

RECEIVED: <u>6/30/2017</u>	REVIEWER: <u>LRL</u>	TYPE: <u>NSL</u> <u>NSP</u>	APP NO: <u>PCCL 1720942671</u> <u>PKS 1718155773</u>
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: Cimarex Energy Co. OGRID Number: 215099
 Well Name: Hornsby 35 Federal Com. 7H API: 30-15-42168
 Pool: Hay Hollow Bone Spring 30125 Pool Code: 30125 30215

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) **TYPE OF APPLICATION:** Check those which apply for [A]

A. Location - Spacing Unit - Simultaneous Dedication

☒ NSL☐ NSP (PROJECT AREA)☒ NSP (PRORATION UNIT)☐ SDNSL - ~~7141~~ 7141-ANSP - 2069

B. Check one only for [I] or [II]

[I] Commingling - Storage - Measurement

☐ DHC☐ CTB☐ PLC☐ PC☐ OLS☐ OLM

[II] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX☐ PMX☐ SWD☐ IPI☐ EOR☐ PPR2) **NOTIFICATION REQUIRED TO:** Check those which apply.A. ☐ Offset operators or lease holdersB. ☐ Royalty, overriding royalty owners, revenue ownersC. ☐ Application requires published noticeD. ☐ Notification and/or concurrent approval by SLOE. ☐ Notification and/or concurrent approval by BLMF. ☐ Surface ownerG. ☐ For all of the above, proof of notification or publication is attached, and/or,H. ☐ No notice required**FOR OCD ONLY**☐

Notice Complete

☐Application
Content
Complete

- 3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Jennifer Bradfute
 Print or Type Name

Date

6-30-2017

505-848-1845

Phone Number

JLB@modrall.com

e-mail Address

Signature

[Signature]



June 30, 2017

David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Jennifer L. Bradfute
505.848.1845
Fax: 505.848.1882
jlb@modrall.com

NSL

Re: Application of Cimarex Energy Co. for administrative approval of unorthodox well locations for its Hornsby 35 Federal Com No. 7H well, located in the E/2 W/2 of Section 26 & Unit C and Lot 3 of Irregular Section 35, all in Township 26 South, Range 27 East, NMPM, Hay Hollow Bone Spring Pool (30215), Eddy County, New Mexico (the "Well").

Dear Mr. Catanach:

Cimarex Energy Co. ("Cimarex") (OGRID No. 251099) seeks administrative approval of an unorthodox well location ("NSL") for the Hornsby 35 Federal Com 7H well (API No. 30-15-42168) to be completed within the Hay Hollow Bond Spring Pool (Pool Code 30215) underlying the E/2 W/2 of Section 26 and Unit C and Lot 3 of Irregular Section 35, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. A C-102 for the Well is attached as **Exhibit A**. This is a horizontal Well that will be drilled as follows:

- Surface Hole Location: 290 feet from the South line and 2050 feet from the East line of Section 35;
- First Perforation Point: 330 feet from the South line and 2590 feet from the East line of Section 35;
- Last Perforation Point and Bottom Hole Location: 330 feet from the North line and 2590 feet from the East line of Section 26.

Cimarex is requesting this NSL in order to efficiently produce its interests in Sections 26 and 35, and has included as **Exhibit B** a letter from an engineer explaining why this application is needed. This Well will produce from the Hay Hollow Bone Spring Pool (Pool Code 30215). There are no special pool rules for this pool and setback requirements for completed intervals of horizontal wells within this pool are 330' from the project area. The completed interval for

Modrall Sperling
Roehl Harris & Sisk
P.A.

Bank of America
Centre
500 Fourth Street
NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico
87103-2168

Tel: 505 848 1800

the proposed well is closer than 330' from the boundary of the project area. The unorthodox location will encroach towards the W/2 E/2 of Section 26 and Irregular Section 35 and towards the SW/4 SE/4 of Section 23. A map showing the surrounding ownership and the project area for the proposed well in relation to adjoining spacing units is attached as **Exhibit C**.

