC.170	24,000										24,000
IPC & EXTERNAL PAINTING							CON.165	18,625				18,625
Cementing & Float Equipment	DIDC.185	102,000	DICC.155	125,000								227,000
Tubular Inspections	DIDC.190	30,000	DICC.160	10,000	STIM.160	2,000			PCOM.160	0		42,000
Casing Crews	DIDC.195	15,000	DICC.165	15,000	STIM.165	0						30,000
Mechanical Labor	DIDC.200	20,000	DICC.170	3,000	STIM.170	0	CON.170	241,375	PCOM.170	0		264,375
Trucking/Transportation	DIDC.205	15,000	DICC.175	15,000	STIM.175	2,000	CON.175	25,000	PCOM.175	0		57,000
Supervision	DIDC.210	68,000	DICC.180	12,000	STIM.180	62,000	CON.180	26,000	PCOM.180	0		168,000
Trailer/House/Camp/Catering	DIDC.220	39,000	DICC.255	6,000	STIM.280	48,000						93,000
Other Misc Expenses	DIDC.280	3,000	DICC.190	0	STIM.190	95,000	CON.190	37,500	PCOM.190	0		135,500
Overhead	DIDC.225	10,000	DICC.195	5,000								15,000
MOS/DEMOB	DIDC.240	300,000										300,000
Directional Drilling Services	DIDC.245	402,000										402,000
Solids Control	DIDC.260	38,000										38,000
Well Control Equip (Snubbing Services)	DIDC.265	80,000	DICC.240	0	STIM.240	91,000			PCOM.240	0		171,000
Completion Rig					STIM.115	21,000			PCOM.115	0		21,000
Coil Tubing Services					STIM.260	224,000			PCOM.260	0		224,000
Completion Logging/Perforating/Wireline					STIM.200	306,000			PCOM.200	0		306,000
Composite Plugs					STIM.390	80,000			PCOM.390	0		80,000
Stimulation Pumping/Chemicals/Additives/Sand					STIM.210	2,575,000			PCOM.210	12,000		2,587,000
Stimulation Water/Water Transfer/Water Storage					STIM.395	358,000						358,000
Cimarex Owned Frac/Rental Equipment					STIM.305	42,000			PCOM.305	59,000		101,000
Legal/Regulatory/Curative	DIDC.300	10,000					CON.300	0				10,000
Well Control Insurance	DIDC.285	9,000										9,000
FL/GL - ON PAD LABOR							CON.495	21,750				21,750
FL/GL - Labor							CON.500	77,750				77,750
FL/GL - Supervision							CON.505	18,750				18,750
Survey							CON.515	1,625				1,625
Contingency	DIDC.435	115,000	DICC.220	14,000	STIM.220	212,000	CON.220	135,000	PCOM.220	9,900		485,900
Contingency							CON.221	18,750				18,750
Total Intangible Cost		2,418,400		289,800		4,455,000		732,625		269,900		8,165,725
Conductor Pipe	DWEB.130	8,000										8,000
Surface Casing	DWEB.140	11,000										11,000
Intermediate Casing 1	DWEB.145	53,000										53,000
Production Casing or Liner			DWEA.100	392,000								392,000
Tubing					STIM.105	36,000			PCOM.105	0		36,000
Wellhead, Tree, Chokes	DWEB.115	38,000	DWEA.120	18,000	STIM.120	38,000			PCOM.120	0		94,000
Packer, Nipples					STIM.400	28,000			PCOM.400	0		28,000
SHORT ORDERS							CON.380	5,000				5,000
PUMPS							CON.385	27,625				27,625
WALKOVERS							CON.390	10,000				10,000
Downhole LTR Equipment					STIM.410	80,000			PCOM.410	0		80,000
N/C Lease Equipment							CON.400	265,250				265,250
Tanks, Tanks Steps, Stairs							CON.405	73,750				73,750
Battery Equipment							CON.410	170,875				170,875
Secondary Containments							CON.415	26,250				26,250
Overhead Power Distribution							CON.420	93,000				93,000
Facility Electrical							CON.425	68,750				68,750
Telecommunication Equipment							CON.426	1,000				1,000
Meters and Metering Equipment							CON.445	31,125				31,125
Facility Line Pipe							CON.450	33,750				33,750
Lease Automation Materials							CON.455	86,000				86,000
FL/GL - Materials							CON.550	11,500				11,500
FL/GL - Line Pipe							CON.555	43,500				43,500
Total Tangible Cost		110,000		410,000		182,000		947,375		0		1,649,375
Total Estimated Cost		2,528,400		699,800		4,637,000		1,680,000		269,900		9,815,100

