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November 1, 2011

Case 14764

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co. of Colorado, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the December 1, 2011 Examiner hearing.

Very truly yours,


James Bruce

Attorney for Cimarex Energy Co. of Colorado

Parties Being Notified

HHB Limited Partnership
Read & Stevens, Inc.
First Century Oil, Inc.
Charles B. Read
Thomas M. Beall
Laura K. Read
CLM Production Co.
Lincoln Oil & Gas LLC
Watson Properties, LLC (XEC)
Cactus Operating Company, LLC
Fuel Products, Inc.
Marion P. Riley
Steven Rodrigue
Jessicca & Tyler Rodrigue Trust
Pecos Air, Inc.
<u>Spiral, Inc.</u>

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY CO. OF
COLORADO FOR A NON-STANDARD OIL SPACING
AND PRORATION UNIT, AN UNORTHODOX WELL
LOCATION, AND COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.

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Case No. 14764

APPLICATION

Cimarex Energy Co. of Colorado applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, (ii) an unorthodox surface location, and (iii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an operator in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33, and has the right to drill a well thereon.
2. Applicant proposes to drill its Chaparral 33 Fed. Com. Well No. 3, to a depth sufficient to test the Bone Spring formation, and seeks to dedicate E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent. The well is a horizontal well, with an unorthodox surface location 230 feet from the north line and 810 feet from the east line, and a terminus in the SE $\frac{1}{4}$ SE $\frac{1}{4}$, of Section 33. The producing interval will be orthodox.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33 for the purposes set forth herein.

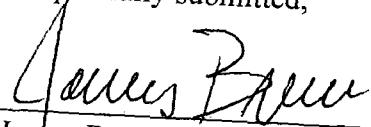
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and unorthodox location, and the pooling of all mineral interests underlying the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33;
- B. Pooling all mineral interests in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 33 in the Bone Spring formation;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Cimarex Energy Co. of
Colorado

PROPOSED ADVERTISEMENT

Case No. 14764:

Application of Cimarex Energy Co. of Colorado for approval of a non-standard oil spacing and proration unit, an unorthodox location, and compulsory pooling, Lea County, New Mexico. Cimarex Energy Co. of Colorado seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2E/2 of Section 33, Township 19 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the E/2E/2 of Section 33 to form a non-standard 160 acre oil spacing and proration unit (project area) for any pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the Chaparral 33 Fed. Com. Well No. 3, a horizontal well to be drilled at an unorthodox surface location 230 feet from the north line and 810 feet from the east line, with a terminus in the SE/4SE/4, of Section 33. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 17 miles west of Monument, New Mexico.

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