A list of the parties affected by the encroachment is attached as **Exhibit D**. Each of these parties has been provided notice of this application by certified mail, return receipt requested, advising them that if they have an objection to the location of this Well, it must be filed with the New Mexico Oil Conservation Division within 20 days of the mailing of this notice.

Your attention to this matter is appreciated.

Sincerely,


*Attorney for Cimarex Energy
Company*



NSP

June 30, 2017

Via Email

Mr. David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Jennifer L. Bradfute
505.848.1845
Fax: 505.848.1882
jlb@modrall.com

Re: Application of Cimarex Energy Co. for administrative approval of a non-standard spacing unit/project area covering 224.13 acres in Section 26 and Unit C and Lot 3 (E/2 NW/4 equivalent) of Irregular Section 35, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico for development in the

Dear Mr. Catanach:

Cimarex Energy Co. ("Cimarex") (OGRID No. 251099) is seeking approval for a non-standard spacing and proration unit/project area for its Hornsby 35 Federal Com 7H well (API 30-015-42168). This is a horizontal well located in the E/2 W/2 of Section 26 and Unit C and Lot 3 of Irregular Section 35, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. Cimarex proposes a non-standard project area for the development of this well due to Section 35 being an irregular section. The proposed project area is as follows:

- **Proposed Proration Unit/Project Area:** 224.13 acres, covering the E/2 W/2 of Section 26 and Unit C and Lot 3 of Irregular Section 35, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

In particular, this application for a non-standard spacing and proration unit/project area is necessary because it is covering an irregularly shaped lot, which contains less than 40 acres. As a result, all of the acreage in the Section 35 can be developed and there will be no stranded acreage as a result of this application. This nonstandard project area will be used to develop the **Hornsby 35 Federal Com 7H well**, which will develop the Hay Hollow Bone Spring Pool (Pool Code 30215). This pool is subject to this Division's state wide rules. Attached as **Exhibit A**, is the C-102 for this well.

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Roehl Harris & Sisk P.A.

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500 Fourth Street NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
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Tel: 505.848.1800
www.modrall.com

Attached as **Exhibit B** is a plat which shows the subject spacing unit for this well and all adjoining spacing units or leases. This plat shows that Section 35 is an irregular section whose southern boundary is the New Mexico/Texas State Line. This section is comprised of four standard 40-acre units (A, B, C, and D) and four non-standard lots (Lots 1-4), which each consist of approximately 24 acres. The granting of this application will allow Cimarex to develop these irregular shaped lots through horizontal development.

Division Rule 19.15.4.12(A)(3) requires that notice for non-standard proration units be provided to "owners of interest in the mineral estate to be excluded from the proration unit in the quarter-quarter section for 40-acre pools or formations, the one-half quarter section for 80-acre pools or formations, the quarter section for 160-acre pools or formations, the half section for 320-acre pools or formations or section for 640-acre pools or formations in which the non-standard unit is located." As shown on the attached plat in Exhibit B, and as previously stated in this application, all acreage in Irregular Section 35 will ultimately be included in the project area operated by Cimarex. Since no acreage will be excluded from participating in Bone Spring development in Section 26 and Irregular Section 35, no interest owner is affected by the proposed non-standard spacing unit and, consequently, notice of this application is not required and has not been provided to any party. Please further note that the working interest ownership within all of Section 26 and all of Irregular Section 35 is common.

An NSP, covering the Wolfcamp formation was previously granted by the Division for this well in NSP 2002. However, Cimarex has since changed the target formation for the well and thus requires a new application and order from the Division. Concurrent with this application, Cimarex is also filing an application for non-standard locations for the well. Cimarex respectfully requests that this application be processed expeditiously because there is a rig scheduled to drill the well within approximately 30-days.

Please contact me if you have any questions or concerns. Thank you.

