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2009 SEP 16 P 12:44

September 15, 2009

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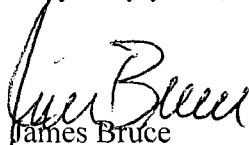
Case 14390

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.

Parties Being Pooled

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

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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**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. 14390

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 $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34, and has the right to re-enter or drill a well thereon.
2. Applicant proposes to re-enter the Mallon 34 Fed. Well No. 16, located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34, and drill it to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate (i) the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the N $\frac{1}{2}$ S $\frac{1}{2}$ 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 re-entered well will be a horizontal well, with a surface location 1980 feet from the south line and 660 feet from the west line, and a terminus 1980 feet from the south line and 330 feet from the east line, of Section 34, as shown on Exhibit A attached hereto.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½S½ of Section 16 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 (i) the NW¼SW¼ of Section 34, and (ii) the N½S½ of Section 34, from the surface to the base of the Bone Spring formation, pursuant to NMSA 1978 §§70-2-17, 18.

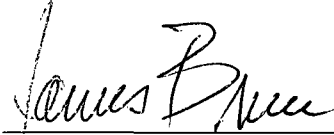
5. The approval of the non-standard unit and the pooling of all mineral interests underlying the N½S½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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 N½S½ of Section 34;
- B. Pooling all mineral interests in (i) the NW¼SW¼ of Section 34, and (ii) the N½S½ of Section 34, from the surface to the base of the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-entering, 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 re-entering, drilling, and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Cimarex Energy Co.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-32818		¹ Pool Code 50461		¹ Pool Name Quail Ridge; Bone Spring, South	
⁴ Property Code		³ Property Name Mallon 34 Federal			⁴ Well Number 016
⁷ OGRID No. 162683		¹ Operator Name CIMAREX ENERGY CO. OF COLORADO			¹ Elevation 3678' GL

¹⁰ Surface Location

UL or lot no. L	Section 34	Township 19S	Range 34E	Lot Idn	Feet from the 1980	North/South line South	Feet from the 660	East/West line West	County Lea
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no. D	Section 36	Township 19S	Range 32E	Lot Idn	Feet from the 1980	North/South line South	Feet from the 330	East/West line East	County Lea
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¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> <u>Zeno Farris</u> 2/3/2009 Signature Date Zeno Farris Printed Name
	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Date of Survey Signature and Seal of Professional Surveyor
	Certificate Number

