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2012 MAY -7 P 12:46

May 7, 2012

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

Case 14859

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co., 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 June 7, 2012 Examiner hearing.

Very truly yours,


James Bruce

Attorney for Cimarex Energy Co.

Parties Being Notified

Chesapeake Exploration, L.L.C.
6100 North Western Avenue
Oklahoma City, Oklahoma 73118

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

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Case No. 14859

APPLICATION

Cimarex Energy Co. 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 3, Township 23 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 3, and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the Blanco 3 State Com. Well No. 2 to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate (i) the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 3 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 3 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 a surface location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$, and a terminus in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, of Section 3.
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 3 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 wells or to otherwise commit their interests to

the wells, 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 E½E½ of Section 3, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the E½E½ of Section 3 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 E½E½ of Section 3;
- B. Pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SE¼SE¼ of Section 3, and the Bone Spring formation underlying the E½E½ of Section 3, as set forth above;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the wells, 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 wells in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, 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.

PROPOSED ADVERTISEMENT

Case No. 14859:

Application of Cimarex Energy Co. for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Cimarex Energy Co. 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 3, Township 23 South, Range 33 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the base of the Bone Spring formation underlying the SE/4SE/4 of Section 3 to form a standard 40 acre oil spacing and proration unit, and (ii) in the Bone Spring formation underlying the E/2E/2 of Section 3 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 units are to be dedicated to the Blanco 3 State Com. Well No. ~~4~~1, a horizontal well to be drilled at a surface location in the SE/4SE/4, with a terminus in the NE/4NE/4, of Section 3. 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 units are located approximately 20-1/2 miles southwest of Oil Center, New Mexico.

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