

982-45574

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

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December 22, 2009

Case 14418


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. Please set this matter for the January 21, 2010 hearing.

Very truly yours,



James Bruce

Attorney for Cimarex Energy Co.

Parties Being Pooled

<u>Interest Owners</u>	<u>Unit Net Acres</u>	<u>Unit Working Interest</u>
Lynx Petroleum Consultants, Inc. ✓ P.O. Box 1208 Hobbs, New Mexico 88211	18.29328	.11433333
Harvey E. Yates Co ✓ 500 N. Main St., Ste. 1 Roswell, New Mexico 88201	9.13361	.05708508
Bass Management Trust 201 Main Street, Ste. 2900 Fort Worth, Texas 76102	8.00000	.05000000
OXY USA ✓ 5 Greenway Plaza, Ste. 110 Houston, Texas 77046	6.66667	.04166667
Thru Line, Inc. 201 Main Street, Ste. 2900 Fort Worth, Texas 76102	6.00000	.03750000
Keystone, Inc. 201 Main Street, Ste. 2900 Fort Worth, Texas 76102	6.00000	.03750000
Sid R. Bass, Inc. 201 Main Street, Ste. 2900 Fort Worth, Texas 76102	6.00000	.03750000
Lee M. Bass, Inc. 201 Main Street, Ste. 2900 Fort Worth, Texas 76102	6.00000	.03750000
Marbob Energy Corp. ✓ P. O. Box 227 Artesia, New Mexico 88211	5.60000	.03500000
Jalapeno Corp. P. O. Box 1608 Albuquerque, New Mexico 87103	3.83906	.023994145
Ben Alexander P. O. Box 1331 Hobbs, New Mexico 88241	3.20000	.02000000
Seven Rivers, Inc. P. O. Box 1598 Carlsbad, New Mexico 88221	3.20000	.02000000
Yates Energy Corp. P. O. Box 2323 Roswell, New Mexico 88202	3.027326	.01892079

Powder Horn Investments, LLC P. O. Box 2503 Hobbs, New Mexico 88241	1.60000	.01000000
TNK, Inc. P. O. Box 1500 Hobbs, New Mexico 88241	1.60000	.01000000
DASCO Energy Corp. c/o American State Bank Trust Dept. P.O. Box 1401 Lubbock, Texas 79408	1.60000	.01000000
Watson Truck & Supply, Inc. P. O. Box 10 Hobbs, New Mexico 88241	1.60000	.01000000
Fonay Oil & Gas 5333 Baggett Hobbs, New Mexico 88242	.96000	.00600000
E.G.L. Resources P. O. Box 10886 Midland, Texas 79702	.96000	.00600000
Kent Gabel Sudan Feedyard 1 Hwy Mile of Sudan East Sudan, Texas 79371	.80000	.00500000
McVay Drilling Co. P. O. Box 924 Hobbs, New Mexico 88241	.80000	.00500000
Larry R. Scott P. O. Box 1979 Hobbs, New Mexico 88241	.32000	0.0020000

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, EDDY COUNTY, NEW MEXICO.

Case No. 14418

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 $W\frac{1}{2}W\frac{1}{2}$ of Section 21, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from 2500 feet subsurface to the base of the Bone Spring formation underlying the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 21, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the $W\frac{1}{2}W\frac{1}{2}$ of Section 34, ²¹~~and~~ proposes to drill a well thereon.
2. Applicant proposes to drill the Penny Pincher 21 Fed. Well No. 1 to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate (i) the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 21 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the $W\frac{1}{2}W\frac{1}{2}$ of Section 21 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. The well will be a horizontal well, with an orthodox surface location in the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 21, and a terminus at an orthodox location in the $SW\frac{1}{4}SW\frac{1}{4}$ of Section 21,
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the $W\frac{1}{2}W\frac{1}{2}$ of Section 21 for the purposes set forth herein.

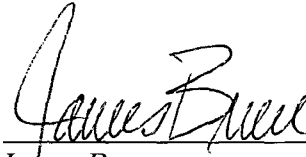
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in (i) the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21, and (ii) the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 21, from 2500 feet subsurface to the base of the Bone Spring formation, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 21 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 W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 21;
- B. Pooling all mineral interests in (i) the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21, and (ii) the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 21, from 2500 feet subsurface 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 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.

PROPOSED ADVERTISEMENT

Case No. 14418:

Application of Cimarex Energy Co. for a non-standard oil spacing and proration unit and compulsory pooling, Eddy 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 W/2W/2 of Section 21, Township 19 South, Range 31 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/4NW/4 of Section 21 to form a standard 40 acre oil spacing and proration unit, and (ii) the W/2W/2 of Section 21 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. The units are to be dedicated to the Penny Pincher 21 Fed. Well No. 1, a horizontal well to be drilled at an orthodox surface location in the NW/4NW/4, with a terminus at an orthodox location in the SW/4SW/4, of Section 21. 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 units are located approximately 13 miles south-southeast of Loco Hills, New Mexico.