

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

**APPLICATION OF CIMAREX
ENERGY CO. FOR COMPULSORY
POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 20783

**APPLICATION OF CIMAREX
ENERGY CO. FOR COMPULSORY
POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 20784

Examiner Docket: October 3, 2019

**Hayduke 34-3 Federal Com 8H, and 10H
Hayduke 34-3 Federal Com 9H, and 11H**



Earl E. DeBrine, Jr.
Lance D. Hough



500 Fourth Street NW, Suite 1000
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edebrine@modrall.com
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**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

CIMAREX'S EXHIBITS

Hayduke 34-3 Federal Com 8H and 10H – No. 20783

Hayduke 34-3 Federal Com 9H and 11H – No. 20784

Exhibit A Affidavit of Caitlin Pierce

- A-1 Application / Case No. 20783
- A-2 Lease Tract Map
- A-3 Proposal Letter
- A-4 Authorization for Expenditures
- A-5 Application / Case No. 20784
- A-6 Lease Tract Map
- A-7 Proposal Letter
- A-8 Authorization for Expenditures

Exhibit B Affidavit of Harrison Hastings

- B-1 Locator Map
- B-2 Cross-Section Locator Map
- B-3 Development Plan
- B-4 Structure Map
- B-5 Stratigraphic Cross-Section - 2nd Bone Spring Sand Member of the Bone Spring Formation
- B-6 Net Porosity Map of the 2nd Bone Spring Sand Member
- B-7 Stratigraphic Cross-Section - 3rd Bone Spring Sand Member of the Bone Spring Formation
- B-8 Net Porosity Map of the Lower 2nd Bone Spring Sand Member

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Exhibit C Affidavit of Lance D. Hough
 Certified Mail Log / Notice – September 10, 2019
 Certified Mail Log / Report – October 1, 2019
 Affidavit of Publication – September 13, 2019 - No. 20783
 Affidavit of Publication – September 13, 2019 - No. 20784

Exhibit D

D-1 Case Details - No. 20783
D-2 Case Details – No. 20784

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CASE NO. 20784

AFFIDAVIT OF CAITLIN PIERCE

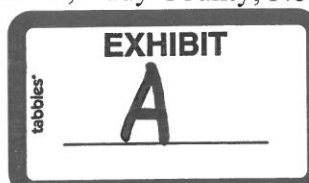
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Caitlin Pierce, being duly sworn, deposes and states:

1. I am a landman for Cimarex Energy Co. ("Cimarex"), over the age of 18 and have personal knowledge of the matters stated herein. I have previously been qualified to testify by the New Mexico Oil Conservation Division as an expert in petroleum land matters and my credentials were accepted as a matter of record by the Division.

2. I am familiar with the applications filed by Cimarex in the above-referenced case and the land matters involved. Pursuant to NMAC 19.15.4.12.A(1), the following information is submitted in support of the above-referenced compulsory pooling applications filed by Cimarex.

3. These two cases involve requests for orders from the Division for compulsory pooling of interest owners who have refused to voluntarily pool their interests for the proposed Bone Spring horizontal spacing units described below, and in wells to be drilled in the horizontal spacing units. The proposed spacing units for the wells in Case Nos. 20783 and 20784 are both located in the W/2 of Section 34, Township 25 South, Range 26 East, and W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico.



4. Prior to filing the applications, Cimarex made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed wells. Cimarex identified the working interest, unleased mineral interest, and overriding royalty interest owners from a title opinion. To locate interest owners, Cimarex conducted a diligent search of the public records in the county where the wells are to be located, and conducted phone directory and computer internet searches to locate contact information for parties entitled to notification. I mailed all working interest owners well proposals, including an Authorization for Expenditure and a form of Operating Agreement to any owner who requested one.

5. No opposition is expected. Prior to filing its applications, Cimarex contacted the interest owners being pooled regarding the proposed wells; the pooled interest owners have failed or refused to voluntarily commit their interests in the wells. Cimarex provided all of the working interest owners, any unleased mineral owners, and overriding royalty owners with notice of this application and none have entered an appearance in opposition to Cimarex's application.

6. Below is a description of the facts supporting each of the compulsory pooling applications in the above-referenced cases.