EXHIBIT A



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

AFE # 26821020

Description	BCP - Drilling			ACP - Drilling			Comp/Stim		
	Codes		Amount	Codes		Amount	Codes		Amount
Roads & Location	DIDC.100		100,000				STIM.100	CON.100	5,000
Damages	DIDC.105		15,000						
Mud/Fluids Disposal	DIDC.255		125,000				STIM.255		80,000
Day Rate	DIDC.115	DICC.120	360,400	DICC.120		84,800			
Misc Preparation	DIDC.120		20,000						
Bits	DIDC.125	DICC.125	62,000	DICC.125	STIM.125	0	STIM.125		0
Fuel	DIDC.135	DICC.130	48,000	DICC.130		0			
Water for Drilling Rig (Not Frac Water)	DIDC.140	DICC.135	25,000	DICC.135	STIM.135	0	STIM.135		31,000
Mud & Additives	DIDC.145		220,000						
SWD PIPED TO 3RD PARTY SWD WELL									
Surface Rentals	DIDC.150	DICC.140	91,000	DICC.140	STIM.140	0	STIM.140	CON.140	186,000
Flowback Labor							STIM.141		0
Downhole Rentals	DIDC.155		72,000				STIM.145		35,000
Automation Labor									
Mud Logging	DIDC.170		24,000						
IPC & EXTERNAL PAINTING									
Cementing & Float Equipment	DIDC.185	DICC.155	102,000	DICC.155		125,000			
Tubular Inspections	DIDC.190	DICC.160	30,000	DICC.160	STIM.160	10,000	STIM.160		2,000
Casing Crews	DIDC.195	DICC.165	15,000	DICC.165	STIM.165	15,000	STIM.165		0
Mechanical Labor	DIDC.200	DICC.170	20,000	DICC.170	STIM.170	3,000	STIM.170	CON.170	0
Trucking/Transportation	DIDC.205	DICC.175	15,000	DICC.175	STIM.175	15,000	STIM.175	CON.175	2,000
Supervision	DIDC.210	DICC.180	68,000	DICC.180	STIM.180	12,000	STIM.180	CON.180	62,000
Trailer House/Camp/Catering	DIDC.220	DICC.255	39,000	DICC.255	STIM.280	6,000	STIM.280		48,000
Other Misc Expenses	DIDC.220	DICC.190	3,000	DICC.190	STIM.190	0	STIM.190	CON.190	95,000
Overhead	DIDC.225	DICC.195	10,000	DICC.195		5,000			
MOB/DEMOB	DIDC.240		300,000						
Directional Drilling Services	DIDC.245		402,000						
Solids Control	DIDC.260		38,000						
Well Control Equip (Snubbing Services)	DIDC.265	DICC.240	60,000	DICC.240	STIM.240	0	STIM.240		91,000
Completion Rig							STIM.115		21,000
Coil Tubing Services							STIM.260		224,000
Completion Logging/Perforating/Wireline							STIM.200		306,000
Composite Plugs							STIM.390		80,000
Stimulation							STIM.210		2,575,000
Stimulation Water/Water Transfer/Water							STIM.395		358,000
Cimarex Owned Frac/Rental Equipment							STIM.305		42,000
Legal/Regulatory/Curative	DIDC.300		10,000						
Well Control Insurance	DIDC.285		9,000						
FL/GL - ON PAD LABOR									
FL/GL - Labor									
FL/GL - Supervision									
Survey									
Contingency	DIDC.435	DICC.220	115,000	DICC.220	STIM.220	14,000	STIM.220	CON.220	212,000
Contingency									
Total Intangible Cost			2,418,400			289,800			4,455,000
Conductor Pipe	DWEB.130		8,000						
Surface Casing	DWEB.140		11,000						
Intermediate Casing 1	DWEB.145		53,000						
Production Casing or Liner				DWEA.100		392,000			
Tubing							STMT.105		36,000
Wellhead, Tree, Chokes	DWEB.115	DWEA.120	38,000	DWEA.120	STMT.120	18,000	STMT.120		38,000
Packer, Nipples							STMT.400		28,000
SHORT ORDERS									
PUMPS									
WALKOVERS									
Downhole Lift Equipment							STMT.410		80,000
N/C Lease Equipment									
Tanks, Tanks Steps, Stairs									
Battery Equipment									
Secondary Containments									
Overhead Power Distribution									
Facility Electrical									
Telecommunication Equipment									
Meters and Metering Equipment									
Facility Line Pipe									
Lease Automation Materials									
FL/GL - Materials									
FL/GL - Line Pipe									
Total Tangible Cost			110,000			410,000			182,000
Total Estimated Cost			2,528,400			699,800			4,637,000

