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April 23, 2009

**HAND DELIVERED**

Mr. Mark E. Fesmire, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14322*

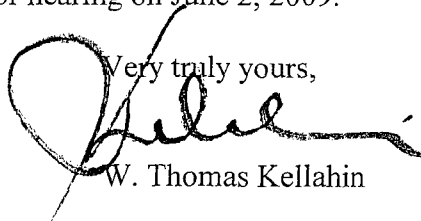
**Re: Application of Cimarex Energy Co  
for Compulsory Pooling  
Lea County, New Mexico  
NW/4 Section 28, T19S, R34E**

- (a) SW/4NW/4---Paloma Ridge 28 Fed #2 Well
- (b) SE/4NW/4---Paloma Ridge 28 Fed #3 Well
- (c) NE/4NW/4---Paloma Ridge 29 Fed #4 Well

Dear Mr. Fesmire:

On behalf of Cimarex Energy Co., enclosed for filing is our referenced application to be set for hearing on June 2, 2009.

Very truly yours,



W. Thomas Kellahin

CC: Cimarex Energy Co.  
Attn: Don R. McClung, Landman

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CASE 14322 *Application of Cimarex Energy Co. for compulsory pooling, Lea County, New Mexico.* Applicant seeks an order pooling all mineral interests from the base of the Yates formation to the base of the Queen formation in three 40-acre spacing and proration units located in the NW/4 of Section 28, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico to test any and all pools in these formations, which includes the Pearl-Queen Pool, as follows:

(a) SW/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 2 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;

(b) SE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 3 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;

(c) NE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 4 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;

Also to be considered will be the cost of drilling and completing these wells as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling these wells. Said units are located approximately 20 miles West of Hobbs, 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. FOR  
COMPULSORY POOLING  
LEA COUNTY, NEW MEXICO.**

CASE NO. 14.322

**APPLICATION**

Comes now CIMAREX ENERGY CO. ("Cimarex") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the base of the Yates formation to the base of the Queen formation in three spacing and proration units located in the NW/4 of Section 28, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico to test any and all pools in these formations, which the Pearl-Queen Pool, as follows:

- (a) SW/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 2 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;
- (b) SE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 3 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;
- (c) NE/4 NW/4 to be dedicated to its Paloma Ridge 28 Federal Well No. 4 to be drilled at a standard location to be drilled to an approximate total depth of approximately 5025;

Also to be considered will be the costs of 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 as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Cimarex states:

1. Cimarex has 50% of the working interest and the right to drill and develop the oil and gas minerals interests from the base of the Yates formation to the base of the Queen formation in four spacing and proration units located in the NW/4 of Section 28, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

2. Cimarex controls the largest working interest ownership in the NW/4 of Section 28, T19S, R34E, the working interest ownership is as follows:

(a) Magnum Hunter Production, Inc. (Cimarex)	50.000000%
(b) Harvey E. Yates Co. (Nadel and Gussman Heyco, LLC)	18.750000%
(c) Merit Partners, L.P.	17.625000%
(d) Merit Energy Partners D-III, L.P.	0.6562500%
(e) Merit Energy Partners III, L.P.	0.4687500%
(f) EOG Resources, Inc.	12.500000%

3. On December 12, 2008, Nadel and Gussman Heyco, LLC, ("NGH") without first proposing its well to Cimarex, obtained approval of an application for permit to drill ("APD") from the BLM, dated December 12, 2008, for its Paloma Ridge Federal Well No. 1 (API # 30-025-39310).
4. By letter dated February 3, 2009, NGH proposed the drilling of four (4) wells, including the Paloma Ridge 28 Fed #1, Unit D, within the NW/4 of Section 28 to Cimarex by sending its letter to Cimarex's Tulsa, Oklahoma office and not its Midland, Texas office
5. On March 31, 2009, without waiting for a final answer from Cimarex, NGH filed a compulsory pooling application for these four wells, that has been docket as Division Case 14311 that is currently set for hearing on April 30, 2009.
6. On April 14, 2009, Cimarex (Midland), having finally received NGH's proposal for these 4 wells, responded to NGH with a competing wellbore proposals for 3 wells in the NW/4 of Section 28.
7. By telephone conversation on April 23, 2009, NGH declined to agree with Cimarex's well proposal.
8. At this time, Cimarex has not been able to obtain a written voluntary agreement from NGH and a dispute exists between Cimarex and NGH for the plan for operation for the NW/4 of Section 28, including the procedures for the sequence of elections and drilling of these 4 wellbores.
9. 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, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
10. Pursuant to Commission Order R-11992, effective August 15, 2003, Cimarex requests that a 200% risk charge be applied.

11. In accordance with the Division's notice requirements, a copy of this application has been sent to the NGH and to those other parties whose interest are affected and whose current addresses are known as listed on Exhibit "A" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 2, 2009.

WHEREFORE, Cimarex, as applicant, requests that this application be set for hearing on June 2, 2009 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 the drilling of this 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) Provisions for the sequence of elections and sharing of data for these will in the NW/4 of Section 28;
- (4) In the event a 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 charge 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  
(505) 982-4285

Exhibit "A"

**Party to be Pooled**

Nadel and Gussman Yeyco, LLC  
P.O. Box 1936  
Roswell, NM 88202

**Other Interested Parties not to be pooled**

EOG Resources Inc.  
P. O. Box 2267  
Midland, TX 79702

Merit Partners, LP  
13727 Noel Road, Suite 500  
Dallas, TX 75240

Merit Energy Partners III, LP  
13727 Noel Road, Suite 500  
Dallas, TX 75240

Merit Energy Partners D-III, LP  
13727 Noel Road, Suite 500  
Dallas, TX 75240