

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

IN RE CIMAREX ENERGY COMPANY

ACO 201815

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.5.10(C) NMAC, the Director of the Oil Conservation Division ("OCD") and Cimarex Energy Company, OGRID # 215099 and Cimarex Energy Company of Colorado, OGRID # 162683 (collectively "Cimarex") enter into this Agreed Compliance Order ("Order") to resolve self-reported violations.

1. OCD is charged with the administration and enforcement of the Act and implementing rules and has jurisdiction to regulate wells and facilities operated by Cimarex within the State of New Mexico.

2. On April 27, 2022, Cimarex submitted a self-disclosure report identifying deficiencies in (1) submission of drilling sundries, (2) submission of form C-104 or completions information, and (3) submission of hydraulic fracture disclosures identified during an internal review process.

3. Cimarex requested an informal resolution process.

4. To resolve the violations without the cost and expense of a hearing on the legal and factual issues raised by Cimarex's internal review, Cimarex stipulates and agrees that:

- a. To the best of its knowledge, Cimarex has resolved all violations identified in the above paragraph 2 consistent with all requests or requirements made by OCD related to same.
- b. Cimarex initiated a voluntary audit of internal practices and records for its New Mexico operations.
- c. No later than 30 days after the effective date this Order, Cimarex shall pay a total cumulative civil penalty of ninety-four thousand dollars (\$94,000.00) to the State of New Mexico.
- d. In executing this Order and in furtherance of the informal resolution process, Cimarex acknowledges the obligation to operate in compliance with Oil Conservation Commission rules.
 - i. Cimarex agrees to pay stipulated daily civil penalties set forth in OCD's *Civil Penalty Calculation Method, Version 2021-02* for subsequent

violations of the Oil Conservation Commission rules for any late, missing, or incomplete forms C-103, C-104, C-105, or hydraulic fracture disclosures required by the state of New Mexico, for a period of one (1) year from the effective date of this Order.

- ii. OCD shall notify Cimarex of any alleged violation of the Oil Conservation Commission rules for late, missing, or incomplete forms C-103, -104, or -105 within 1 year of any alleged violation. Cimarex may respond to any alleged violations by asserting the subject form was not late, missing, or incomplete. In the event of disagreement, counsel for EMNRD to OCD and Cimarex shall confer and, to the extent possible, make a joint recommendation to the Director. The Director's decision shall be final. EMNRD counsel to OCD shall notify Cimarex of the final decision and the grounds therefor
- e. OCD, through this Order, finds that:
- i. Cimarex's voluntary audit, self-disclosure, consent to stipulated penalties, and proactive efforts in working with OCD alleviates the administrative burden of investigation of potential violations and issuance of formal enforcement actions, and justifies a substantial reduction of the total potential calculated civil penalty; and
 - ii. Cimarex retains its existing permits, rights, and conditions of operation within New Mexico unchanged, except as specified within this Order.

5. Cimarex shall submit any notice or document required by this Order through the OCD Permitting system. Any other communication related to this Order shall be submitted by electronic mail to OCD.Engineer@state.nm.us.

6. If Cimarex fails to pay the civil penalty or portion thereof by the specified date or fails to pay a stipulated penalty or portion thereof no later than thirty (30) days after service of OCD's written demand, or in the case of a dispute within thirty (30) days after Cimarex's receipt of the Director's decision, Cimarex shall pay interest on the civil or stipulated penalty or unpaid portion thereof until paid in full at the interest rate of 8.75 percent.

7. Cimarex admits OCD's jurisdiction to execute this Order, consents to the relief specified herein, and waives the right of review by the Oil Conservation Commission or other judicial relief.

8. The persons executing this Order represent that they have the requisite authority to bind their respective parties and such representation shall be legally sufficient evidence of their actual or apparent authority.

9. This Order becomes effective on the date of final execution by the OCD Director and terminates one (1) year therefrom.

10. Notwithstanding the foregoing provisions, OCD reserves the right to pursue enforcement against Cimarex for any alleged violation not related to this Order and the underlying violations.

OIL CONSERVATION DIVISION



Adrienne Sandoval
Director

Date: 10/6/22

CIMAREX



Michael DeShazer
Vice President Business Units

Date: 10/6/2022