EXHIBIT A



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

AFE # 26821020

Description	Production Equip		Post Completion		Total
	Codes	Amount	Codes	Amount	
Roads & Location	CON.100	45,750	PCOM.100	7,000	157,750
Damages	CON.105	1,250			16,250
Mud/Fluids Disposal			PCOM.255	0	205,000
Day Rate					445,200
Misc Preparation					20,000
Bits			PCOM.125	0	62,000
Fuel			PCOM.130	0	48,000
Water for Drilling Rig (Not Frac Water)			PCOM.135	0	56,000
Mud & Additives					220,000
SWD PIPED TO 3RD PARTY SWD WELL			PCOM.257	102,000	102,000
Surface Rentals	CON.140	2,250	PCOM.140	45,000	324,250
Flowback Labor			PCOM.141	28,000	28,000
Downhole Rentals			PCOM.145	0	107,000
Automation Labor	CON.150	61,250	PCOM.150	7,000	68,250
Mud Logging					24,000
IPC & EXTERNAL PAINTING	CON.165	18,625			18,625
Cementing & Float Equipment					227,000
Tubular Inspections			PCOM.160	0	42,000
Casing Crews					30,000
Mechanical Labor	CON.170	241,375	PCOM.170	0	264,375
Trucking/Transportation	CON.175	25,000	PCOM.175	0	57,000
Supervision	CON.180	26,000	PCOM.180	0	168,000
Trailer House/Camp/Catering					93,000
Other Misc Expenses	CON.190	37,500	PCOM.190	0	135,500
Overhead					15,000
MOB/DEMOb					300,000
Directional Drilling Services					402,000
Solids Control					38,000
Well Control Equip (Snubbing Services)			PCOM.240	0	171,000
Completion Rig			PCOM.115	0	21,000
Coil Tubing Services			PCOM.260	0	224,000
Completion Logging/Perforating/Wireline			PCOM.200	0	306,000
Composite Plugs			PCOM.390	0	80,000
Stimulation Pumping/Chemicals/Additives/Sand			PCOM.210	12,000	2,587,000
Stimulation Water/Water Transfer/Water Storage					358,000
Cimarex Owned Frac/Rental Equipment			PCOM.305	59,000	101,000
Legal/Regulatory/Consultative	CON.300	0			10,000
Well Control Insurance					9,000
FL/GL - ON PAD LABOR	CON.495	21,750			21,750
FL/GL - Labor	CON.500	77,750			77,750
FL/GL - Supervision	CON.505	18,750			18,750
Survey	CON.515	1,625			1,625
Contingency	CON.220	135,000	PCOM.220	9,900	485,900
Contingency	CON.221	18,750			18,750
Total Intangible Cost		732,625		269,900	8,165,725
Conductor Pipe					8,000
Surface Casing					11,000
Intermediate Casing 1					53,000
Production Casing or Liner					392,000
Tubing			PCOMT.105	0	36,000
Wellhead, Tree, Chokes			PCOMT.120	0	94,000
Packer, Nipples			PCOMT.400	0	28,000
SHORT ORDERS	CONT.380	5,000			5,000
PUMPS	CONT.385	27,625			27,625
WALKOVERS	CONT.390	10,000			10,000
Downhole Lift Equipment			PCOMT.410	0	80,000
N/C Lease Equipment	CONT.400	265,250			265,250
Tanks, Tanks Steps, Stairs	CONT.405	73,750			73,750
Battery Equipment	CONT.410	170,875			170,875
Secondary Containments	CONT.415	26,250			26,250
Overhead Power Distribution	CONT.420	93,000			93,000
Facility Electrical	CONT.425	68,750			68,750
Telecommunication Equipment	CONT.426	1,000			1,000
Meters and Metering Equipment	CONT.445	31,125			31,125
Facility Line Pipe	CONT.450	33,750			33,750
Lease Automation Materials	CONT.455	86,000			86,000
FL/GL - Materials	CONT.550	11,500			11,500
FL/GL - Line Pipe	CONT.555	43,500			43,500
Total Tangible Cost		947,375		0	1,649,375
Total Estimated Cost		1,680,000		269,900	9,815,100



