

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, TX 79701
MAIN 432.571.7800



December 16, 2019

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Mr. Daniel Sanchez, OCD Compliance and Enforcement Manager
1220 South St. Francis Drive
Santa Fe, NM 87505

HOBBS OCD

DEC 19 2019

RECEIVED

**Re: Notice of Violation
Cimarex Energy Company of Colorado**

Dear Mr. Sanchez,

Please see attached Notice of Violation letter concerning Cimarex Energy Company of Colorado (Cimarex). The Oil Conservation Division (OCD) has provided a notice of violation of the following provisions:

- Inactive wells rule
- Failure to report production

Currently, Cimarex has eight (8) inactive wells, thereby exceeding the minimum allowed. In order to return to compliance, Cimarex intends to plug and abandon two (2) of the wells within the next 30 days:

- | | |
|---------------------------|------------|
| 1. Bondurant Federal #12H | 3002540182 |
| 2. Hudson 31 Federal #3H | 3002530551 |

Intent to plug sundry notices have been submitted to the Bureau of Land Management (BLM) for approval. I anticipate approval within the next week. Cimarex will move forward with plugging the wells as soon as approved paperwork is received. Subsequent plugging operations sundries will be submitted as soon as operations are complete.

Cimarex is also reviewing five (5) additional wells for uphole potential or plug and abandonment:

- | | |
|-----------------------|------------|
| 1. Cooper 5 #9 | 3002535990 |
| 2. Eureka 36 State #1 | 3002533184 |
| 3. Laughlin #1 | 3002534975 |
| 4. Maduro Unit #8 | 3002538240 |
| 5. Williams 34 #5 | 3002535850 |

Regarding the missing production reports for the Red Hills Unit #1 well. I have reviewed the NMOCD electronic well file and the Cimarex Red Hills Unit #1 well records and I have found no information to indicate the well was completed as a dual completion in the Penn formation.

The following records indicate an intent to recomplete to the Penn:

- C101 approved 11/16/1990
 - Intent to Recomplete Penn
- C103 approved 07/15/1993
 - Change of plans - well was not completed as a dual in the Penn. Active Wolfcamp pool well.

I believe the 07/15/1993 sundry was an attempt to clean up the well record and remove the Penn as an active completion. No production has been attributed to the Penn as far back as 1994.

Please contact me at 432-620-1936 should you have additional questions or need additional information regarding this issue.

Sincerely,



Terri Stathern
Manager – Regulatory Compliance
(o) 432-620-1936
(m) 432-287-4995

CC: NMOCD District 1 – Hobbs
NMOCD District 2 - Artesia

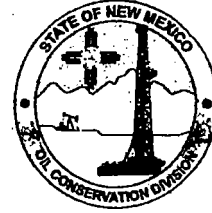
State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Cabinet Secretary

Adrienne Sandoval
Division Director
Oil Conservation Division



December 4, 2019

Cimarex Energy Company of Colorado
OGRID# 162683
600 N. Marienfeld Street, Suite 600
Midland, TX 79701

NOTICE OF VIOLATION

The Oil Conservation Division (OCD) has determined that CIMAREX ENERGY COMPANY OF COLORADO is violating the following provision(s):

X INACTIVE WELLS (19.15.5.9(A)(4) NMAC)

You are the operator of record for 509 wells and do not have an Agreed Compliance Order. Therefore, you shall not operate more than 7 inactive wells. However, you are operating 8 inactive wells as identified in Exhibit A.

FINANCIAL ASSURANCE (19.15.5.9(A)(1) NMAC)

You failed to post financial assurance for active and inactive wells in the amounts identified in Exhibit B.

X PRODUCTION REPORTS (19.15.7.24 NMAC)

You failed to submit production reports for the month(s) of SEPTEMBER for the wells identified in Exhibit C.

Until you correct the violation(s) described above, OCD may impose the following sanctions: Denial of registration (19.15.9.8(B) NMAC); Denial of change of operator (19.15.9.9(C)(1) NMAC); Denial or revocation of an injection permit (19.15.26.8(A)(2) NMAC); Denial of an application for a drilling permit (19.15.14.10(A) NMAC); and Denial of allowable and authorization to transport (19.15.16.20(A)(4) NMAC).