EXHIBIT

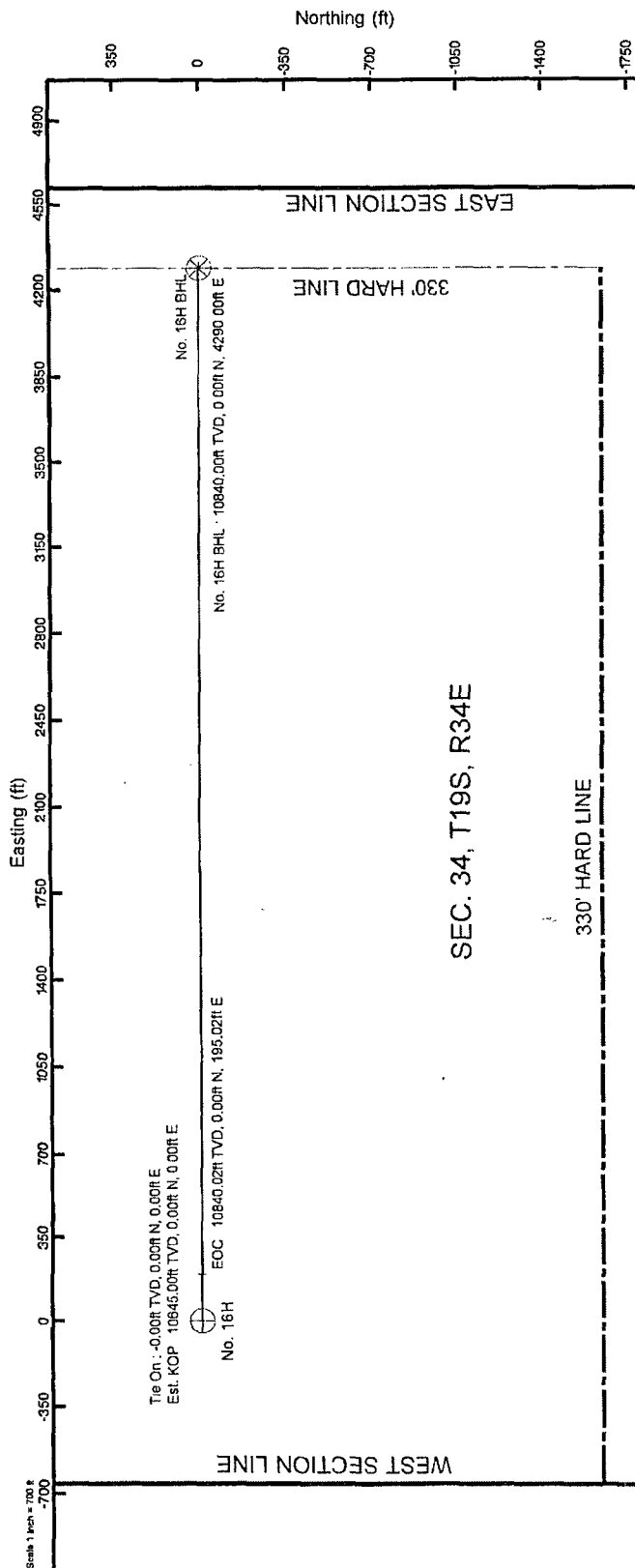
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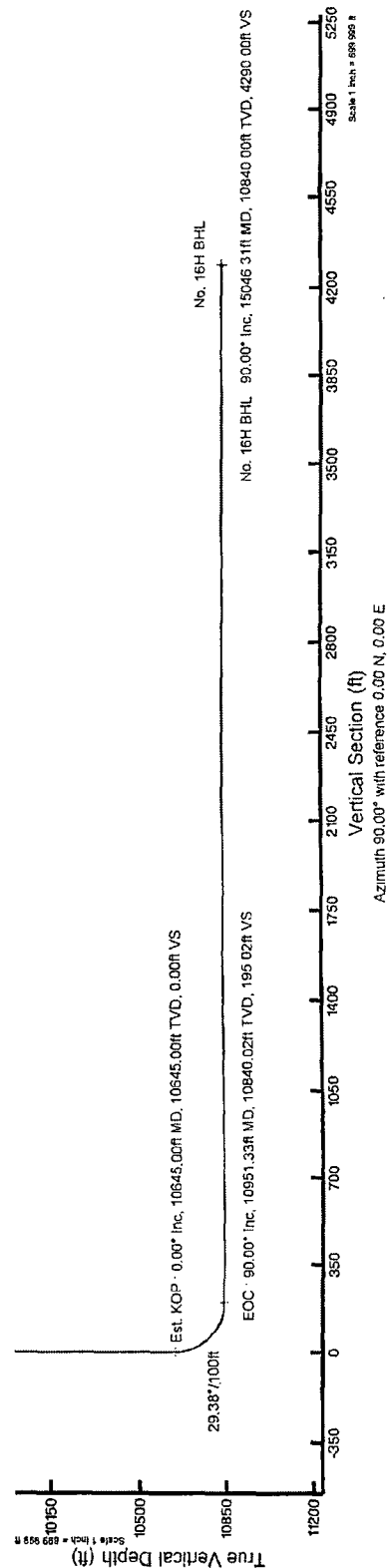
Location: Lea County, NM
Field (Mallon) Sec 34, T19S, R34E
Facility: Mallon 34 Federal #16

Slot:	No. 16H
Well:	No. 16H SHL
Wellbore:	No. 16H PWB

Well Profile Data									
Design Comment	MD (ft)	Inc (°)	Az (°)	TVD (ft)	Local N (ft)	Local E (ft)	DLS (°/100ft)	VS (ft)	
Est. On	0.00	0.000	90.000	0.00	0.00	0.00	0.00	0.00	
Est. KOP	10845.00	0.000	90.000	10845.00	0.00	0.00	0.00	0.00	
EOC	10951.33	90.000	90.000	10840.02	0.00	195.02	29.38	195.02	
1084 BHL	15046.31	90.000	90.000	10840.00	0.00	4290.00	0.00	4290.00	
True vertical depths are referenced to RIG on US 184 (RT) Measured depths are referenced to RIG on US 184 (RT) Rig on US 184 (RT) to Mean Sea Level: 3658.2 feet Mean Sea Level to Mud set (Fishing Station 24 Federal #16) : 3578 feet Coordinates are in feet referenced to Fishing Center Created by: guessem on 10/9/2008									



SECTION/HARD LINE ARE ESTIMATE ONLY AND ARE SUBJECT TO CUSTOMER APPROVAL





Planned Wellpath Report

Preliminary Plan

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INTEQ

REFERENCE WELLPATH IDENTIFICATION

Operator	Cimarex Energy Co. of Colorado	Slot	No. 16H
Area	Lea County, NM	Well	No. 16H SHL
Field	(Mallon) Sec 34, T19S, R34E	Wellbore	No. 16H PWB
Facility	Mallon 34 Federal #16		

