

1/29/08 DATE IN	SUSPENSE	BROOKS ENGINEER	1/29/08 LOGGED IN	NSL TYPE	PKUR0802931972 APP NO
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ABOVE THIS LINE FOR DIVISION USE ONLY

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



Cimarex Energy Co. of Colorado
Pennzoil 36 state Com. #2

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

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] ☒ Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] ☐ Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] ☐ Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] ☐ Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

RECEIVED
2008 JUN 29 AM 9 04

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **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.

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

James Bruce
Signature

Attorney for Applicant
Title Date

jamesbruc@aol.com
e-mail Address

1/25/08

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

January 25, 2008

Hand delivered

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Cimarex Energy Co. of Colorado applies for approval of an unorthodox oil well location for the following well:

<u>Well:</u>	Pennzoil 36 State Well No. 2
<u>Location:</u>	1050 feet FNL & 1210 feet FEL
<u>Well Unit:</u>	NE $\frac{1}{4}$ NE $\frac{1}{4}$ §36-19S-33E, Lea County, New Mexico

The well was drilled in 2003, and was completed in the Morrow formation (Quail Ridge-Morrow Gas Pool) at an orthodox location.

Applicant plans to re-complete the well in the Bone Spring formation (Apache Ridge-Bone Spring Pool) and the Strawn formation (East Gem-Strawn Pool), and requests approval of an unorthodox location in both zones. Under statewide rules, spacing in each pool is 40 acres, with wells to be at least 330 feet from a quarter-quarter section line. Forms C-102 are attached as Exhibits A and B.

There are offsetting wells being drilled or completed in the Bone Spring formation, but they will not be drilled to test the Strawn because the Strawn pinches out and is tight to the south and west. See Exhibit C.

The N $\frac{1}{2}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 36 are subject to State Lease V-5271, and the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 36 is subject to State Lease VB-51. Exhibits D and E. The offset interest owners, other than Magnum Hunter Production Inc. (a sister company of applicant) are listed on Exhibit

F. (The Land Office is being notified because there is a royalty difference in the two leases.) A copy of the notice letter sent to the offsets is attached as Exhibit G.

Please call me if you need any further information.

Very truly yours,

James Bruce

Attorney for Cimarex Energy Co. of Colorado

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35971	Pool Code 2260	Pool Name Apache Ridge; Bone Spring
Property Code	Property Name PENNZOIL "36" STATE COM	Well Number 2
OGRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3617'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	36	19 S	33 E		1050	NORTH	1210	EAST	LEA

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No. NSL Pending
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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

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">VO-5271-0000</div> <div style="border: 1px solid black; padding: 5px;">VB-0051-0000</div>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i> Signature</p> <p>Zeno Farris Printed Name</p> <p>Mgr Operations Admin Title</p> <p>11-09-07 Date</p>
	<p style="text-align: center; font-size: 2em;">A</p> <p style="text-align: center;">EXHIBIT</p>	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well locations 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.</p> <p>June 25, 2002 Date Surveyed</p> <p><i>Gary L. Jones</i> Signature & Seal of Professional Surveyor</p> <p>W.O. No. 2572</p> <p>Certificate No. Gary L. Jones 7977</p> <p>JLP BASIN SURVEYS</p>

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

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State Lease - 4 Copies
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OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35971	Pool Code 96244	Pool Name Gem; Strawn, East
Property Code	Property Name PENNZOIL "36" STATE COM	Well Number 2
DGRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3617'

Surface Location

UL or lot No. A	Section 36	Township 19 S	Range 33 E	Lot Idn	Feet from the 1050	North/South line NORTH	Feet from the 1210	East/West line EAST	County LEA
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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
Dedicated Acres 40	Joint or infill	Consolidation Code	Order No. NSL Pending						

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

<div>VO-5271-0000</div>	<div>3610.7'</div>	<div>3616.9'</div>	<div>Pennzoil 36 St Com #2</div>	<div>1210'</div>	<div>3619.4'</div>
<div>VB-0051-0000</div>	<div>3616.5'</div>	<div>Lot: N32°37'15.9"</div>	<div>Long: W103°36'43.7"</div>		

EXHIBIT **B**

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Zeno Farris
Signature

Zeno Farris
Printed Name

Mgr Operations Admin
Title

11-09-07
Date

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.