7. **Case No. 20783**

- a. In its Application, Cimarex seeks an order from the Division: (1) to the extent necessary, approving the creation of a 320-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Section 34, Township 25 South, Range 26 East, and W/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Hayduke 34-3 Federal Com 8H** and **10H** wells, to be horizontally drilled. The Application is attached as **Exhibit A.1**.
- b. The wells will develop the WC-015 G-03 S252636M; Bone Spring Pool (Pool ID: 97818), which is an oil pool.

- c. The producing interval for the wells will be orthodox and will comply with the Division's set back requirements as the first and last take points will be no closer than 100' from the spacing unit boundary, and the completed lateral will be no closer than 330' from the spacing unit boundary. The first take point will be located at 660 FWL, 100 FNL and the last take point will be located at 600 FWL, 100 FSL.
 - d. A lease tract map outlining the unit to be pooled is attached hereto as **Exhibit A.2**. The working interest owners being pooled and the percent of their interests is included as part of this Exhibit. The overriding royalty interest owners being pooled and the tract corresponding to each interest is also included as part of this Exhibit. Cimarex own a working interest in the proposed unit and has a right to drill wells thereon.
 - e. There are no depth severances within the proposed Bone Spring spacing unit.
 - f. **Exhibit A.3** is a sample well proposal letter sent to each of the interest owners seeking their voluntary participation in the wells.
 - g. **Exhibit A.4** is the Authorization for Expenditure for the proposed **Hayduke 34-3 Federal Com 8H** and **Hayduke 34-3 Federal Com 10H** wells. The estimated cost of the **Hayduke 34-3 Federal Com 8H** well set forth therein is \$9,197,260 and the estimated cost of the **Hayduke 34-3 Federal Com 10H** well set forth therein of \$9,169,260.
 - h. These estimated costs are fair and reasonable, and comparable to the costs of other wells of similar depth, length and completion method being drilled in this area of New Mexico.
8. **Case No. 20784**
- a. In its Application, Cimarex seeks an order from the Division: (1) to the extent necessary, approving the creation of a 320-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 W/2 of Section 34, Township 25 South, Range 26 East, and E/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Hayduke 34-3 Federal Com 9H** and **11H** wells, to be horizontally drilled. The Application is attached as **Exhibit A.5**.
 - b. The wells will develop the WC-015 G-03 S252636M; Bone Spring Pool (Pool ID: 97818), which is an oil pool.
 - c. The producing interval for the wells will be orthodox and will comply with the Division's set back requirements as the first and last take points will be no closer than 100' from the spacing unit boundary, and the completed lateral will be no closer than 330' from the spacing unit boundary. The first take point will be located

at 1980 FWL, 100 FNL and the last take point will be located at 1980 FWL, 100 FSL.

- d. A lease tract map outlining the unit to be pooled is attached hereto as **Exhibit A.6**. The working interest owners being pooled and the percent of their interests is included as part of this Exhibit. The overriding royalty interest owners being pooled and the tract corresponding to each interest is also included as part of this Exhibit. Cimarex own a working interest in the proposed unit and has a right to drill wells thereon.
 - e. There are no depth severances within the proposed Bone Spring spacing unit.
 - f. **Exhibit A.7** is a sample well proposal letter sent to each of the interest owners seeking their voluntary participation in the wells.
 - i. **Exhibit A.8** is the Authorization for Expenditure for the proposed **Hayduke 34-3 Federal Com 9H** and **Hayduke 34-3 Federal Com 11H** wells. The estimated cost of the **Hayduke 34-3 Federal Com 9H** well set forth therein is \$9,197,260 and the estimated cost of the **Hayduke 34-3 Federal Com 11H** well set forth therein of \$9,169,260.
 - g. These estimated costs are fair and reasonable, and comparable to the costs of other wells of similar depth, length and completion method being drilled in this area of New Mexico.
9. Cimarex requests overhead and administrative rates of \$7,000/month during drilling and \$700/month while producing. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of Southeastern, New Mexico and consistent with the rates awarded by the Division in recent compulsory pooling orders. Cimarex requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.
10. Cimarex requests that it be allowed to recover its costs for drilling, completing and equipping each of these wells and a 200% risk charge be assessed against non-consenting pooled working interest owners.
11. Cimarex requests that it be designated operator of the wells.

12. Cimarex requests that it be allowed a period of one (1) year between when the wells are drilled and when the first well is completed under the order.


13. The parties Cimarex is seeking to pool were notified of this hearing.

14. Cimarex requests that overriding royalty interest owners be pooled.

15. Based upon my knowledge of the land matters involved in this case, my education training and experience, it is my expert opinion that the granting of Cimarex's applications in this cases is in the interests of conservation and the prevention of waste.