REPORT SETUP INFORMATION

Projection System	NAD83 / TM New Mexico State Planes, Eastern Zone (3001), US feet	Software System	WellArchitect® 2.0
North Reference	Grid	User	Gomeoscr
Scale	1.00024	Report Generated	1/9/2009 at 8:40:03 AM
Convergence at slot	n/a	Database/Source file	WA_Midland/No. 16H_PWB.xml

WELLPATH LOCATION

	Local coordinates		Grid coordinates		Geographic coordinates	
	North[ft]	East[ft]	Easting[USft]	Northing[USft]	Latitude	Longitude
Slot Location	0.00	0.00	0.00	0.00	30°59'18.404"N	106°03'38.987"W
Facility Reference Pt			0.00	0.00	30°59'18.404"N	106°03'38.987"W
Field Reference Pt			0.00	0.00	30°59'18.404"N	106°03'38.987"W

WELLPATH DATUM

Calculation method	Minimum curvature	Rig on No. 16H (RT) to Facility Vertical Datum	17.50ft
Horizontal Reference Pt	Facility Center	Rig on No. 16H (RT) to Mean Sea Level	3695.50ft
Vertical Reference Pt	Rig on No. 16H (RT)	Facility Vertical Datum to Mud Line (Facility)	0.00ft
MD Reference Pt	Rig on No. 16H (RT)	Section Origin	N 0.00, E 0.00 ft
Field Vertical Reference	Mean Sea Level	Section Azimuth	90.00°



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INTEQ

REFERENCE WELLPATH IDENTIFICATION			
Operator	Cimarex Energy Co. of Colorado	Slot	No. 16H
Area	Lea County, NM	Well	No. 16H SHL
Field	(Mallon) Sec 34, T19S, R34E	Wellbore	No. 16H PWB
Facility	Mallon 34 Federal #16		

WELLPATH DATA (53 stations) † = interpolated/extrapolated station								
MD [ft]	Inclination [°]	Azimuth [°]	TVD [ft]	Vert Sect [ft]	North [ft]	East [ft]	DLS [°/100ft]	Comments
0.00	0.000	90.000	0.00	0.00	0.00	0.00	0.00	Tie On
9756.00†	0.000	90.000	9756.00	0.00	0.00	0.00	0.00	2nd Bone Spring Carbonate
9948.00†	0.000	90.000	9948.00	0.00	0.00	0.00	0.00	2nd Bone Spring Sand
10430.00†	0.000	90.000	10430.00	0.00	0.00	0.00	0.00	3rd Bone Spring Coarbonate
10630.00†	0.000	90.000	10630.00	0.00	0.00	0.00	0.00	3rd Bone Spring Sand
10645.00	0.000	90.000	10645.00	0.00	0.00	0.00	0.00	Est KOP
10745.00†	29.380	90.000	10740.67	25.08	0.00	25.08	29.38	
10845.00†	58.760	90.000	10811.74	93.88	0.00	93.88	29.38	
10945.00†	88.140	90.000	10839.91	188.69	0.00	188.69	29.38	
10948.81†	89.260	90.000	10840.00	192.50	0.00	192.50	29.38	3rd Bone Spring "C" Sand
10951.33	90.000	90.000	10840.02	195.02	0.00	195.02	29.38	EOC; 3rd Bone Spring "C" Sand
11045.00†	90.000	90.000	10840.02	288.69	0.00	288.69	0.00	
11145.00†	90.000	90.000	10840.02	388.69	0.00	388.69	0.00	
11245.00†	90.000	90.000	10840.02	488.69	0.00	488.69	0.00	
11345.00†	90.000	90.000	10840.01	588.69	0.00	588.69	0.00	
11445.00†	90.000	90.000	10840.01	688.69	0.00	688.69	0.00	
11545.00†	90.000	90.000	10840.01	788.69	0.00	788.69	0.00	
11645.00†	90.000	90.000	10840.01	888.69	0.00	888.69	0.00	
11745.00†	90.000	90.000	10840.01	988.69	0.00	988.69	0.00	
11845.00†	90.000	90.000	10840.01	1088.69	0.00	1088.69	0.00	
11945.00†	90.000	90.000	10840.01	1188.69	0.00	1188.69	0.00	
12045.00†	90.000	90.000	10840.01	1288.69	0.00	1288.69	0.00	
12145.00†	90.000	90.000	10840.01	1388.69	0.00	1388.69	0.00	
12245.00†	90.000	90.000	10840.01	1488.69	0.00	1488.69	0.00	
12345.00†	90.000	90.000	10840.01	1588.69	0.00	1588.69	0.00	
12445.00†	90.000	90.000	10840.01	1688.69	0.00	1688.69	0.00	
12545.00†	90.000	90.000	10840.01	1788.69	0.00	1788.69	0.00	
12645.00†	90.000	90.000	10840.01	1888.69	0.00	1888.69	0.00	
12745.00†	90.000	90.000	10840.01	1988.69	0.00	1988.69	0.00	
12845.00†	90.000	90.000	10840.01	2088.69	0.00	2088.69	0.00	
12945.00†	90.000	90.000	10840.01	2188.69	0.00	2188.69	0.00	
13045.00†	90.000	90.000	10840.01	2288.69	0.00	2288.69	0.00	
13145.00†	90.000	90.000	10840.01	2388.69	0.00	2388.69	0.00	
13245.00†	90.000	90.000	10840.01	2488.69	0.00	2488.69	0.00	
13345.00†	90.000	90.000	10840.01	2588.69	0.00	2588.69	0.00	
13445.00†	90.000	90.000	10840.01	2688.69	0.00	2688.69	0.00	
13545.00†	90.000	90.000	10840.01	2788.69	0.00	2788.69	0.00	
13645.00†	90.000	90.000	10840.01	2888.69	0.00	2888.69	0.00	
13745.00†	90.000	90.000	10840.01	2988.69	0.00	2988.69	0.00	
13845.00†	90.000	90.000	10840.00	3088.69	0.00	3088.69	0.00	
13945.00†	90.000	90.000	10840.00	3188.69	0.00	3188.69	0.00	
14045.00†	90.000	90.000	10840.00	3288.69	0.00	3288.69	0.00	
14145.00†	90.000	90.000	10840.00	3388.69	0.00	3388.69	0.00	
14245.00†	90.000	90.000	10840.00	3488.69	0.00	3488.69	0.00	
14345.00†	90.000	90.000	10840.00	3588.69	0.00	3588.69	0.00	



