

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. 20993

Examiner Docket: January 9, 2020

CIMAREX'S EXHIBITS

DaVinci 7-18 Federal Com 30H



Earl E. DeBrine, Jr.
Lance D. Hough

 MODRALL SPERLING

500 Fourth Street NW, Suite 1000
P. O. Box 2168 / Albuquerque, NM 87103
Telephone 505.848.1800
edebrine@modrall.com
ldh@modrall.com

**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. 20993

CIMAREX'S EXHIBITS

DaVinci 7-18 Federal Com 30H

- Exhibit A Compulsory Pooling Application Checklist
- Exhibit B Affidavit of Caitlin Pierce
- B-1 Application
 - B-2 C102
 - B-3 Tract Map with WIs and ORRIs
 - B-4 Well Proposal Letter
 - B-5 Excerpt from Proposed JOA
 - B-6 AFE's
 - B-7 Summary of Contacts with Non-Joined WI
- Exhibit C Affidavit of Harrison Hastings
- C-1 Gun Barrel Diagram
 - C-2 Regional Locator Map
 - C-3 Cross-Section Locator Map
 - C-4 Deep Structure Map
 - C-5 Lower Wolfcamp Isopach Map
 - C-6 Stratigraphic Cross Section
 - C-7 Target Zone within Stratigraphic Cross Section
 - C-8 Well Bore Diagram
- Exhibit D Affidavit of Lance D. Hough
- D-1 Hearing Notice
 - D-2 Certified Mail Log / Notice December 19, 2019
 Certified Mail Log / Report January 8, 2020
 - D-3 Affidavit of Publication

Earl E. DeBrine, Jr.
Lance D. Hough

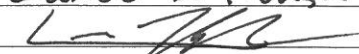
 **MODRALL SPERLING**

500 Fourth Street NW, Suite 1000
P. O. Box 2168 / Albuquerque, NM 87103
Telephone 505.848.1800
edebrine@modrall.com
ldh@modrall.com

COMPULSORY POOLING APPLICATION CHECKLIST (pdf)

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case:	APPLICANT'S RESPONSE
Date	
Applicant	Cimarex Energy Co.
Designated Operator & OGRID (affiliation if applicable)	Cimarex Energy Co. (OGRID 215099)
Applicant's Counsel:	Modrall Sperling
Case Title:	APPLICATION OF CIMAREX ENERGY CO. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO, CASE NO. 20993
Entries of Appearance/Intervenors:	None
Well Family	DaVinci Wells
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring Formation
Pool Name and Pool Code:	Cottonwood Draw; Bone Spring Pool (Pool Code 97494)
Well Location Setback Rules:	Latest Horizontal Rules Apply
Spacing Unit Size:	320 Acres
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	320 Acres
Building Blocks:	Quarter-Quarter Sections
Orientation:	North to South
Description: TRS/County	W/2 E/2 of Sections 7 and 18, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibit B.3
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	See Exhibit B.1 and Exhibit B.2
Well #1	DaVinci 7-18 Federal Com 30H, API No. 30-015-Pending SHL: 390' FNL and 1430' FEL of Section 7, Township 25 South, Range 27 East, NMPM, Eddy County. BHL: 100' FSL and 1980' FEL of Section 18, Township 25 South, Range 27 East, NMPM, Eddy County. Completion Target: Bone Spring at approx 7,942 feet TVD. Well Orientation: North to South Completion Location expected to be: Standard
Horizontal Well First and Last Take Points	Exhibit B.2
Completion Target (Formation, TVD and MD)	Exhibit B.1; Exhibit B.2; Exhibit B.6; Exhibit C.6, Exhibit C.7; Exhibit C.8