EXHIBIT A

Authorization For Expenditure Drilling

AFE # 26821021

Company Entity

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 Pros (Eddy)	309775-340.01	26821021

County, State	Location	Estimated Spud	Estimated Completion
Eddy, NM	Section 2 & 1, Township 20 South, Range 29 East & Section 6, Township 20 South, Range 30E	12/15/2021	

<input checked="" type="checkbox"/> New	Formation	Well Type	Ttl Measured Depth	Ttl Vertical Depth
<input type="checkbox"/> Supplement	Bone Spring	DEV	24,200	9,200
<input type="checkbox"/> Revision				

Purpose Drill and complete well

Description

Intangible	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	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
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Comments On Well Costs

- 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: Costs shown on this form are estimates only. By executing this AFE, the consenting party agrees to pay its proportionate share of actual costs incurred. Overhead will be charged in accordance with the Joint Operating Agreement.

2/25/2021

EXHIBIT A



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

AFE # 26821021

Description	BCP - Drilling		ACP - Drilling		Comp/Stim		Production Equip		Post Completion		Total Cost
	Codes	Amount	Codes	Amount	Codes	Amount	Codes	Amount	Codes	Amount	
Roads & Location	DIDC.100	100,000			STIM.100	5,000	CON.100	45,750	PCOM.100	7,000	157,750
Damages	DIDC.105	15,000					CON.105	1,250			16,250
Mud/Fluids Disposal	DIDC.255	125,000			STIM.255	80,000			PCOM.255	0	205,000
Day Rate	DIDC.115	360,400	DICC.120	84,800							445,200
Misc Preparation	DIDC.120	20,000									20,000
Bits	DIDC.125	62,000	DICC.125	0	STIM.125	0			PCOM.125	0	62,000
Fuel	DIDC.135	48,000	DICC.130	0					PCOM.130	0	48,000
Water for Drilling Rig (Not Frac Water)	DIDC.140	25,000	DICC.135	0	STIM.135	31,000			PCOM.135	0	56,000
Mud & Additives	DIDC.145	220,000									220,000
SWD PIPED TO 3RD PARTY SWD WELL									PCOM.257	102,000	102,000
Surface Rentals	DIDC.150	91,000	DICC.140	0	STIM.140	186,000	CON.140	2,250	PCOM.140	45,000	324,250
Flowback Labor					STIM.141	0			PCOM.141	28,000	28,000
Downhole Rentals	DIDC.155	72,000			STIM.145	35,000			PCOM.145	0	107,000
Automation Labor							CON.150	61,250	PCOM.150	7,000	68,250
Mud Logging	DIDC.170	24,000									24,000
IPC & EXTERNAL PAINTING							CON.165	18,625			18,625
Cementing & Float Equipment	DIDC.185	102,000	DICC.155	125,000							227,000
Tubular Inspections	DIDC.190	30,000	DICC.160	10,000	STIM.160	2,000			PCOM.160	0	42,000
Casing Crews	DIDC.195	15,000	DICC.165	15,000	STIM.165	0					30,000
Mechanical Labor	DIDC.200	20,000	DICC.170	3,000	STIM.170	0	CON.170	241,375	PCOM.170	0	264,375
Trucking/Transportation	DIDC.205	15,000	DICC.175	15,000	STIM.175	2,000	CON.175	25,000	PCOM.175	0	57,000
Supervision	DIDC.210	68,000	DICC.180	12,000	STIM.180	62,000	CON.180	26,000	PCOM.180	0	168,000
