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October 19, 2010

Hand delivered


*Case 14566*

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 compulsory pooling, etc., together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the November 18, 2010 Examiner hearing.

Very truly yours,

  
James Bruce

Attorney for Cimarex Energy Co.

*See  
Amended*

Parties Being Notified

The Blanco Company  
P.O. Box 25968  
Albuquerque, New Mexico 87125

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

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

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Case No. 14566

(Sealed)  
Amended

**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 Lot 4 of Section 3 and Lots 1-3 of Section 4, Township 19 South, Range 30 East, N.M.P.M., Eddy 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 Lot 4 of Section 3 and Lots 1-3 of Section 4, and has the right to drill a well thereon.
2. Applicant proposes to drill its Intrepid 3 Fed. Well No. 1, to a depth sufficient to test the Bone Spring formation, and seeks to Lot 4 of Section 3 and Lots 1-3 of Section 4 to the well to form a non-standard 161.53 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 is a horizontal well, with a surface location in Lot 3 of Section 3, and a terminus in Lot 3 of Section 4.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in Lot 4 of Section 3 and Lots 1-3 of Section 4 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 Lot 4 of Section 3 and Lots 1-3 of Section 4, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying Lot 4 of Section 3 and Lots 1-3 of Section 4 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 Lot 4 of Section 3 and Lots 1-3 of Section 4;
- B. Pooling all mineral interests in Lot 4 of Section 3 and Lots 1-3 of Section 4 in the Bone Spring formation;
- C. Designating applicant as operator of the well;
- D. Considering the cost of 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. of  
Colorado

PROPOSED ADVERTISEMENT

Case No. 14566 :

***Application of Cimarex Energy Co. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.*** Cimarex Energy Co. of Colorado seeks an order approving a 161.53-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of Lot 4 of Section 3 and Lots 1-3 of Section 4, Township 19 South, Range 30 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying Lot 4 of Section 3 and Lots 1-3 of Section 4 to form a non-standard 161.53 acre oil spacing and proration unit (project area) for any pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the Intrepid 3 Fed. Well No. 1, a horizontal well to be drilled at a surface location in Lot 3 of Section 3, with a terminus in Lot 3 of Section 4. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 8-1/2 miles south of Loco Hills, New Mexico.

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