AFE Capex and Operating Costs	
Drilling Supervision/Month \$	6,500
Production Supervision/Month \$	650
Justification for Supervision Costs	Exhibit B.6 for AFEs
Requested Risk Charge	200%; see Exhibit B
Notice of Hearing	
Proposed Notice of Hearing	Exhibit D.1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit D.2
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit D.3
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit B; Exhibit B.3
Tract List (including lease numbers and owners)	Exhibit B.3
Pooled Parties (including ownership type)	Exhibit B.3
Unlocatable Parties to be Pooled	Exhibit B.3; Exhibit D.2
Ownership Depth Severance (including percentage above & below)	None
Joinder	
Sample Copy of Proposal Letter	Exhibit B.4
List of Interest Owners (ie Exhibit A of JOA)	Exhibit B.3
Chronology of Contact with Non-Joined Working Interests	Exhibit B.7
Overhead Rates In Proposal Letter	Exhibit B.5
Cost Estimate to Drill and Complete	Exhibit B.6 for AFEs
Cost Estimate to Equip Well	Exhibit B.6 for AFEs
Cost Estimate for Production Facilities	Exhibit B.6 for AFEs
Geology	
Summary (including special considerations)	Exhibit C
Spacing Unit Schematic	Exhibits C.1, C.2, and C.3
Gunbarrel/Lateral Trajectory Schematic	Exhibit C.1
Well Orientation (with rationale)	Exhibit C
Target Formation	Exhibits C.6 and C.8
HSU Cross Section	Exhibits C.6 and C.8
Depth Severance Discussion	Exhibit B
Forms, Figures and Tables	
C-102	Exhibit B.2
Tracts	Exhibit B.3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit B.3
General Location Map (including basin)	Exhibit C.2
Well Bore Location Map	Exhibit C.8
Structure Contour Map - Subsea Depth	Exhibit C.4
Cross Section Location Map (including wells)	Exhibits C.6 and C.8
Cross Section (including Landing Zone)	Exhibits C.6 and C.8
Additional Information	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Lance D. Housh
Signed Name (Attorney or Party Representative):	
Date:	1/8/20

**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. 20993

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.

2. 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. This case involves a request for an order from the Division for compulsory pooling of interest owners who have refused to voluntarily pool their interests for the proposed Wolfcamp horizontal spacing unit described below, and in the well to be drilled in the horizontal spacing unit.

4. Prior to filing its application, Cimarex made a good faith effort to obtain voluntary joinder of the working interest owners in the proposed well. Cimarex identified all of the working interest, unleased mineral interests, 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 well will be located, and conducted phone directory and computer searches to locate

contact information for parties entitled to notification. I mailed all working interest owners well proposals and an Authorization for Expenditure, and a form of Operating Agreement upon request.

5. No opposition is expected. Prior to filing its applications Cimarex contacted the interest owners being pooled regarding the proposed well; the pooled working interest owners have failed or refused to voluntarily commit their interests in the well. 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. 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 E/2 of Sections 7 and 18, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **DaVinci 7-18 Federal Com 30H** well, to be horizontally drilled. The Application is attached hereto as **Exhibit B.1**.

7. Attached as **Exhibit B.2** is the C-102 for the proposed well. The well will develop the Cottonwood Draw; Bone Spring Pool (Pool Code 97494). The producing interval for the wells will be orthodox and will comply with the Division's setback requirements, as the first and last take points will be no closer than 100' from the proposed unit boundary and the completed lateral will be no closer than 330' from the proposed unit boundary.

8. A lease tract map outlining the unit to be pooled is attached hereto as **Exhibit B.3**. The working interest owners being pooled and the percent of their interest, as well as a list of overriding royal interest owners being pooled, are also included as part of **Exhibit B.3**. Cimarex owns an interest in the proposed unit and has a right to drill a well thereon.

9. There are no depth severances within the proposed spacing unit.

10. **Exhibit B.4** is a sample well proposal letter sent to each of the working interest owners seeking their voluntary participation in the well.

11. **Exhibit B.5** is an excerpt of the proposed joint operating agreement, included with the well proposal letter sent to each of the working interest owners, that provides overhead and administrative rates of \$6,500/month during drilling and \$650/month while producing.

12. **Exhibit B.6** is the Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein of \$10,292,400 is fair and reasonable, and is comparable to the costs of other wells of similar depth, length and completion method being drilled in this area of New Mexico.

13. **Exhibit B.7** is a summary of communications with the non-joined working interest.

14. Cimarex requests overhead and administrative rates of \$6,500/month during drilling and \$650/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.

15. Cimarex requests the maximum cost plus 200% risk charge be assessed against non-consenting pooled working interest owners.

16. Cimarex requests that it be designated operator of the well.

17. 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.