Trailer House/Camp/Catering	DIDC.280	39,000	DICC.255	6,000	STIM.280	48,000					93,000
Other Misc Expenses	DIDC.220	3,000	DICC.190	0	STIM.190	95,000	CON.190	37,500	PCOM.190	0	135,500
Overhead	DIDC.225	10,000	DICC.195	5,000							15,000
MOB/DEMOP	DIDC.240	300,000									300,000
Directional Drilling Services	DIDC.245	402,000									402,000
Solids Control	DIDC.260	38,000									38,000
Well Control Equip (Snubbing Services)	DIDC.265	80,000	DICC.240	0	STIM.240	91,000			PCOM.240	0	171,000
Completion Rig					STIM.115	21,000			PCOM.115	0	21,000
Coil Tubing Services					STIM.260	224,000			PCOM.260	0	224,000
Completion Logging/Perforating/Wireline					STIM.200	306,000			PCOM.200	0	306,000
Composite Plugs					STIM.390	80,000			PCOM.390	0	80,000
Stimulation Pumping/Chemicals/Additives/Sand					STIM.210	2,575,000			PCOM.210	12,000	2,587,000
Stimulation Water/Water Transfer/Water Storage					STIM.395	358,000					358,000
Cimarex Owned Frac/Rental Equipment					STIM.305	42,000			PCOM.305	59,000	101,000
Legal/Regulatory/Curtative	DIDC.300	10,000					CON.300	0			10,000
Well Control Insurance	DIDC.285	9,000									9,000
FL/GL - ON PAD LABOR							CON.495	21,750			21,750
FL/GL - Labor							CON.500	77,750			77,750
FL/GL - Supervision							CON.505	18,750			18,750
Survey							CON.515	1,625			1,625
Contingency	DIDC.435	115,000	DICC.220	14,000	STIM.220	212,000	CON.220	135,000	PCOM.220	9,900	485,900
Contingency							CON.221	18,750			18,750
Total Intangible Cost		2,418,400		289,800		4,455,000		732,625		269,900	8,165,725
Conductor Pipe	DWEB.130	8,000									8,000
Surface Casing	DWEB.140	11,000									11,000
Intermediate Casing 1	DWEB.145	53,000									53,000
Production Casing or Liner			DWEA.100	392,000							392,000
Tubing					STIM.105	36,000			PCOM.105	0	36,000
Wellhead, Tree, Chokes	DWEB.115	38,000	DWEA.120	18,000	STIM.120	38,000			PCOM.120	0	94,000
Packer, Nipples					STIM.400	28,000			PCOM.400	0	28,000
SHORT ORDERS							CON.380	5,000			5,000
PUMPS							CON.385	27,625			27,625
WALKOVERS							CON.390	10,000			10,000
Downhole Lift Equipment					STIM.410	80,000			PCOM.410	0	80,000
N/C Lease Equipment							CON.400	265,250			265,250
Tanks, Tanks Steps, Stairs							CON.405	73,750			73,750
Battery Equipment							CON.410	170,875			170,875
Secondary Containments							CON.415	26,250			26,250
Overhead Power Distribution							CON.420	93,000			93,000
Facility Electrical							CON.425	68,750			68,750
Telecommunication Equipment							CON.426	1,000			1,000
Meters and Metering Equipment							CON.445	31,125			31,125
Facility Line Pipe							CON.490	33,750			33,750
Lease Automation Materials							CON.455	86,000			86,000
FL/GL - Materials							CON.550	11,500			11,500
FL/GL - Line Pipe							CON.555	43,500			43,500
Total Tangible Cost		110,000		410,000		182,000		947,375		0	1,649,375
Total Estimated Cost		2,528,400		699,800		4,637,000		1,680,000		269,900	9,815,100