Planned Wellpath Report

Preliminary Plan

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INTEQ

REFERENCE WELLPATH IDENTIFICATION

Operator	Cimarex Energy Co. of Colorado	Slot	No. 16H
Area	Lea County, NM	Well	No. 16H SHL
Field	(Mallon) Sec 34, T19S, R34E	Wellbore	No. 16H PWB
Facility	Mallon 34 Federal #16		

WELLPATH DATA (53 stations) † = interpolated/extrapolated station

MD [ft]	Inclination [°]	Azimuth [°]	TVD [ft]	Vert Sect [ft]	North [ft]	East [ft]	DLS [°/100ft]	Comments
14445.00†	90.000	90.000	10840.00	3688.69	0.00	3688.69	0.00	
14545.00†	90.000	90.000	10840.00	3788.69	0.00	3788.69	0.00	
14645.00†	90.000	90.000	10840.00	3888.69	0.00	3888.69	0.00	
14745.00†	90.000	90.000	10840.00	3988.69	0.00	3988.69	0.00	
14845.00†	90.000	90.000	10840.00	4088.69	0.00	4088.69	0.00	
14945.00†	90.000	90.000	10840.00	4188.69	0.00	4188.69	0.00	
15045.00†	90.000	90.000	10840.00	4288.69	0.00	4288.69	0.00	
15046.31	90.000	90.000	10840.00	4290.00	0.00	4290.00	0.00	No. 16H BHL

TARGETS

Name	MD [ft]	TVD [ft]	North [ft]	East [ft]	Grid East [srv ft]	Grid North [srv ft]	Latitude	Longitude	Shape
1) No. 16H BHL	15046.31	10840.00	0.00	4290.00	4291.04	0.00	30°59'19.060"N	106°02'49.710"W	point

PROPOSED ADVERTISEMENT

Case No. 14390:

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 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2S/2 of Section 34, Township 19 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests from the surface to the base of the Bone Spring formation underlying (i) the NW/4SW/4 of Section 34 to form a standard 40 acre oil spacing and proration unit, and (ii) the N/2S/2 of Section 34 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 units are to be dedicated to the Mallon 34 Fed. Well No. 16, a horizontal well to be re-entered and drilled at a surface location 1980 feet from the south line and 660 feet from the west line, with a terminus 1980 feet from the south line and 330 feet from the east line, of Section 34. Also to be considered will be the cost of re-entering, 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 re-entering, drilling, and completing the well. The units are located approximately 17 miles west of Monument, New Mexico.

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