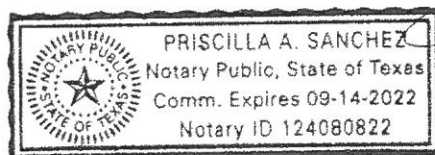
16. The exhibits attached to my Affidavit were prepared by me or compiled from company business records.

17. I attest that the information provided herein is true, correct and complete to the best of my knowledge and belief.


Caitlin Pierce

SUBSCRIBED AND SWORN to before me this 2nd day of October 2019 by Caitlin Pierce.

SEAL




Notary Public

My commission expires: 09-14-2022

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

APPLICATION OF CIMAREX
ENERGY CO. FOR COMPULSORY
POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO. 20783

APPLICATION

Cimarex Energy Co. ("Cimarex"), OGRID Number 215099, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Section 34, Township 25 South, Range 26 East, and W/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico. In support of this application, Cimarex states as follows:

1. Cimarex is an interest owner in the subject lands and has a right to drill wells thereon.
2. Cimarex seeks to dedicate the W/2 W/2 of Section 34, Township 25 South, Range 26 East, and W/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico to form a 320-acre, more or less, spacing unit.
3. Cimarex plans to drill the **Hayduke 34-3 Federal Com 8H** and **10H** wells to a depth sufficient to test the Bone Spring formation, and laterally in a southerly direction within the formation to the referenced bottom hole location:
 - The **Hayduke 34-3 Federal Com 8H** well is a horizontal well with a surface location 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, Eddy County, and the intended bottom hole location is 100' FSL and 660' FWL of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 7,300' to the Bone Spring formation.



- The **Hayduke 34-3 Federal Com 10H** well is a horizontal well with a surface location 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, Eddy County, and the intended bottom hole location is 100' FSL and 660' FWL of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 7,680' to the Bone Spring formation.

4. These wells will be located within the WC-015 G-03 S252636M; Bone Spring Pool (Pool ID: 97818) and will comply with the Division's setback requirements.

5. Cimarex sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

6. The creation of a horizontal spacing unit and the pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, this case is set for hearing before an Examiner of the Oil Conservation Division on October 3, 2019, Cimarex requests that, after notice and hearing as required by law, the Division enter its order:

A. Creating a horizontal spacing unit in the Bone Spring formation comprised of W/2 W/2 of Section 34, Township 25 South, Range 26 East, and W/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the W/2 W/2 of Section 34, Township 25 South, Range 26 East, and W/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico;

C. Designating Cimarex as operator of this unit and the wells to be drilled thereon;

D. Authorizing Cimarex to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;

F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: 

Earl E. DeBrine, Jr.
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Attorneys for Applicant

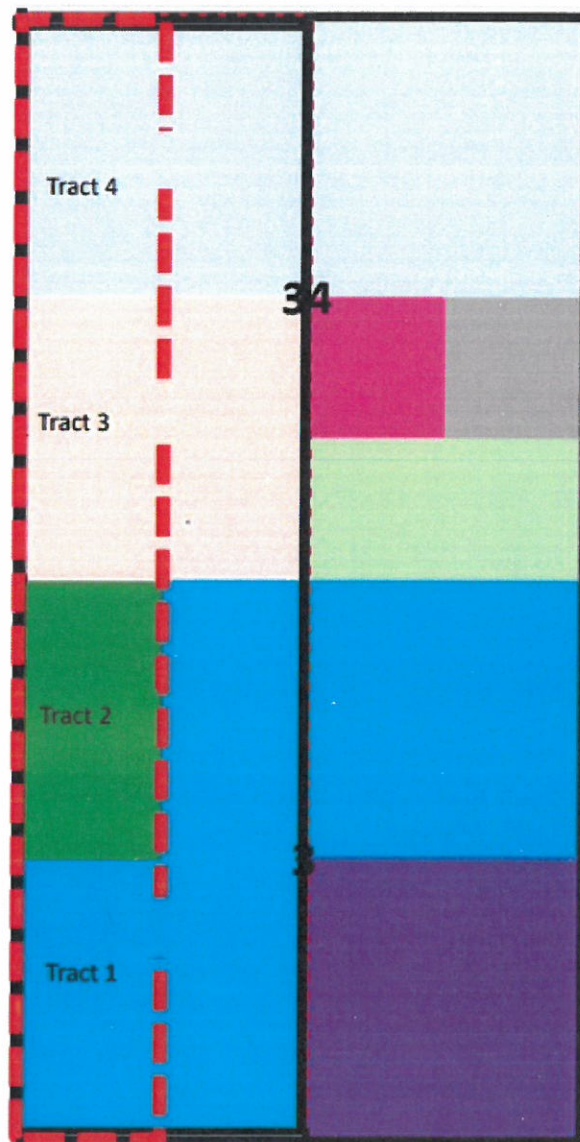
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CASE NO. ____: Application of Cimarex Energy Co. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a 320-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Section 34, Township 25 South, Range 26 East, and W/2 W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Hayduke 34-3 Federal Com 8H and 10H** wells, to be horizontally drilled. The producing area for these wells will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 8.5 miles southeast of Whites City, New Mexico.