EXHIBIT A



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

AFE # 26821021

Description	BCP - Drilling			ACP - Drilling			Comp/Stim		
	Codes		Amount	Codes		Amount	Codes		Amount
Roads & Location	DIDC.100		100,000				STIM.100	CON.100	5,000
Damages	DIDC.105		15,000						
Mud/Fluids Disposal	DIDC.255		125,000				STIM.255		80,000
Day Rate	DIDC.115	DICC.120	360,400	DICC.120		84,800			
Misc Preparation	DIDC.120		20,000						
Bits	DIDC.125	DICC.125	62,000	DICC.125	STIM.125	0	STIM.125		0
Fuel	DIDC.135	DICC.130	48,000	DICC.130		0			
Water for Drilling Rig (Not Frac Water)	DIDC.140	DICC.135	25,000	DICC.135	STIM.135	0	STIM.135		31,000
Mud & Additives	DIDC.145		220,000						
SWD PIPED TO 3RD PARTY SWD WELL									
Surface Rentals	DIDC.150	DICC.140	91,000	DICC.140	STIM.140	0	STIM.140	CON.140	186,000
Flowback Labor							STIM.141		0
Downhole Rentals	DIDC.155		72,000				STIM.145		35,000
Automation Labor									
Mud Logging	DIDC.170		24,000						
IPC & EXTERNAL PAINTING									
Cementing & Float Equipment	DIDC.185	DICC.155	102,000	DICC.155		125,000			
Tubular Inspections	DIDC.190	DICC.160	30,000	DICC.160	STIM.160	10,000	STIM.160		2,000
Casing Crews	DIDC.195	DICC.165	15,000	DICC.165	STIM.165	15,000	STIM.165		0
Mechanical Labor	DIDC.200	DICC.170	20,000	DICC.170	STIM.170	3,000	STIM.170	CON.170	0
Trucking/Transportation	DIDC.205	DICC.175	15,000	DICC.175	STIM.175	15,000	STIM.175	CON.175	2,000
Supervision	DIDC.210	DICC.180	68,000	DICC.180	STIM.180	12,000	STIM.180	CON.180	62,000
Trailer House/Camp/Catering	DIDC.220	DICC.255	39,000	DICC.255	STIM.220	6,000	STIM.220		48,000
Other Misc Expenses	DIDC.220	DICC.190	3,000	DICC.190	STIM.190	0	STIM.190	CON.190	95,000
Overhead	DIDC.225	DICC.195	10,000	DICC.195		5,000			
MOB/DENOB	DIDC.240		300,000						
Directional Drilling Services	DIDC.245		402,000						
Solids Control	DIDC.260		38,000						
Well Control Equip (Snubbing Services)	DIDC.265	DICC.240	80,000	DICC.240	STIM.240	0	STIM.240		91,000
Completion Rig							STIM.115		21,000
Coil Tubing Services							STIM.260		224,000
Completion Logging/Perforating/Wireline							STIM.200		306,000
Composite Plugs							STIM.390		80,000
Stimulation							STIM.210		2,575,000
Stimulation Water/Water Transfer/Water							STIM.395		358,000
Cimarex Owned Frac/Rental Equipment							STIM.305		42,000
Legal/Regulatory/Curaive	DIDC.300		10,000						
Well Control Insurance	DIDC.285		9,000						
FL/GL - ON PAD LABOR									
FL/GL - Labor									
FL/GL - Supervision									
Survey									
Contingency	DIDC.435	DICC.220	115,000	DICC.220	STIM.220	14,000	STIM.220	CON.220	212,000
Contingency									
Total Intangible Cost			2,418,400			289,800			4,455,000
Conductor Pipe	DWEB.130		8,000						
Surface Casing	DWEB.140		11,000						
Intermediate Casing 1	DWEB.145		53,000						
Production Casing or Liner				DWEA.100		392,000			
Tubing							STMT.105		36,000
Wellhead, Tree, Chokes	DWEB.115	DWEA.120	38,000	DWEA.120	STMT.120	18,000	STMT.120		38,000
Packer, Nipples							STMT.400		28,000
SHORT ORDERS									
PUMPS									
WALKOVERS									
Downhole Lift Equipment							STMT.410		80,000
N/C Lease Equipment									
Tanks, Tanks Steps, Stairs									
Battery Equipment									
Secondary Containments									
Overhead Power Distribution									
Facility Electrical									
Telecommunication Equipment									
Meters and Metering Equipment									
Facility Line Pipe									
Lease Automation Materials									
FL/GL - Materials									
FL/GL - Line Pipe									
Total Tangible Cost			110,000			410,000			182,000
Total Estimated Cost			2,528,400			699,800			4,637,000