June 25, 2002
Date Surveyed

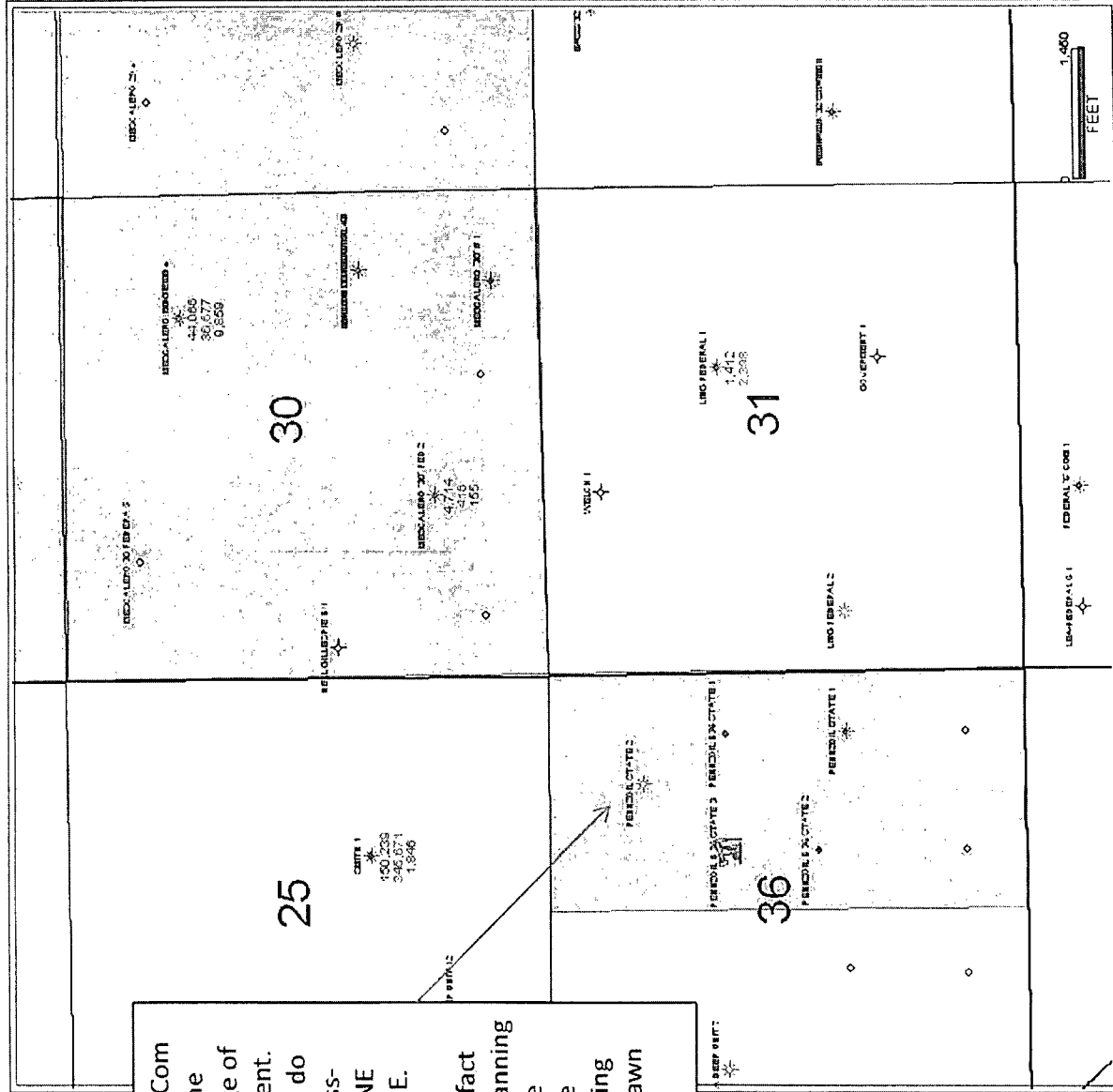
[Signature]
Signature & Seal of Professional Surveyor

W.O. No. 2572
Certificate No. Gary L. Jones 7977

JLP BASIN SURVEYS

Strawn Production

Pennzoil 36 State Com #2 is located on the southwestern edge of Strawn development. Potential reserves do not support a grass-roots well in SW/NE section 36-19S-33E. This is tangibly supported by the fact that Cimarex is planning to drill offset Bone Spring wells to the south without taking them down to Strawn depth.



EXHIBIT

C

Strawn Cross-section

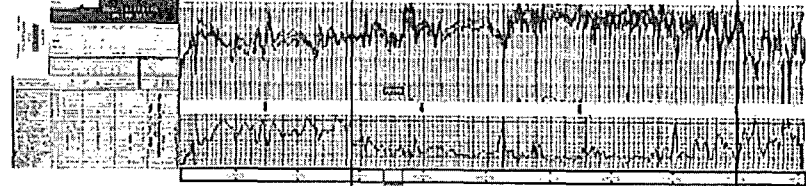
27705
UNION OIL CO OF CAL
CIMAREX
SMITH
1

