

JOINT AMENDED SECOND APPLICATION FOR A SPECIAL POOL

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

**APPLICATION OF READ & STEVENS, INC. FOR
THE CREATION OF A SPECIAL WOLFBONE
POOL IN SECTIONS 4, 5, 8, AND 9, TOWNSHIP 20
SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY,
NEW MEXICO**

CASE NO. 24528

**APPLICATION OF CIMAREX ENERGY CO. FOR
THE CREATION OF A SPECIAL POOL, A
WOLFBONE POOL, PURSUANT TO ORER NO. R-
23089, LEA COUNTY, NEW MEXICO**

CASE NO. 24541

JOINT SECOND AMENDED APPLICATION FOR A SPECIAL POOL

Pursuant to Order No. R-23089, ¶ 21, Read & Stevens, Inc. (“Read & Stevens”) and Cimarex Energy Co. (“Cimarex”), OGRID No. 215099 (collectively referred to herein as the “Applicants”), through their respective undersigned attorneys, hereby file their Joint Amended Application for a Special Pool with the Oil Conservation Division seeking an order for the creation of a special Wolfbone Pool, an oil pool, to be designated as the “Quail Ridge; Wolfbone Pool,” as defined below (the “Subject Lands”). To accommodate the creation of this special pool, the Applicants also seek to vertically contract the base of the Teas; Bone Spring, East (Pool Code 96637) and the base of Quail Ridge; Bone Spring, South (Pool Code 50461) upwards to the top of the Third Bond Spring Sand interval, and since a Wolfcamp pool has not been designated within the Subject Lands, to designate the base of the Quail Ridge; Wolfbone Pool as the base of the Wolfcamp A interval, all within the Subject Lands as provided below.

**EXHIBIT
1**

In support of their Joint Amended Application for a Wolfbone Pool, Applicants state the following:

1. The proposed Wolfbone Pool would comprise approximately 2,562.40 federal acres, more or less, in Lea County New Mexico, a/k/a the Subject Lands, under lease with the Bureau of Land Management pursuant to leases NMLC 0064194, NMNM 101115, and NMLC 0065607, described as:

Township 20 South, Range 34 East, N.M.P.M.
Section 4: Lots 1, 2, 3, 4, S/2N/2, S/2 (a/k/a All)
Section 5: Lots 1, 2, 3, 4, S/2N/2, S/2 (a/k/a All)
Section 8: All
Section 9: All

2. Both Read & Stevens and Cimarex own working interests in the Subject Lands encompassing the proposed Wolfbone Pool.

3. After the Original Hearing, based on the evidence and arguments of the parties, the Division issued Order R-23089 on April 8, 2024.

4. The Division found that because the Subject Lands “lacks natural barriers that would prevent communication between the Third Bone Spring Sand and Upper Wolfcamp,” the wells proposed by both Cimarex and Read & Stevens to be completed in the Lower Bone Spring and Upper Wolfcamp “will share production from both the Bone Spring and Wolfcamp formations.” Order, ¶¶ 6-10.

5. The Division noted that neither Cimarex nor Read & Stevens requested a special pool order to account for a common source of supply from the Third Bone Spring Sand and Upper Wolfcamp intervals within the Subject Lands. *Id.*, ¶¶ 11-12.

6. The Division determined that the Third Bone Spring Sand and Wolfcamp XY/A meet the definition of a “common source of supply” and must be developed as a single “pool,” as defined under the Oil and Gas Act. *Id.*, ¶¶ 6, 13-19.

7. The Division denied both sets of applications “except insofar as either applicant or both applicants choose to propose a special pool, a Wolfbone pool, that would account for the lack of frac baffles between the Bond Spring and Wolfcamp formations in this area.” The Division left the record open for “such a proposal.” *Id.*, ¶ 21.

8. In response to the Order, both Read & Stevens and Cimarex submitted separate applications to create a Wolfbone Pool.

9. On August 13, 2024, the Division conducted a hearing on the separate applications to create a Wolfbone Pool.

10. The Hearing Examiner found that the two applications for the proposed Wolfbone Pool were similar in scope, but that while both applications sought to contract the Teas; Bone Spring, East Pool, neither application sought to contract the Quail Ridge; Bone Spring, South Pool. Thus, the Hearing Examiner found that the notice requirement set forth in Rule 19.15.4.12.A(4) NMAC was not satisfied and directed the parties to cure that deficiency.

11. Because Read & Stevens and Cimarex are in agreement as to the scope of the proposed Wolfbone Pool, they have agreed to file this Joint Amended Application and to provide notice thereof to the parties entitled to receive notice thereof.

12. Pursuant to Order No. R-23089 and the hearing held on August 13, 2024, the Applicants are submitting this Joint Amended Application for a Wolfbone Pool to create the special Wolfbone Pool.

13. Pursuant to 19.15.4.12.A(4) NMAC, notice of this Joint Amended Application for a Wolfbone Pool will be provided to all owners of a working interest within the Subject Lands, and to all Division-designated operators of wells within the affected pools, or within the same formation, within one mile of the proposed special Wolfbone Pool.

