

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

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY CIMAREX ENERGY COMPANY**

ORDER NO. PLC-726

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Cimarex Energy Company (“Applicant”) submitted a complete application to surface commingle and off-lease measure the oil and gas production ("Application") from the pools, leases, and wells identified in Exhibit A.
2. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.
3. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Applicant certified the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.
7. Applicant in the notice for the Application stated that it sought authorization to add additional pools, leases, and wells and identified the parameters to make such additions.
8. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from Tar Heel 19 18 7 Fed Com #4H (30-015-46563) and Tar Heel 19 18 7 Fed Com #17H (30-015-46569) with the wells identified in Exhibit A which are planned to produce from pools and spacing units dedicated to wells identified in Exhibit A.

9. Applicant submitted or intends to submit one or more proposed communitization agreement(s) (“Proposed Agreement(s)”) to the BLM or NMSLO, as applicable, identifying the leases to be consolidated into a single pooled area (“Pooled Area”), as described in Exhibit B.

CONCLUSIONS OF LAW

10. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, and 19.15.12 NMAC.
11. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC, as applicable.
12. Applicant’s proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.
13. Commingling of oil and gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) and (C)(4)(h) NMAC.
14. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10(C)(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant’s defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production’s value or otherwise adversely affect the interest owners in the production to be added.
15. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to surface commingle and off-lease measure, as applicable, oil and gas production from Tar Heel 19 18 7 Fed Com #4H (30-015-46563) and Tar Heel 19 18 7 Fed Com #17H (30-015-46569) with the wells identified in Exhibit A once they are producing from the same pool and spacing unit dedicated to a well identified in Exhibit A.

2. For each Pooled Area described in Exhibit B, Applicant shall submit a Proposed Agreement to the BLM or NMSLO, as applicable, prior to commencing oil and gas production. If Applicant fails to submit the Proposed Agreement, this Order shall terminate on the following day.
3. No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 to OCD with a copy of the decision and a description of the approved lands, as applicable. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, this Order shall terminate on the date of such action, and Applicant shall cease commingling the production from the Pooled Area. If the BLM or

NMSLO approves but modifies the Proposed Agreement(s), Applicant shall comply with the approved Agreement(s), and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingle application to OCD to conform this Order with the approved Agreement(s). If OCD denies the new surface commingle application, this Order shall terminate on the date of such action.

4. Applicant shall allocate the oil and gas production to each lease within a Pooled Area in proportion to the acreage that each lease bears to the entire acreage of the Pooled Area described in Exhibit B.
5. The allocation of oil and gas production to an infill well shall be determined in the same manner as oil and gas production to the well dedicated to the pool and spacing unit.
6. The oil and gas production for each well identified in Exhibit A shall be separated and metered prior to commingling.
7. Applicant shall measure the commingled oil at a central tank battery described in Exhibit A in accordance with 19.15.18.15 NMAC or 19.15.23.8 NMAC.
8. Applicant shall measure the commingled gas at a central delivery point or central tank battery described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, and regardless of whether OCD has granted an exception pursuant to 19.15.18.12(B) NMAC, Applicant shall report the gas in accordance with 19.15.18.12(F) NMAC.
9. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
10. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
11. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B via the OCD Fee Portal in accordance with 19.15.12.10(C)(4)(g) NMAC.
12. Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau prior to commingling and off-lease measuring, as applicable, oil and gas production from Tar Heel 19 18 7 Fed Com #4H (30-015-46563) and Tar Heel 19 18 7 Fed Com #17H (30-015-46569) with the production from another well.
13. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

14. OCD retains jurisdiction and reserves the right to modify or revoke this Order as it deems necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AS/dm

DATE: 3/18/2021

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **PLC-726**

Operator: **Cimarex Energy Company (215099)**

Central Tank Battery: **Tar Heel 19 18 7 Federal 1H 4H 17H 20H Facility**

Central Tank Battery Location (NMPM): **Unit N, Section 19, Township 26 South, Range 30 East**

Gas Custody Transfer Meter Location (NMPM): **Unit N, Section 19, Township 26 South, Range 30 East**

Pools

Pool Name	Pool Code
PURPLE SAGE; WOLFCAMP (GAS)	98220
WC-015 G-03 S262925D; BONE SPRING	98211

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)
NMNM 138848	SW/4, W/2 NW/4, SE/4 NW/4
	W/2
NMNM 140303	NE/4 NW/4
NM 31649	SW/4

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-015-46560	Tar Heel 19 18 7 Fed Com #1H	M-19-26S-30E	98211	
30-015-46561	Tar Heel 19 18 7 Fed Com #2H	M-19-26S-30E	98220	
30-015-46562	Tar Heel 19 18 7 Fed Com #3H	M-19-26S-30E	98220	
30-015-46568	Tar Heel 19 18 7 Fed Com #18H	N-19-26S-30E	98220	
30-015-46570	Tar Heel 19 18 7 Fed Com #19H	N-19-26S-30E	98220	
30-015-46567	Tar Heel 19 18 7 Fed Com #20H	N-19-26S-30E	98211	

Exhibit B

Operator: Cimarex Energy Company (215099)

Pooled Area	Location (NMPM)		Acres	Pooled Area ID
CA BS BLM	E/2 W/2 Sec 18 & 19, E/2 SW/4 Sec 7	T26S-R30E	400	A
CA BS BLM	W/2 W/2 Sec 18 & 19, W/2 SW/4 Sec 7	T26S-R30E	401.73	B
CA WC BLM	W/2 Sec 18 & 19, SW/4 Sec 7	T26S-R30E	801.73	C

Lease	Location (NMPM)		Acres	Pooled Area ID
NMNM 138848	SE/4 NW/4, E/2 SW/4 E/2 W/2	Sec 18-T26S-R30E Sec 19-T26S-R30E	280	A
NMNM 140303	NE/4 NW/4	Sec 18-T26S-R30E	40	A
NM 31649	E/2 SW/4	Sec 7-T26S-R30E	80	A
NMNM 138848	W/2 W/2 W/2 W/2	Sec 18-T26S-R30E Sec 19-T26S-R30E	320.92	B
NM 31649	W/2 SW/4	Sec 7-T26S-R30E	80.81	B
NMNM 138848	SW/4, W/2 NW/4, SE/4 NW/4 W/2	Sec 18-T26S-R30E Sec 19-T26S-R30E	600.92	C
NMNM 140303	NE/4 NW/4	Sec 18-T26S-R30E	40	C
NM 31649	SW/4	Sec 7-T26S-R30E	160.81	C