

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

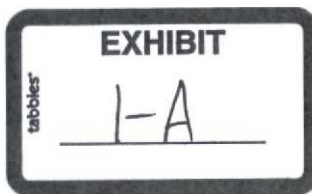
**APPLICATION OF CIMAREX
ENERGY CO. FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT,
PROJECT AREA AND
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Cimarex Energy Co. ("Cimarex"), OGRID Number 215099, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) creating a non-standard 360-acre, more or less, oil spacing and proration unit and non-standard project area in the Bone Spring formation, comprised of the N/2 N/2 of Sections 26 and 27 and the NE/4 NE/4 of Section 28, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard project area and spacing and proration unit. In support of this application, Cimarex states as follows:

1. Cimarex is an interest owner in the subject lands and has a right to drill a well thereon.
2. Cimarex seeks to dedicate the N/2 N/2 of Sections 26 and 27 and the NE/4 NE/4 of Section 28, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico to the proposed well to form a non-standard 360-acre, more or less, oil spacing and proration unit (the "project area").



3. Cimarex proposes to drill the **Hackberry 26 Federal Com 1H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location 915 feet from the North line, 1069 feet from the East line of Section 26, Township 19 South, Range 30 East, and a terminus 660 feet from the North line, 990 feet from the East line of Section 28, Township 19 South, Range 30 East.

4. This well will develop the Hackberry, Bone Springs pool (Pool Code 97020) and there are no special pool rules that apply. The producing interval that Cimarex seeks to drill will comply with the statewide 330 foot setback requirements.

5. Cimarex sought, but has been unable to obtain a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.

6. Approval of the non-standard unit and project area and the pooling of all interests in the Bone Spring formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. Notice of this application is being given in accordance with Division rules as shown on Exhibit A.

WHEREFORE, Cimarex Energy Co. requests this application be set for hearing before an Examiner of the Oil Conservation Division on January 19, 2017, and after notice and hearing as required by law, the Division enter its order:

A. Creating a non-standard project area and oil spacing and proration unit ("project area") in the Bone Spring formation comprised of N/2 N/2 of Sections 26 and 27 and the NE/4 NE/4 of Section 28, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico;

- B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit/project area;
- C. Designating Cimarex as operator of this unit and the well to be drilled thereon;
- D. Authorizing Cimarex to recover its costs of drilling, equipping and completing this well;
- 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,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

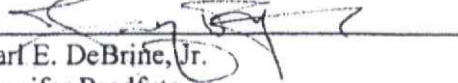
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Telephone: 505.848.1800
Attorneys for Applicant

EXHIBIT A
CIMAREX ENERGY CO. NOTICE LIST

Parties to be pooled:

Shackelford Oil Company
203 W. Wall St., Ste. 200
Midland, Texas 79701
Attn: Don Shackelford

Devon Energy
333 West Sheridan Avenue
Oklahoma City, Oklahoma 73102-8260
Attn: Meg Muhlinghause

McBride Oil & Gas Corporation
P.O. Box 1515
Roswell, New Mexico 88202

Offsets

Yates Petroleum
105 S. 4th St.
Artesia, NM 88210

Mobil Production TX and NM Inc.
9193 S. Jamaica St.
PO Box 6501
Englewood, CO 80155

Southwest Royalties (Clayton Williams)
6 Desta Drive Suite 1100
Midland, Texas 79705

Shackelford Oil Co.
203 W. Wall St., Ste. 200
Midland, Texas 79701
Attn: Don Shackelford

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P.O. Box 1515
Roswell, New Mexico 88202

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1811 Heritage Blvd., Suite 200

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6700 E Cedar Ave. A
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3. Cimarex proposes to drill the **Hackberry 26 Federal Com 2H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location 2022 feet from the North line, 730 feet from the East line of Section 26, Township 19 South, Range 30 East, and a terminus 1980 feet from the North line, 990 feet from the East line of Section 28, Township 19 South, Range 30 East.

4. This well will develop the Hackberry, Bone Springs pool (Pool Code 97020) and there are no special pool rules that apply. The producing interval that Cimarex seeks to drill will comply with the statewide 330 foot setback requirements.

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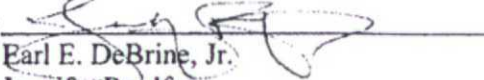
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