

**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
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 16295

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 320-acre, more or less, oil spacing and proration unit in the Wolfcamp formation, comprised of the E/4 of Sections 32, Township 25 South, Range 33 East and the E/4 of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico; and, (2) pooling all mineral interests in the Wolfcamp formation underlying this proposed non-standard 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 E/4 of Section 32, T. 25S, R. 33E and the E/4 of Section 5, T. 26S, R. 33E, to the proposed well to form a non-standard 320-acre, more or less, horizontal oil spacing and proration unit (a/k/a the "project area").

3. Cimarex proposes to drill the **Red Hills Unit 127H** well to a depth sufficient to test the Wolfcamp formation. This well is a horizontal well with a surface location 390' FNL and 510' FWL of Section 32, Township 25 South, Range 33 East, and the intended bottom hole location is 330' FSL and 380' FWL of Section 5, Township 26 South, Range 33 East. The well is proposed to be drilled vertically to a depth of approximately 10,810' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

4. This well is a Wildcat Wolfcamp well which is subject to statewide rules. The producing interval that Cimarex seeks to drill will comply with the statewide 330 foot setback requirements established under statewide rules.

5. Cimarex sought, but has been unable to obtain a voluntary agreement from all interest owners in the Wolfcamp 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 the pooling of all interests in the Wolfcamp 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 July 12, 2018, and after notice and hearing as required by law, the Division enter its order:

A. Creating a 320-acre non-standard horizontal oil spacing and proration unit (a/k/a "project area") in the Wolfcamp formation comprised of the E/4 of Sections 32,

Township 25 South, Range 33 East and the E/4 of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico.

- B. Pooling all mineral interests in the Wolfcamp 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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CASE NO. _____: Application of Cimarex Energy Co. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 320-acre, more or less, oil spacing and proration unit in the Wolfcamp formation, comprised of the E/4 of Sections 32, Township 25 South, Range 33 East and E/4 of Section 5, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico; and, (2) pooling all mineral interests in the Wolfcamp formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Red Hills Unit 127H**, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 22 miles west of Jal, New Mexico.