Sincerely,



Jennifer L. Bradfute
Attorney for Applicant

Enclosures

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

NM OIL CONSERVATION
ARTESIA DISTRICT

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

RECEIVED ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-42168	Pool Code 30215	Pool Name Hay Hollow, Bone Spring
Property Code	Property Name HORNSBY 35 FEDERAL COM	Well Number 7H
OGRIID No. 215099	Operator Name CIMAREX ENERGY CO.	Elevation 3240.6'

Surface Location

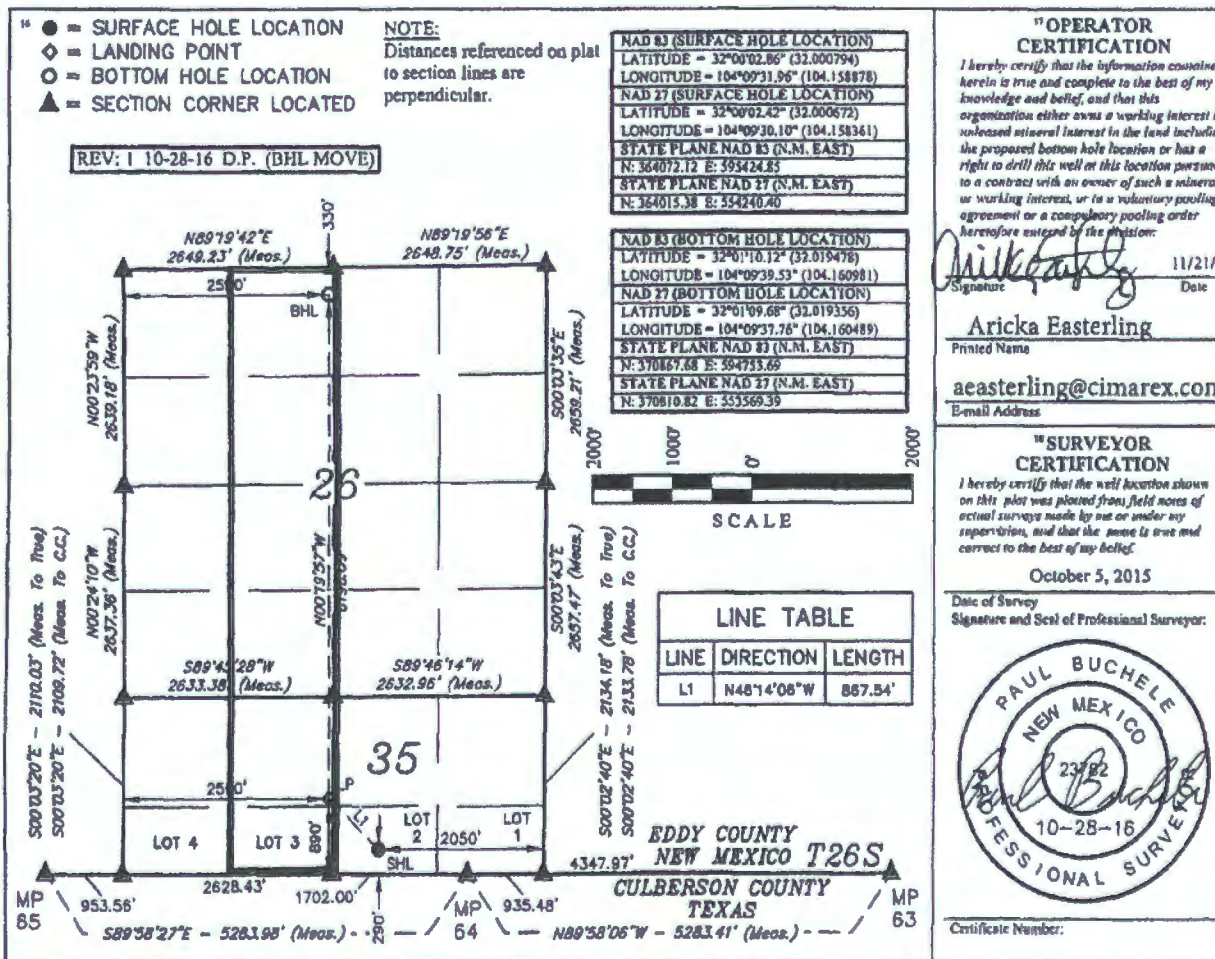
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	35	26S	27E		290	SOUTH	2050	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26S	27E		330	NORTH	2590	WEST	EDDY

Dedicated Acres 224.13	Joint or Infill	Consolidation Code	Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



OPERATOR
CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or is a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.