EXHIBIT A



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

AFE # 26821021

Description	Production Equip		Post Completion		Total	
	Codes	Amount	Codes	Amount	Amount	Cost
Roads & Location	CON.100	45,750	PCOM.100	7,000	157,750	157,750
Damages	CON.105	1,250			16,250	16,250
Mud/Fluids Disposal			PCOM.255	0	205,000	205,000
Day Rate					445,200	445,200
Misc Preparation					20,000	20,000
Bits			PCOM.125	0	62,000	62,000
Fuel			PCOM.130	0	48,000	48,000
Water for Drilling Rig (Not Frac Water)			PCOM.135	0	56,000	56,000
Mud & Additives					220,000	220,000
SWD PIPED TO 3RD PARTY SWD WELL			PCOM.257	102,000	102,000	102,000
Surface Rentals	CON.140	2,250	PCOM.140	45,000	324,250	324,250
Flowback Labor			PCOM.141	28,000	28,000	28,000
Downhole Rentals			PCOM.145	0	107,000	107,000
Automation Labor	CON.150	61,250	PCOM.150	7,000	68,250	68,250
Mud Logging					24,000	24,000
IPC & EXTERNAL PAINTING	CON.165	18,625			18,625	18,625
Cementing & Float Equipment					227,000	227,000
Tubular Inspections			PCOM.160	0	42,000	42,000
Casing Crews					30,000	30,000
Mechanical Labor	CON.170	241,375	PCOM.170	0	264,375	264,375
Trucking/Transportation	CON.175	25,000	PCOM.175	0	57,000	57,000
Supervision	CON.180	26,000	PCOM.180	0	168,000	168,000
Trailer House/Camp/Catering					93,000	93,000
Other Misc Expenses	CON.190	37,500	PCOM.190	0	135,500	135,500
Overhead					15,000	15,000
MOB/DEMOS					300,000	300,000
Directional Drilling Services					402,000	402,000
Solids Control					38,000	38,000
Well Control Equip (Snubbing Services)			PCOM.240	0	171,000	171,000
Completion Rig			PCOM.115	0	21,000	21,000
Coil Tubing Services			PCOM.260	0	224,000	224,000
Completion Logging/Perforating/Wireline			PCOM.200	0	306,000	306,000
Composite Plugs			PCOM.390	0	80,000	80,000
Stimulation Pumping/Chemicals/Additives/Sand			PCOM.210	12,000	2,587,000	2,587,000
Stimulation Water/Water Transfer/Water Storage					358,000	358,000
Cimarex Owned Frac/Rental Equipment			PCOM.305	59,000	101,000	101,000
Legal/Regulatory/Curative	CON.300	0			10,000	10,000
Well Control Insurance					9,000	9,000
FL/GL - ON PAD LABOR	CON.495	21,750			21,750	21,750
FL/GL - Labor	CON.500	77,750			77,750	77,750
FL/GL - Supervision	CON.505	18,750			18,750	18,750
Survey	CON.515	1,625			1,625	1,625
Contingency	CON.220	135,000	PCOM.220	9,900	485,900	485,900
Contingency	CON.221	18,750			18,750	18,750
Total Intangible Cost		732,625			269,900	8,165,725
Conductor Pipe					8,000	8,000
Surface Casing					11,000	11,000
Intermediate Casing 1					53,000	53,000
Production Casing or Liner					392,000	392,000
Tubing			PCOMT.105	0	36,000	36,000
Wellhead, Tree, Chokes			PCOMT.120	0	94,000	94,000
Packer, Nipples			PCOMT.400	0	28,000	28,000
SHORT ORDERS	CONT.380	5,000			5,000	5,000
PUMPS	CONT.385	27,625			27,625	27,625
WALKOVERS	CONT.390	10,000			10,000	10,000
Downhole Lift Equipment			PCOMT.410	0	80,000	80,000
N/C Lease Equipment	CONT.400	265,250			265,250	265,250
Tanks, Tanks Steps, Stairs	CONT.405	73,750			73,750	73,750
Battery Equipment	CONT.410	170,875			170,875	170,875
Secondary Containments	CONT.415	26,250			26,250	26,250
Overhead Power Distribution	CONT.420	93,000			93,000	93,000
Facility Electrical	CONT.425	68,750			68,750	68,750
Telecommunication Equipment	CONT.426	1,000			1,000	1,000
Meters and Metering Equipment	CONT.445	31,125			31,125	31,125
Facility Line Pipe	CONT.450	33,750			33,750	33,750
Lease Automation Materials	CONT.455	86,000			86,000	86,000
FL/GL - Materials	CONT.550	11,500			11,500	11,500
FL/GL - Line Pipe	CONT.555	43,500			43,500	43,500
Total Tangible Cost		947,375		0	1,649,375	1,649,375
Total Estimated Cost		1,680,000		269,900	9,815,100	9,815,100

