

KELLAHIN & KELLAHIN
ATTORNEY AT LAW

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Santa Fe, New Mexico 87501

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tkellahin@comcast.net

August 5, 2011

HAND DELIVERED

Ms. Jami Bailey, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OCD
2011 AUG -5 P 1:49

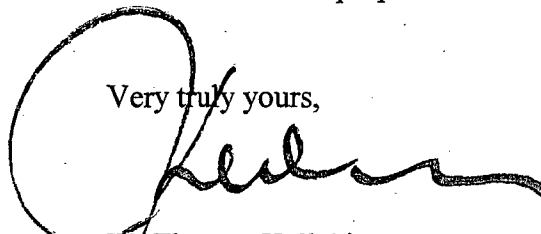
Re: Exxon State Well No. 3-H
Dedication: W/2E/2 of Section 25, T19S, R28E
(APD #30-015-38275)
Application of Cimarex Energy Co. of Colorado
for Designation of a Non-Standard Spacing Unit and
for Compulsory Pooling,
Eddy County, New Mexico

Case 14728

Dear Ms. Bailey,

On behalf of Cimarex Energy Co. of Colorado ("Cimarex"), please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for September 15, 2011. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Cimarex Energy Co.
Attn: Mark Compton

CASE 147-28: Application of Cimarex Energy Co. of Colorado for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order consolidating the four 40-acres spacing units within the W/2E/2 of Section 25, Township 19 South, Range 28 East and designating the consolidated units as a 160-acre non-standard oil spacing and proration unit for a well locations in the Bone Springs formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Springs formations, including the Winchester-Bone Springs Pool (code 65010), underlying the W/2E/2 of this section to be dedicated to its Exxon State Well No. 3-H to be drilled horizontally from a surface location (Unit O) 330 feet FSL and 1980 feet FEL to a bottom hole location (Unit B) 330 feet FNL and 1980 feet FEL within this section and to a depth sufficient to test the Bone Springs formation, NMPM, Eddy County, New Mexico. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as the operator of the well a risk charge of 200% for the risk involved in this well. This unit is located approximately thirteen miles East of Lakewood, New Mexico.

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2011 AUG -5 P 1:52

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

2011 AUG -5 P 1:52

**IN THE MATTER OF THE APPLICATION OF
CIMAREX ENERGY CO. OF COLORADO FOR
DESIGNATION OF A NON-STANDARD SPACING
AND PRORATION UNIT AND FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 14728

APPLICATION

Cimarex Energy Co. of Colorado ("Cimarex") by its attorneys, Kellahin & Kellahin, seeks an order consolidating four 40-acres spacing units within the W/2E/2 of Section 25, Township 19 South, Range 28 East and designating the units as a 160-acre non-standard oil spacing and proration unit for a well location in the Bone Springs formation, including the Winchester-Bone Springs Pool (Code #65010), for applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Springs formations underlying the W/2E/2 of this section to be dedicated to its Exxon State Well No. 3-H to be drilled horizontally from a surface location (Unit O) 330 feet FSL and 1980 feet FEL to a bottom hole location (Unit B) 330 feet FNL and 1980 feet FEL within this section and to a depth sufficient to test the Bone Springs, NMPM, Eddy County, New Mexico. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as the operator of the well and a risk charge of 200% for the risk involved in this well.

In support of its application Cimarex states:

- (1) Cimarex proposes to drill and operate the Exxon State Well No. 3-H as a horizontal wellbore as set forth on the C-102 attached as Exhibit "A"
- (2) Cimarex controls 49.865% of the working interest ownership within the proposed 160-acre spacing unit and has an interest in each of the four 40-acre tracts.

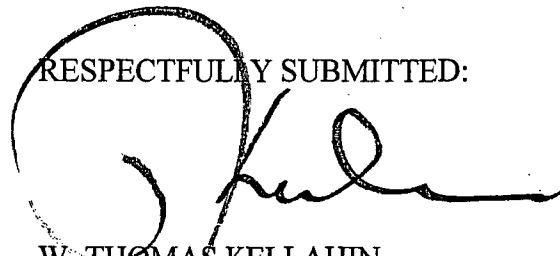
- (3) Cimarex has consolidated approximately 81.25% of the working interest owners on a voluntary basis being approximately 64 separate mineral interest owners for this well and its spacing unit.
- (4) On January 10, 2011, Cimarex sent a well proposal letter, including an AFE and Joint Operating Agreement, to the remaining uncommitted working interest owners within the project area.
- (5) Despite reasonable efforts, Cimarex was unable to conclude a voluntary agreement with those parties listed on Exhibit "B" attached.
- (6) Pursuant to Commission Order R-11992, effective August 15, 2003, Cimarex requests that the 200% risk charge be applied.
- (7) As currently required by the Division, Cimarex has identified the offsetting operators and/or working interest to this project area and will provide notification. See Exhibit "C" attached.
- (8) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Cimarex needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (9) In accordance with the Division's notice requirements, a copy of this application has been sent to those other working interests owners to be pooled, as listed on Exhibit "B" and to those offsetting operator/working interest owners adjacent to this non-standard spacing and proration unit, as listed on Exhibit "C" and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for September 15, 2011.