Signature: Aricka Easterling
Date: 11/21/16

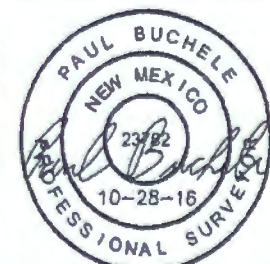
Printed Name: Aricka Easterling
E-mail Address: aeasterling@cimarex.com

SURVEYOR
CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

October 5, 2015

Date of Survey
Signature and Seal of Professional Surveyor:

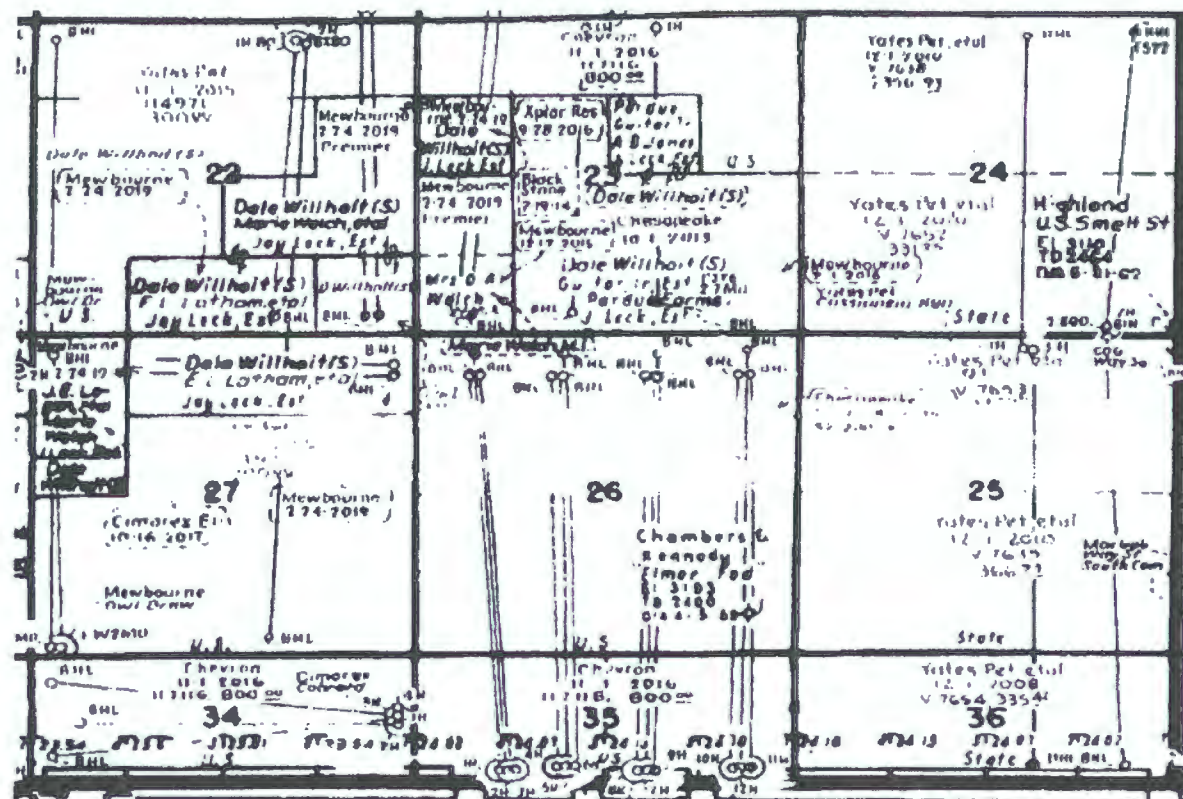


Certificate Number:

EXHIBIT

A

EXHIBIT B





Cimarex Energy Co.
202 S. Cheyenne Ave, Ste 1000; Tulsa, OK 74103 ♦ (432) 620-1936
• A NYSE Listed Company • "XEC"

June 30, 2017

Mr. Michael McMillian
New Mexico Oil Conservation Division
1220 South Francis Drive
Santa Fe, NM 87505

Re: Non-Standard Location Application
Hornsby 35 Federal 7H
Eddy County, NM

Dear Mr. McMillian:

Cimarex Energy Co. respectfully requests administrative approval of the non-standard location application for the Hornsby 35 Federal 7H.