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

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

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

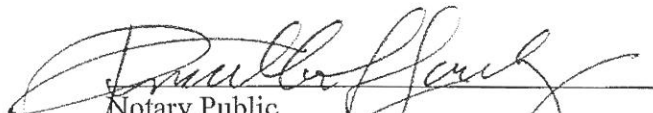
20. The attachments to my Affidavit were prepared by me or compiled from company business records.

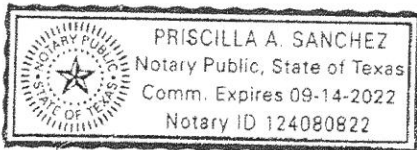
21. I attest that the information provided herein is true, correct and complete to the best of my knowledge and belief.


Caitlin Pierce

SUBSCRIBED AND SWORN to before me this ___ day of January 2020 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. 201993

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 E/2 of Sections 7 and 18, Township 25 South, Range 27 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 a well thereon.
2. Cimarex seeks to dedicate the W/2 E/2 of Sections 7 and 18, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico to form a 320-acre, more or less, spacing unit.
3. Cimarex plans to drill the **DaVinci 7-18 Federal Com 30H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location of 390' FNL and 1430' FEL of Section 7, Township 25 South, Range 27 East, NMPM, Eddy County, and an intended bottom hole location of 100' FSL and 1980' FEL of Section 18, Township 25 South, Range 27 East, NMPM, Eddy County.
4. This well is proposed to be drilled vertically to a depth of approximately 7,942' to the Bone Spring formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

5. This well will be located within the Cottonwood Draw; Bone Spring Pool (Pool Code 97494) and will comply with the Division's setback requirements.

6. 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 well or to otherwise commit their interests to the well.

7. 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.

8. A proposed Exhibit A for the Division's compulsory pooling order describing the horizontal spacing unit is attached hereto as "Exhibit A".

WHEREFORE, Cimarex requests that this case is set for hearing before an Examiner of the Oil Conservation Division on January 9, 2020, and after notice and hearing as required by law, the Division enter its order:

A. Creating an approximately 320-acre horizontal spacing unit in the Bone Spring formation comprised of W/2 E/2 of Sections 7 and 18, Township 25 South, Range 27 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 E/2 of Sections 7 and 18, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico;

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

D. Authorizing Cimarex to recover its costs of drilling, equipping and completing the well;

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 well.

Respectfully submitted,

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

By: 

Earl E. DeBrine, Jr.
Lance D. Hough
Post Office Box 2168
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
edebrine@modrall.com
ldh@modrall.com
Attorneys for Applicant

W3566530.DOCX

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 E/2 of Sections 7 and 18, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **DaVinci 7-18 Federal Com 30H** well, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 17 miles south of Carlsbad, New Mexico.

Exhibit "A"

Applicant: Cimarex Energy Co.
Operator: Cimarex Energy Co. (OGRID 215099)

Spacing Unit: Horizontal Oil
Building Blocks: Quarter-quarter Sections
Spacing Unit Size: 320 acres (more or less)
Orientation of Unit: North/South

Spacing Unit Description:
W/2 E/2 of Sections 7 and 18, Township 25 South, Range 27 East, NMPM,
Eddy County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation
Depth Severance? (Yes/No): No

Pool: Cottonwood Draw; Bone Spring Pool (Pool Code 97494)
Pool Spacing Unit Size: Quarter-quarter Sections
Governing Well Setbacks: Horizontal Oil Well Rules
Pool Rules: Latest Horizontal Rules Apply

Proximity Tracts: No

Monthly charge for supervision: While drilling: \$6,500; While producing: \$650
As the charge for risk, 200 percent of reasonable well costs.

Proposed Well:

DaVinci 7-18 Federal Com 30H, API No. 30-015-Pending

SHL: 390' FNL and 1430' FEL of Section 7, Township 25 South, Range 27 East, NMPM,
Eddy County.

BHL: 100' FSL and 1980' FEL of Section 18, Township 25 South, Range 27 East,
NMPM, Eddy County.

Completion Target: Bone Spring at approx 7,942 feet TVD.
Well Orientation: North to South
Completion Location expected to be: Standard