WHEREFORE, Cimarex, as applicant, requests that this application be set for hearing on September 15, 2011 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- Cimarex Energy Co. of Colorado be named operator;
- Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

- In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- A 160-acre non-standard oil proration and spacing unit;
- For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A large, stylized handwritten signature in black ink, appearing to read 'W. Kellahin', is written over the 'RESPECTFULLY SUBMITTED:' text.

W. THOMAS KELLAHIN
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Santa Fe, New Mexico 87501
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tkellahin@comcast.net

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised July 16, 2010

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

DISTRICT III
Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name EXXON STATE	Well Number 3
OGRID No.	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3305'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	25	19 S	28 E		330	SOUTH	1980	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
B	25	19 S	28 E		330	NORTH	1980	EAST	EDDY

Dedicated Acres	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

<p><u>PROPOSED BOTTOM HOLE LOCATION</u> Lat - N 32°38'17.92" Long - W 104°07'42.21" NMSPC- N 596008.993 E 604423.187 (NAD-83)</p> <p>EXHIBIT A 604423.187</p> <p><u>SURFACE LOCATION</u> Lat - N 32°37'31.99" Long - W 104°07'42.04" NMSPC- N 591367.4 E 604446.6 (NAD-83)</p>	<p>330'</p> <p>S.L.</p> <p>1980'</p> <p>4641.6'</p> <p>330'</p> <p>S.L.</p> <p>1980'</p>	<p>OPERATOR CERTIFICATION</p> <p>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 to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>Email Address _____</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed _____</p> <p>Signature _____ Seal of Professional Surveyor 7977</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 23207</p>
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EXHIBIT "B"

Foran Oil Co.
5400 LBJ Freeway
One Lincoln Centre, Suite 1500
Dallas, Texas 75240

The Estate of Jim Bowen, deceased,
110 Porr Dr.
Ruidoso, NM 88345

The unknown heirs of Jim Bowen, deceased

EXHIBIT "C"

**OFFSETTING OWNER NOTICE LIST
FOR CIMAREX EXXON STATE WELL NO. 3**

OFFSETTING OWNERS in E/2W/2 AND E/2E/2 of Sec 25

Magnum Hunter Production, Inc.
600 N. Marienfeld Street, Suite 600
Midland, TX 79701

Ross Hyden
2512 N. Crown Circle
Carlsbad, NM 88220

Bennett Oil & Gas Properties, Inc.
PO Box 264
Midland, TX 79702

Foran Oil Co.
5400 LBJ Freeway
One Lincoln Center, Suite 1500
Dallas, TX 75240

Lario Oil & Gas Co.
PO Box 29
Denver, CO 80201

Snow Oil & Gas, Inc.
PO Box 1277
Andrews, TX 79714

COG Operating, LLC
550 West Texas, Suite 100
Midland, TX 79701

Cheryl Ann Barton
2816 Stutz Drive
Midland, TX 79705

Six Bits, Inc.
PO Box 826
Andrews, TX 79714

Centerpoint Resources
PO Box 1821
Midland, TX 79702

Dorsar Investment Co.
4855 N. Mesa, Suite 120
El Paso, TX 79902

Buckeye Energy. Inc.
PO Box 3788
Midland, TX 79702

Penroc Oil Corp.
PO Box 2769
Hobbs, NM 88241

Karen Johnston
2504 Crown Circle
Carlsbad, NM 88220

Concho Oil & Gas LLC
550 West Texas, Suite 100
Midland, TX 79701

Stuart Eiler Green
10931 Martin Street
Balch Springs, TX 75180

OFFSETTING OWNERS IN S/2S/2 of Sec 24

CWM 2000-C LTD
PO Box 7698
Tyler, TX 75711

Mewbourne Oil Company
PO Box 7698
Tyler, TX 75711

Parks & Luttrell, Inc.
1221 Lamar, Suite 1328
Houston, TX 77010

OFFSETTING OWNERS IN N/2N/2 of Sec 36

Mewbourne Oil Company
500 W. Texas Ave., Ste. 1020
Midland, Texas 79701
Attn: Paul Haden