Cimarex proposes to drill the Hornsby 35 Federal 7H well as part of a 5 well/Section development in the 2nd Bone Spring. The proposed well will be centered between one existing horizontal 2nd Bone Spring wells, the Hornsby 35 Federal 4H and the planned Hornsby 35 Federal 8H, please see attached Exhibit A for additional information. Due to the thickness of the rock and high OOIP associated with the 2nd BSPG, Cimarex expects to maximize the recoverable reserves by increasing the cluster count to reduce white space in the proposed well. This procedure is a change from our previous completion approach and offers an opportunity to drill more wells per section in the development of our acreage in the area. This development allows us to capture the most recoverable reserves from the section. The best location for the Hornsby 35 Federal 7H well is to be approx. 50' off the center quarter quarter line, please see attached C102 for location and horizontal path of the referenced well.

Drilling 5 wells in the section and a successful completion would possibly have implications for other Cimarex Federal sections to the north.

Thank you for your consideration. Should you have any questions please contact me at 432-571-7864 or 432-978-6155 (cell).

Sincerely,

Michael Swain
Permian Region Geologic Manager
Permian Exploration



Exhibit D

W/2 E/2 of Section 26 and Irregular Section 35:

Chevron*

Attn; Permitting Team
6301 Deauville Blvd.
Midland, TX 79706

Note: Cimarex and Chevron are the only working interest owners in the E/2 W/2 and W/2 E/2 of Sections 26 and 35. The parties own identical working interests in the E/2 W/2 and W/2 E/2 of these sections, and Cimarex is the operator of both spacing units.

SW/4 SE/4 of Section 23:

Chevron

Attn; Permitting Team
6301 Deauville Blvd.
Midland, TX 79706

Mewbourne Oil Co.
4801 Business Park Blvd.
P.O. Box 2070
Hobbs, NM 88240



June 30, 2017

David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Jennifer L. Bradfute
505.848.1845
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jlb@modrall.com

Re: Application of Cimarex Energy Co. for administrative approval of unorthodox well locations for its Hornsby 35 Federal Com No. 7H well, located in the E/2 W/2 of Section 26 & Unit C and Lot 3 of Irregular Section 35, all in Township 26 South, Range 27 East, NMPM, Hay Hollow Bone Spring Pool (30215), Eddy County, New Mexico (the "Well").

Dear Mr. Catanach:

This letter is to confirm that Cimarex Energy Co. ("Cimarex") (OGRID No. 251099) is the operator in the E/2 W/2 of Section 26 and Unit C and Lot 3 of Irregular Section 35, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico and the W/2 E/2 of Section 26 and Irregular Section 35, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. The mineral interests are identical in all of Section 26 and Irregular Section 35.

Sincerely,


***Attorney for Cimarex Energy
Company***

Modrall Sperling
Roehl Harris & Sisk
P.A.

Bank of America
Centre
500 Fourth Street
NW
Suite 1000
Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico
87103-2168

Tel. 505 848 1800

**Cimarex Application Notice
Hornsby 35 Fed Com 7H
Mailed June 30, 2017**

W/2 E/2 of Section 26 and Irregular Section 35:	CERTIFIED NO.
Chevron Attn: Permitting Team 6301 Deauville Blvd. Midland, Texas 79706	7014-2120-0004-6168-2127
SW/4 SE/4 of Section 23:	
Chevron Attn: Permitting Team 6301 Deauville Blvd. Midland, Texas 79706	7014-2120-0004-6168-2127
Mewbourne Oil Co. 4801 Business Park Blvd. P.O. Box 2070 Hobbs, NM 88240	7014-2120-0004-6168-2210

