



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

August 30, 2007

Cimarex Energy Company of Colorado
c/o Mr. James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

Attention: Mr. James Bruce, Attorney

Re: **Ozley 25 Federal Well No. 1**
API No. 30-015-34684
Surface Location: 330' FSL & 150' FEL, Unit P,
Bottomhole Location: 892' FSL & 974' FEL, Unit P,
Section 25, T-24 South, R-25 East, NMPM,
Eddy County, New Mexico

Administrative Order NSL-5679

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application on behalf of Cimarex Energy Company of Colorado ("Cimarex" or "applicant") for a non-standard well location (*administrative application reference No. pDRC0722547701*) for the Ozley 25 Federal Well No. 1 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 1, 2007; and
- (b) the Division's records pertinent to your request.

The applicant requests approval of an unorthodox gas well location for its **existing** Ozley 25 Federal Well No. 1 in the Wildcat Cisco-Canyon Pool which has been directionally drilled from an unorthodox surface location 330 feet from the South line and 150 feet from the East line (Unit P), to a standard bottomhole location 892 feet from the South line and 974 feet from the East line (Unit P) of Section 25, Township 24 South, Range 25 East, NMPM, Eddy County, New Mexico. The E/2 of Section 25 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

The applicant stated that the Ozley 25 Federal Well No. 1 was originally drilled to the Morrow formation, and that the applicant now proposes to re-complete the well to the Cisco/Canyon interval within the Pennsylvanian formation.

The Ozley 25 Federal Well No. 1 is located within one mile of the White City-Pennsylvanian Gas Pool. Pursuant to special pool rules established by Division Order No. R-2429, as amended, the White City-Pennsylvanian Gas Pool is currently spaced on 640-acre spacing with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Normally, the Ozley 25 Federal Well No. 1 would be subject to the special rules for the White City-Pennsylvanian Gas Pool, however, Rule No. (6) provides that the special pool rules shall apply only within the current pool boundaries.

The Wildcat Cisco-Canyon Pool is governed by the provisions of Division Rule No. 19.15.3.104(C).

The applicant stated that the directionally-drilled Ozley 25 Federal Well No. 1 will penetrate the top of the Cisco/Canyon interval at an unorthodox location 644 feet from the South line and 606 feet from the East line (Unit P) of Section 25.

Notice of this application was provided to Chevron U.S.A., Inc., the affected offset operator to the east and southeast of the subject well. The applicant stated that the affected offset acreage to the south is operated by Magnum Hunter Production, Inc., a sister corporation of the applicant. No operator and/or interest owner objected to this application.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox gas well location in the Wildcat Cisco-Canyon Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: OCD-Artesia
State Land Office-Oil & Gas Division