Hayduke 34-3 – Bone Spring Wells

W/2W/2 of Section 34, Township 25S, Range 26 East, Eddy County, NM
W/2W/2 of Section 3, Township 26 South, Range 26 East, Eddy County, NM

Owner – Bone Spring	Tract	Net	Working Interest Percentage	Force Pool Interest
Cimarex Energy Co.	1,3,4	225	70.3125%	No - Operator
Partnership Properties Company	1	15	4.6875%	YES
EOG Resources Inc	2	64	20%	YES
Oxy Y-1	2	16	5%	YES





April 24, 2019

Partnership Properties Company
c/o Petro-Lewis Co
P.O. Box 20352
Billings, MT 59104

**Re: Proposal to Drill
Hayduke 34-3 Federal Com Wells
Section 34, Township 25 South, Range 26 East
Section 3, Township 26 South, Range 26 East
Eddy County, New Mexico**

Dear Working Interest Owner,

Cimarex Energy Co. hereby proposes to drill the Hayduke 34-3 Federal Com 1H, 2H, 3H, 4H, 5H, 6H, 7H, 8H, 9H, 10H & 11H wells at a legal location in Section 34, Township 25 South, Range 26 East, NMPM, Eddy Co., New Mexico.

Hayduke 34-3 Federal Com 1H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 330' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 8,610' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 2H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 990' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 8,830' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 3H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 1650' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 8,610' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 4H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 2310' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 8,830' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.



Hayduke 34-3 Federal Com 5H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 330' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 9,555' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 6H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 1310' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 9,340' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 7H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 330' FSL and 2310' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 9,555' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 8H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 100' FSL and 660' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 7,300' to the Bone Spring formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 9H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 100' FSL and 1980' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 7,300' to the Bone Spring formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 10H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 100' FSL and 660' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 7,680' to the Harkey formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

Hayduke 34-3 Federal Com 11H - The intended surface hole location for the well is approximately 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, and the intended bottom hole location is approximately 100' FSL and 1980' FWL of Section 3, Township 26 South, Range 26 East. The well is proposed to be drilled vertically to a depth of approximately 7,680' to the Harkey formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

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.

Enclosed, in duplicate, is (i) our detailed AFE reflecting estimated costs associated with this proposal, and; (ii) our proposed form of Operating Agreement to govern operations of the Hayduke 34-3 Fed Com 1H well. If you intend to participate, please approve and return one (1) original of the enclosed AFE, one (1) original of the signature page to the Operating Agreement, along with the contact information to receive your well data, to the undersigned within thirty (30) days of receipt 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.

In the event you would prefer to lease your interest in lieu of participating in the proposed operation(s), we would be happy to make you a competitive offer to lease.

Please call the undersigned with any questions or comments.

Respectfully,

A handwritten signature in cursive script that reads "Caitlin Pierce". The signature is written in black ink and is positioned above the printed name and phone number.

Caitlin Pierce
432.571.7862

**ELECTION TO PARTICIPATE
Hayduke 34-3 Federal Com 8H**

_____ Partnership Properties Company elects **TO** participate in the proposed Hayduke 34-3 Federal Com 8H

_____ Partnership Properties Company elects **NOT** to participate in the proposed Hayduke 34-3 Federal Com 8H

Dated this _____ day of _____, 2019.

Signature: _____

Title: _____

If your election above is TO participate in the proposed Hayduke 34-3 Federal Com 8H well, then:

_____ Partnership Properties Company elects **TO** be covered by well control insurance procured by Cimarex Energy Co.

_____ Partnership Properties Company 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.