

KELLAHIN & KELLAHIN
ATTORNEY AT LAW

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501

phone 505.982.4285
Facsimile 505.216.2780
tkellahin@comcast.net

April 24, 2012

VIA EMAIL

Case 14837

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

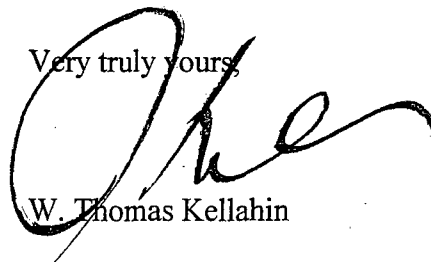
RECEIVED OOD
2012 APR 24 P 4:49

Re: California "29" Fee Well No. 1
Dedication: [Unit L] NW/4SW/4 of Section 29, T18S, R26E
(APD # 30-015-39195)
Application of Cimarex Energy Co. of Colorado
for Compulsory Pooling,
~~Hidalgo~~ *Eddy* County, New Mexico

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 May 24, 2012. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Cimarex Energy Co.
Attn: Hilary Coder

CASE 14837: Application of Cimarex Energy Company of Colorado for a Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interest from the surface of the earth to an approximate depth of 3,000 feet sufficient to test the Yeso formation, including the Penasco Draw San Andres-Yeso Associated Pool (code 50270) with its proposed California "29" Fee Well No. 1 to be dedicated to a 40-acre oil spacing unit consisting of the NW/4SW/4 (Unit L) of Section 29, Township 18 South, Range 26 East, NMPM. 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 Company as the operator of the well a risk charge of 200% for the risk charge involved in this well. This unit is located approximately 2-1/2 miles northeast of Animas, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
CIMAREX ENERGY CO. OF COLORADO FOR
COMPULSORY POOLING,
HIDALGO COUNTY, NEW MEXICO.**

FD EDDY

CASE NO. 14837

RECEIVED
OCD
2012 APR 22 P 4:49

APPLICATION

Cimarex Energy Co. of Colorado ("Cimarex") by its attorneys, Kellahin & Kellahin, seeks an order pooling all mineral interest from the surface of the earth to an approximate depth of 3,000 feet sufficient to test the Yeso formation with its proposed California "29" Fee Well No. 1 to be dedicated to a 40-acre oil spacing unit consisting of the NW/4SW/4 (Unit L) of Section 29, Township 18 South, Range 26 East, NMPM. 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 Company as the operator of the well a risk charge of 200% for the risk charge involved in this well. This unit is located approximately 2-1/2 miles northeast of Animas, New Mexico.

In support of its application Cimarex states:

- (1) Cimarex proposes to drill and operate the California "29" No. 1 to be a vertical wellbore has set forth on the C-102 attached as Exhibit "A"
- (2) Cimarex controls 40% of the working interest ownership within the proposed 40-acre oil spacing and proration unit and has obtained the voluntary joinder of a additional 10%
- (3) On March 22, 2012, Cimarex sent a well proposal letter, including an AFE, to the remaining uncommitted working interest owners within this spacing unit.
- (4) Despite reasonable efforts, Cimarex was unable to conclude a voluntary agreement with those parties listed on Exhibit "B" attached.
- (5) Pursuant to Commission Order R-11992, effective August 15, 2003, Cimarex requests that the 200% risk charge be applied.

- (6) 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.
- (7) 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" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 24, 2012.

WHEREFORE, Cimarex, as applicant, requests that this application be set for hearing on May 24, 2012 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:

- (1) Cimarex Energy Co. be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) 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%.
- (4) 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;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road

Santa Fe, New Mexico 87501
Telephone: (505) 982-4285
Fax: (505) 216-2780
tkellahin@comcast.net

EXHIBIT "B"

Apache Corporation
303 Veterans Air Park Lane, Ste. 3000
Midland, TX 79705
Attn: Lee Scarborough

ZPZ Delaware I LLC
303 Veterans Air Park Lane, Ste. 3000
Midland, TX 79705
Attn: Lee Scarborough

BP
505 Westlake Park Boulevard
Houston, TX 77079
Attn: Emil Beard