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August 4, 2009

Hand delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co., are an original and one copy of an application for a non-standard unit and compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division.

Very truly yours,


James Bruce

Attorney for Cimarex Energy Co.

Case 14368

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Parties Being Pooled

Pear Resources
P.O. Box 11044
Midland, Texas 79702

Fuel Products, Inc.
P.O. Box 3098
Midland, Texas 79702

Michael J. Moncrief 2008 Trust A
Attention: Jerry Goodwin, CPA
Suite 1030
777 Taylor Street
Fort Worth, Texas 76102

Lee Wiley Moncrief Trust
c/o U.S. Trust, Bank of America
Attention: Janet Cunningham, CPL
P.O. Box 2546
Fort Worth, Texas 76113

Hyde Oil and Gas Corporation
Attention: Blair Hamburg
Suite 1018
6300 Ridglea Place
Fort Worth, Texas 76116

W.A. Moncrief, Jr. Trust
Attention: Monica Cebell
950 Commerce Street
Fort Worth, Texas 76102

MGT Partners I, L.P., *et al.*
Suite 500
13727 Noel Road
Dallas, Texas 79702

PROPOSED ADVERTISEMENT

Case No. 14368:

Application of Cimarex Energy Co. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Cimarex Energy Co. seeks an order approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2N/2 of Section 34, Township 19 South, Range 34 East, NMPM, to form a non-standard 160-acre oil spacing and proration unit (project area), and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit is to be dedicated to the Mallon 34 Fed. Well No. 20, a horizontal well to be drilled with a surface location at an orthodox location in the NW $\frac{1}{4}$ NW $\frac{1}{4}$, and a terminus at an orthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, of Section 34. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 17 miles west of Monument, New Mexico.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 14368

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APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, and has the right to re-enter or drill a well thereon.
2. Applicant proposes to drill the Mallon 34 Fed. Well No. 20 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the NW $\frac{1}{4}$ NW $\frac{1}{4}$, and a terminus at an orthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, of Section 34.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.


Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the N½N½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N½N½ of Section 34;
- B. Pooling all mineral interests in the N½N½ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- 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,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Cimarex Energy Co.