14. The Applicants propose a vertical extent of the Quail Ridge; Wolfbone Pool that conforms with 19.15.12.9 NMAC, to insure pool segregation from adjacent pools, reservoirs, and common sources of supply. Thus, Applicants propose the upper limit of the Wolfbone Pool to be the stratigraphic equivalent of the top of the Third Bone Spring interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056).¹

15. Applicants request that the Division accomplish the creation of the proposed Wolfbone Pool by including provisions in the Division's order for the vertical contraction of two pools: (1) the Teas; Bone Spring, East Pool (Code 96637) and (2) the Quail Ridge; Bone Spring, South (Pool Code 50461). Since a Wolfcamp pool has not been designated within the Subject Lands, Applicants seek to designate the base of the Quail Ridge; Wolfbone Pool as the base of the Wolfcamp A interval.

16. The creation of the Quail Ridge; Wolfbone Pool through the contraction of the Teas; Bone Spring, East Pool and the Quail Ridge; Bone Spring South Pool, and designating the base of the Quail Ridge; Wolfbone Pool as the base of the Wolfcamp A, is limited to the Subject Lands as described, *supra*, in Paragraph 1.

17. Applicants request that the Division's statewide rules apply to the Wolfbone Pool.

¹ <https://ocdimage.emnrd.nm.gov/imaging/WellFileView.aspx?RefType=WL&RefID=30025310560000>.

18. Formation of a special Quail Ridge; Wolfbone Pool within the Subject Lands incorporates a depth severance created by ownership instruments that is located at the division between the base of the Bone Spring formation and the top of the Wolfcamp formation. Accordingly, the ownership depth severance is found at a stratigraphic equivalent of approximately 10,876 feet, measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30- 025-31056).

19. The name of the special pool, the Quail Ridge; Wolfbone Pool, is proposed pursuant to Division nomenclature and guidance from the Division officer charged with managing the classification and taxonomy of oil and gas pools, to ensure that the name accurately designates the geographical area.

WHEREFORE, Applicants request that this Joint Amended Application be set for hearing on October 3, 2024, before an Examiner of the Oil Conservation Division, and after notice as required by law, that the Division at said hearing, consider this Joint Amended Application to Create a Special Pool, the Wolfbone Pool, with the evidence presented at the prior August 13, 2024 hearing, and at any additional hearing as necessary, and after said hearing and notice, pursuant to the reasons stated, and the Division's guidance under Order No. R-23089, the Division enter an order that:

A. Creates, pursuant to this Joint Amended Application, a new special pool, the Quail Ridge; Wolfbone Pool, an oil pool, that includes the Subject Lands, as described above in Paragraph 1, and includes the vertical extent ranging from the top of the Third Bone Spring formation to the base of the Upper Wolfcamp formation, that being the base of the Wolfcamp A, as described above in Paragraph 17, in such manner that statewide rules apply to the special pool;

B. Contracts two pools, the Teas; Bone Spring, East Pool (Pool Code 96637) and the Quail Ridge; Bone Spring, South (Pool Code 50461), and designates the base of the Quail Ridge; Wolfbone Pool as the base of the Wolfcamp A, in a manner that avoids overlap with the proposed Quail Ridge; Wolfbone Pool, as described in Paragraph 18;

C. Subjects the Quail Ridge; Wolfbone Pool to statewide rules;

D. That provides any such additional relief deemed necessary by the Division at its discretion.

Respectfully submitted:

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<p>ATTORNEYS FOR READ & STEVENS, INC. AND PERMIAN RESOURCES OPERATING, LLC</p>	<p>ATTORNEYS FOR CIMAREX ENERGY CO.</p>

Joint Second Amended Application of Read & Stevens Inc. and Cimarex Energy Co. for the Creation of a Special Pool, a Wolfbone Pool, in Sections 4, 5, 8, and 9, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, Pursuant to Order No. R-23089 and to Re-open Case Nos. 23448 -23455, 23594 – 23601, and 23508-23523. Applicants in the above-styled cause seeks an order from the Division creating a special pool, the Quail Ridge; Wolfbone Pool, pursuant to Order No. R-23089, within Sections 4, 5, 8 and 9, in Township 20 South, Range 34 East, NMPM, Lea County, New Mexico (“Subject Lands”). Applicants propose that Division’s statewide rules apply to spacing units and well locations within the Quail Ridge; Wolfbone Pool. The vertical extent of the proposed Quail Ridge; Wolfbone Pool will be the stratigraphic equivalent of the top of the Third Bone Spring interval, located at approximately 10,598 feet measured depth, to the stratigraphic equivalent of the base of the Wolfcamp A shale, located at approximately 11,236 feet measured depth, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056). Applicants will seek an order from the Division for the vertical extent by requesting the contraction of two pools, the Teas; Bone Spring, East Pool (Pool Code 96637) (“Teas Bone Spring”) and the Quail Ridge; Bone Spring, South Pool (Pool Code 50461) (“Quail Ridge Bone Spring”) in a manner that avoids overlap with the proposed Quail Ridge; Wolfbone Pool. The base of the Teas Bone Spring and Quail Ridge Bone Spring are to be contracted to 10,598 feet measured feet, equivalent to the top of the Third Bone Spring, and the base of the Quail Ridge: Wolfbone Pool is to be designated at approximately 11,236 feet measured depths, equivalent to the base of the Wolfcamp A Shale, as found in the five-inch Dual Lateral Micro Log SFL in the Matador 5 Federal #1 well (API No. 30-025-31056). Also to be considered will be the re-opening of the record for Case Nos. 23448-23455, 23594 -23601, and 23508-23523. The Subject Lands are located approximately 27 miles southwest of Hobbs, New Mexico.