

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CIMAREX ENERGY COMPANY**

CASE NOS. 23448 - 23455

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CIMAREX ENERGY COMPANY**

CASE NOS. 23594 - 23601

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
READ & STEVENS, INC**

CASE NOS. 23508 - 23523

ORDER NO. R-23089

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through legal and technical Hearing Examiners on August 9, 2023, through August 11, 2023, and after considering the administrative record including the sworn testimony, evidence, and recommendations of the Hearing Examiners, issues the following Order.

FINDINGS OF FACT

1. Cimarex Energy Company (“Cimarex”) submitted a total of sixteen applications (“Cimarex Applications”) to compulsory pool the uncommitted oil and gas interests within the spacing unit as seen in Cimarex’ exhibits.
2. Read & Stevens, Inc. (“Read & Stevens”) submitted a total of sixteen applications (“Read & Stevens Applications”) to compulsory pool the uncommitted oil and gas interests within the spacing unit as seen in Read & Stevens’ exhibits.
3. Both parties are proposing to develop Sections 5 and 8, Township 20 South, Range 34 East. Cimarex’ plan for these lands is named “Mighty Pheasant” and Read & Stevens’ plan is named “Joker.” Both parties are also proposing to develop Sections 4 and 9, Township 20 South, Range 34 East. Cimarex’ plan for these lands is named “Loosey Goosey” and Read & Stevens’ plan is named “Bane.”.
4. Cimarex’ applications proposed drilling twelve wells per section with all twelve wells being distributed between the Bone Spring formation intervals.
5. Read & Stevens’ applications proposed drilling twenty-four wells per section with those twenty-four wells being distributed between the Bone Springs formation and the Wolfcamp formation intervals.

6. The lands proposed for drilling by both parties lacks natural barriers that would prevent communication between the Third Bone Spring Sand and Upper Wolfcamp, thereby creating a single reservoir or common source of supply located predominantly in the Third Bone Spring Sand.

7. Cimarex' geologist Staci Mueller affidavit testimony paragraph twelve states:

There are no indications of any major geomechanical changes/frac baffles in between Cimarex's 3rd Sand target and Permian Resources' Wolfcamp Sands target, indicating that these two intervals are most likely one shared reservoir tank.

8. Read & Stevens' Reservoir Engineer John Fechtel testified that:

The – both wells developed in the third bone sand and the wells developed in the XY will share – have some resources from either formation.”

(See Tr. (DD 8-10-23) 181: 2-4)

9. Read & Stevens' Geologist Ira Bradford was questioned about the substantial communication issues and testified:

Q: So, Mr. Bradford, you talked a little bit about that you do agree with Ms. Mueller that there is substantial communication between the third Bone Spring and the upper Wolfcamp; is that correct?

A: Yes.

(See Tr. (DD 8-10-23) 206: 11-1)

10. Cimarex and Read & Stevens both acknowledged that wells completed in the Bone Spring and Wolfcamp formations will share production from both the Bone Spring and Wolfcamp formations.

11. Neither Cimarex nor Read & Stevens requested in their applications or at hearing the creation of a special pool to accommodate the communication of the Bone Springs and Wolfcamp formations such that there is a common supply.

12. Neither applicant requested a special pool order accounting for the common source of supply, or provided notice of a special pool request.

CONCLUSIONS OF LAW

13. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.

14. A "Pool" is defined as "an underground reservoir containing a common accumulation of oil or gas. Each zone of a general structure, which zone is completely separated from other zones in the structure, is covered by the word pool as used in 19.15.2 NMAC through 19.15.39 NMAC. "Pool" is synonymous with "common source of supply" and with "common reservoir." 19.15.2.7.P(5) NMAC.
15. NMSA 1978, Section 70-2-12 B of the Oil and Gas Act requires OCD:
 - (2) to prevent crude petroleum oil, natural gas or water from escaping from strata in which it is found into other strata;
 - (7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;
 - (12) to determine the limits of any pool producing crude petroleum oil or natural gas or both and from time to time redetermine the limits;
16. 19.15.16.9 NMAC requires that during the drilling of an oil well, injection well or other service well, the operator shall seal and separate the oil, gas and water strata above the producing or injection horizon to prevent their contents from passing into other strata.
17. 19.15.12.9 NMAC requires that an operator shall produce each pool as a single common source of supply and complete, case, maintain and operate wells in the pool so as to prevent communication within the well bore with other pools. An operator shall at all times segregate oil or gas produced from each pool. The combination commingling of production, before marketing, with production from other pools without division approval is prohibited.
18. OCD has the authority to create special pool orders when required pursuant to 19.15.2.9 NMAC, when proper notice has been satisfied.
19. The evidence currently in the record before OCD indicates that Read & Stevens' and Cimarex' proposals would lead to either impairment of correlative rights or illegal allocation. Both parties testify that their production would extend outside of their respective pools and impact other pools, as such both requests extend outside of a standard compulsory pooling request.
20. Neither application can be approved while remaining in compliance with OCD rules and regulations that require pool segregation, prevent waste and protect correlative rights.

ORDER

21. OCD hereby denies both 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 Bone Spring and Wolfcamp formations in

this area. The record is left open for such a proposal and will prompt a reopening of the hearing record on both applications.

22. It is not necessary for the parties to repeat the testimony or resubmit the exhibits regarding their original proposed plans; they may refer to existing evidence to the extent needed to justify the special pool request.
23. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



DYLAN M. FUGE
DIRECTOR (Acting)
DMF/jag

Date: 4/8/24