



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. Scott Hall

Office: (505) 982-3873

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

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2012 OCT 31 P 4: 11

October 31, 2012

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: NMOCD Case No. 14958, Application of Cimarex Energy Co. for Designation of a Non-Standard Oil Spacing and Proration Unit and for Compulsory Pooling, Lea County, New Mexico (Paduca Federal Well No. 1)

Dear Ms. Bailey:

On behalf of Cimarex Energy Co., enclosed for filing is an original and one copy of an Application in the above-referenced case. Please set this matter for hearing on the December 13, 2012 examiner docket. Also enclosed is a proposed advertisement for the case.

Very truly yours,

J. Scott Hall

Enclosures

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REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

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

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

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Case No. 14938

APPLICATION

Cimarex Energy Co., by its undersigned attorneys, Montgomery and Andrews, P.A. (J. Scott Hall), hereby makes application pursuant to *inter alia* Rules 19.15.16.14 and 19.15.16.15 NMAC of the Division's Rules and regulations and NMSA 1978 Section 70-2-17 (1995) for an order providing as follows:

A. Consolidating each of the 40-acre spacing units within the E/2 E/2 of Section 33, Township 24 South, Range 32 East, NMPM, Lea County, New Mexico and designating the consolidated units as a 160-acre \pm non-standard oil spacing and proration unit in the Bone Spring formation for Applicant's horizontal drilling project area; and

B. Pooling all interests in the Bone Spring formation underlying the E/2 E/2 of Section 33.

In support, Applicant states:

1. Applicant owns certain working interests in and under the proposed project area in Section 33, and has the right to drill thereon.

2. Applicant proposes to dedicate the above-referenced pooled unit to its North Paduca Federal Well No. 1 to be drilled horizontally from a surface location 330' from the North line and 660' from the East line (Unit B) to a bottom hole location 330' from the South line and 660' from the East line (Unit P), to a depth sufficient to test the Bone Spring formation

underlying the proposed project area in Section 33. The Completed Interval of the well will be located within the Producing Area of the proposed Project Area.

3. Applicant does not have leases or a voluntary agreement for pooling or farmout from certain other interest owners in the above-reference formation underlying the proposed non-standard unit.

4. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled and the Applicant should be designated operator of the well.

5. The pooling of interests and approval of the non-standard spacing and proration unit and horizontal well project area will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons underlying the spacing unit, will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE Applicant requests that this Application be set for hearing before a duly appointed hearing examiner of the Oil Conservation Division on December 13, 2012 and that after notice and hearing as required by law, the Division enter its Order approving the non-standard spacing unit, the project area and pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the wells, its costs of supervision while drilling and after completion, including overhead charges and providing for adjustments to such rates in accordance with accepted COPAS accounting procedures, and imposing a 200% risk factor for the risk assumed by the Applicant in drilling, completing and equipping the wells, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: J. Scott Hall

J. Scott Hall

Seth C. McMillan

P.O. Box 2307

Santa Fe, NM 87504-2307

(505) 982-3873 – Telephone

(505) 982-4289 – Fax

shall@montand.com

smcmillan@montand.com

Attorneys for Cimarex Energy Co.

417407