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



August 27, 2014

Cimarex Energy Co.
Attn: Mr. David Catanach

ADMINISTRATIVE NON-STANDARD LOCATION, AND NON-STANDARD PRORATION
UNIT

Administrative Order NSL-7141
Administrative Application Reference No. pMAM1421941224

Administrative Order NSP-2002
Administrative Application Reference No. pMAM1421941393

Cimarex Energy Co.
OGRID 215099
Hornsby 35 Federal Com Well No. 7H
API No. 30-015-42168

Proposed Location:

	<u>Footages</u>	<u>Unit/Lot</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	210 FSL & 2020 FEL	2	35	26S	27E	Eddy
Penetration Point	330 FSL & 2020 FEL	2	35	26S	27E	Eddy
Terminus	330 FNL & 2020 FEL	B	26	26S	27E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
Lot 1, Lot 2, NE/4 NE/4, NW/4 NE/4 of Section 35, E/2 of Section 26	448.31	WC-015 S262728A;Wolfcamp (Gas)	98017

Reference is made to your application received on August 27, 2014.

You have requested to drill this well at a non-standard gas spacing and proration unit described above in the referenced pool or formation. This proration unit is governed by statewide Rule 19.15.15.10.B NMAC, which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning

directional wells in designated project areas. This location is unorthodox because a portion of the project area is less than 660 feet from the unit boundary.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location in order to maximize the recovery of oil and gas reserves from the Wolfcamp formation within the project area.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches for affected parties in New Mexico.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of one or more non-standard proration units to be included in your proposed project area, as follows:

Units Comprising this Project Area

Unit	Acres	Pool	Code
Lot 1, Lot 2, NE/4 NE/4, NW/4 NE/4 of Section 35,	128.31	WC-015 S262728A;Wolfcamp (Gas)	98017
E/2 of Section 26	320	WC-015 S262728A;Wolfcamp (Gas)	98017

Statewide Rule 19.15.15.10.B NMAC provides for 320-acre units, which consists of the E/2 of Section 26. However, Lot 1, Lot 2, NE/4 NE/4, and NW/4 NE/4 of Section 35, are comprised of 128.31-acres. According to Division Rule 19.15.15.11.B(1) NMAC, an administrative approval is required for a non-standard spacing unit that is less than 70 percent of a standard spacing unit, in this case 128.31 acres

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location because the non-standard project area represents a reasonable and effective method by which portions of Irregular Section 35 can be incorporated into horizontal Wolfcamp project area.

It is also understood that since no acreage is being excluded in the project area, no interest owner is affected; therefore, notification is not required.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

August 27, 2014
Page 3

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on August 27, 2014

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad

Lowe, Leonard, EMNRD

From: Lowe, Leonard, EMNRD
Sent: Friday, August 11, 2017 1:56 PM
To: 'Jennifer L. Bradfute'
Cc: Podany, Raymond, EMNRD; McMillan, Michael, EMNRD; Goetze, Phillip, EMNRD; Jones, William V, EMNRD; 'jglover@blm.gov'; 'scaffey@blm.gov'; 'rjsanche@blm.gov'; 'lisa@rwbyram.com'; Sharp, Karen, EMNRD
Subject: APPROVED NSL-7141-A & NSP-2069_Cimarex Energy Company_Hornsby 35 Federal Com Well No. 7H_SEC 35 26S 27E

Importance: High

Ms. Jennifer Bradfute,

The following administrative orders have been issued and will soon be available on the Division's web site:
<http://ocdimage.emnrd.state.nm.us/Imaging/Default.aspx>

NSL-7141-A
NSP-2069
Cimarex Energy Company
WELL: API #: 30-015-42168
WELL NAME: Hornsby 35 Federal Com Well No. 7H

Leonard Lowe
Engineering Bureau
Oil Conservation Division
Energy Minerals and Natural Resources Department
1220 South St. Frances
Santa Fe, New Mexico 87004
Office: 505-476-3492
Cell: 505-930-6717
Fax: 505-476-3462
E-mail: leonard.lowe@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/>