35971
GRUY PET MGMT CO
CIMAREX
PENNZOIL '36' STATE
2

36255
BROWN TOM INC
GRUY PETROLEUM MANAGEMENT COMPANY
LAGUNA DEEP UNIT
7



145,626
331,968
1,846



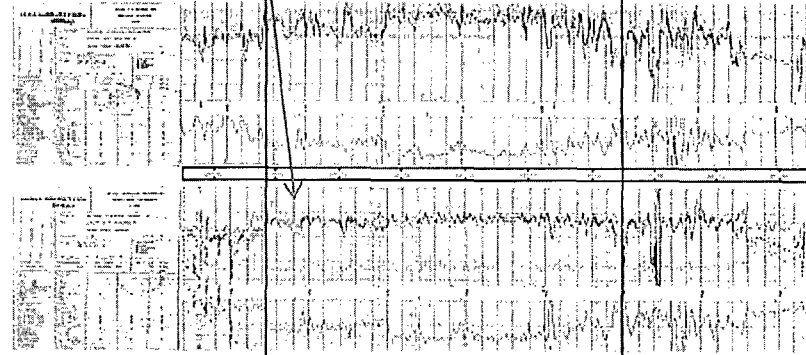
STRN [GDS]

ATOK [GDS]

14% porosity

11% porosity

6% porosity and tight
on resistivity log



5 Records found.

Lease Number:

V0-5271-0001

Company name: MAGNUM HUNTER PRODUCTION, INC.
Company ID: 149315
Assigned from: V0-5271-0000
Total acres: 200.00
Prod stat: N/A

Lease term:

Lease term: FIVE(5) YEAR TERM, ~~1/6th~~ ROYALTY
Issue date: 3/1/1998
Termination date: Active
Termination reason: N/A
Current term: Extended Primary Term

Billing information:

Bill to: MAGNUM HUNTER PRODUCTION, INC.
Rent per acre: 1.00
Billing frequency: Annual
Minimum annual rent: 200.00
Last bill date: 2/1/2007
Next bill date: 3/1/2008
Escalation: 0

Land information:

Section	Township	Range	Unit Letter	Lot	Tract	Acreage
36	19S	33E	A			40.00
			B			40.00
			H			40.00
			O			40.00
			P			40.00

EXHIBIT D

3 Records found.

Lease Number:

VB-0051-0003

Company name: MAGNUM HUNTER PRODUCTION, INC.
Company ID: 149315
Assigned from: VB-0051-0002
Total acres: 120.00
Prod stat: N/A

Lease term:

Lease term: FIVE(5) YEAR TERM, ~~3/16th~~ ROYALTY
Issue date: 10/1/1986
Termination date: Active
Termination reason: N/A
Current term: Extended Primary Term

Billing information:

Bill to: MAGNUM HUNTER PRODUCTION, INC.
Rent per acre: 1.00
Billing frequency: Annual
Minimum annual rent: 120.00
Last bill date: 9/6/2007
Next bill date: 10/1/2008
Escalation: 0

Land information:

Section	Township	Range	Unit Letter	Lot	Tract	Acreage
36	19S	33E	G			40.00
			I			40.00
			J			40.00

EXHIBIT E

Pennzoil 36 State Com No. 2

A-36-19S-33E

1050' FNL & 1210' FEL

Apache Ridge; Bone Spring & Gem; Strawn, East
Lea County, NM



RE: Pennzoil 36 State Com No. 2 NSL Application – Bone Spring and Strawn Pools

<i>Royalty Owner:</i>	<i>Override:</i>	<i>Working Interest Owner:</i>
New Mexico State Land Office 310 Old Santa Fe Trail Santa Fe, NM 87501	Wallace H. Scott Unified Trust C/O Mark Fulton/Merrill Lynch 111 Congress Ave., Suite 600 Austin, TX 78701	Marshall & Winston Inc. PO Box 50880 Midland, TX 79710-0880

EXHIBIT

F

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

January 25, 2008

Certified Mail – Return Receipt Requested

Wallace H. Scott Unified Trust
c/o Merrill Lynch
Suite 600
111 Congress Avenue
Austin, Texas 78701

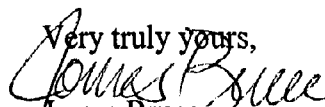
Jeff Albers
Oil, Gas and Minerals Division
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Marshall & Winston, Inc.
P.O. Box 50880
Midland, Texas 79710

Attention: Kevin Hammit

Ladies and gentlemen:

Cimarex Energy Co. of Colorado has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 36, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter later.

Very truly yours,

James Bruce

Attorney for Cimarex Energy Co. of Colorado

EXHIBIT 

Well File Search - Select API Number to View

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected.

The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

2 Records Found

Displaying Screen 1 of 1

API Number	ULSTR	Footages
<input type="radio"/> 3002535971	A -36-19S-33E	1050 FNL & 1210 FEL
Well Name & Number: PENNZOIL 36 STATE COM No. 002		
Operator: CIMAREX ENERGY CO. OF COLORADO		
<input type="radio"/> 3002538624	A -36-19S-33E	930 FNL & 660 FEL
Well Name & Number: PENNZOIL B 36 STATE No. 007		
Operator: CIMAREX ENERGY CO. OF COLORADO		

2 Records Found

Displaying Screen 1 of 1