EXHIBIT A

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

USPS CERTIFIED MAIL



9407 1118 9876 5894 9573 67

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

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

11923275



stamps
endicia

062S0012913542



EXHIBIT B

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.

EXHIBIT B

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;

EXHIBIT B

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.

EXHIBIT B

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.

EXHIBIT B

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 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 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 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.

EXHIBIT B

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 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;

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;

EXHIBIT B

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.

EXHIBIT B

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: Chris Leyendecker <Chris_Leyendecker@eogresources.com>
Sent: Wednesday, March 24, 2021 12:32 PM
To: Laci Stretcher
Subject: 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 <Chris_Leyendecker@eogresources.com>
Sent: Wednesday, March 17, 2021 11:31 AM
To: Riley Morris <rmorris@cimarex.com>
Cc: Tracy Jordan <Tracy_Jordan@eogresources.com>
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 discuss.

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 <rmorris@cimarex.com>
Sent: Wednesday, March 3, 2021 3:40 PM
To: Chris Leyendecker <Chris_Leyendecker@eogresources.com>
Cc: Tracy Jordan <Tracy_Jordan@eogresources.com>
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 <Chris_Leyendecker@eogresources.com>
Sent: Wednesday, March 3, 2021 10:19 AM
To: Riley Morris <rmorris@cimarex.com>
Cc: Tracy Jordan <Tracy_Jordan@eogresources.com>
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
 - Shrink
 - 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

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

RECEIVED

MAR 29 2021

EOG RESOURCES, INC
MIDLAND DIVISION



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,

A handwritten signature in black ink that reads "Riley C. Morris". The signature is written in a cursive, flowing style.

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

USPS CERTIFIED MAIL



9407 1118 9876 5898 9036 74

EOG Resources Inc
5505 CHAMPIONS DR
MIDLAND TX 79706-2843

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



stamps
endicia

11923275

062S0012913542



EXHIBIT E

Kaitlyn A. Luck

From: Laci Stretcher <Laci_Stretcher@eogresources.com>
Sent: Tuesday, March 23, 2021 4:41 PM
To: Riley Morris
Subject: 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



5509 Champions Drive | Midland, TX 79706

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 <Laci_Stretcher@eogresources.com>
Sent: Tuesday, March 23, 2021 4:57 PM
To: Riley Morris <rmorris@cimarex.com>
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: laci_stretcher@eogresources.com



5509 Champions Drive | Midland, TX 79706