You must correct the violation(s) described above or sign an Agreed Compliance Order no later than 30 days after the date of this Notice of Violation. If you fail to correct the violation(s) or sign an Agreed Compliance Order as specified above, OCD will apply for a compliance order imposing additional sanctions.

For more information, contact Daniel Sanchez, OCD Compliance and Enforcement Manager, at (505) 476-3493 or Daniel.Sanchez@state.nm.us.

Regards,

Daniel Sanchez
Compliance and Enforcement Manager

cc: OCD District 1

Office of Legal Counsel, EMNRD

EXHIBIT A

Inactive Well List

Total Well Count: 509 Inactive Well Count: 8
Printed On: Wednesday, December 04 2019

District	API	Well	UL STR	OCD Unit	Og:ID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30 025 40127	BONDURANT FEDERAL #0121	D 01 135 37E	D	162633	CHAREX ENERGY CO OF COLORADO		O	07/2019	DONE SPRING SPUD 06 11/2011		
1	30 025 35930	COOPER S #093	2 05 205 37E	D	162633	CHAREX ENERGY CO OF COLORADO		D	02/2017	TUSD		
1	30 025 33194	EUREKA J6 STATE #011	F 53 165 31E	F	162633	CHAREX ENERGY CO OF COLORADO		G	04/2012		T	10/21/2019
1	30 025 33551	HUDSON J1 FEDERAL #001	O 16 305 33E	O	162633	CHAREX ENERGY CO OF COLORADO		O	02/2010			
1	30 025 34975	LAUG LIN #001	N 04 205 37E	N	162633	CHAREX ENERGY CO OF COLORADO		C	05/2019	TUSD & DRINKARD		
1	30 025 30240	MADRID UNIT #002	L 25 195 33E	L	162633	CHAREX ENERGY CO OF COLORADO		G	08/2018	GEOMORPHO UNIT TO DISPOSE WATER 07/6/11		
1	30 025 20144	RED HILLS UNIT #001	K 05 215 33E	K	162633	CHAREX ENERGY CO OF COLORADO		G	08/2019	WOLF CAMP		
1	30 025 35030	WILLIAMS J4 #005	K 14 135 37E	K	162633	CHAREX ENERGY CO OF COLORADO	P	O	03/2012	DRINKARD		

WHERE Operator:162683, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

EXHIBIT C

Well Completions Not Reported on the C115

162683 CIMAREX ENERGY CO. OF COLORADO

Printed On: Wednesday, December 4, 2019

For Production Month: 9 /2019

Property	Well Name	ULSTR	Well Type	API	Pool	WC Status	C104 Approved
300545	RED HILLS UNIT #001	O-32-255-33E	G	30-325-21038	83580 RED HILLS-PENN (GAS)	A	Not Known

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Bratos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells) 30-025-21036	
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. K 1459	
7. Lease Name or Unit Agreement Name Red Hills Unit	
8. Well No. 1	
9. Pool name or Wildcat Red Hills Penn (Gas) Red Hills (Wolfcamp)	
10. Proposed Depth 21,321'	
11. Formation Dev./Penn.-Atoka	
12. Rotary or C.T.	
13. Elevations (Show whether DF, RT, GR, etc.) 3386' GR	14. Kind & Status Plug. Bond
15. Drilling Contractor	
16. Approx. Date Work will start 1/91	

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK					
1a. Type of Work: DRILL <input type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input checked="" type="checkbox"/>					
b. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>					
2. Name of Operator Union Oil Company of California					
3. Address of Operator P. O. Box 671 - Midland, TX 79702					
4. Well Location Unit Letter O : 330 Feet From The south Line and 2310 Feet From The east Line Section 32 Township 25-S Range 33-E NMPM Lea County					
17. PROPOSED CASING AND CEMENT PROGRAM					
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP

To abandon the Wolfcamp perforations and recomplete as a dual Devonian/Penn. Atoka gas well.

See attached procedure.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Charlotte Beeson TITLE Drilling Clerk DATE 11-14-90

TYPE OR PRINT NAME Charlotte Beeson TELEPHONE NO. (915)682-973

(This space for State Use)

ORIGINAL SIGNED BY JERRY SEXTON
DISTRICT SUPERVISOR

APPROVED BY _____ TITLE _____ DATE **NOV 16 1990**

CONDITIONS OF APPROVAL, IF ANY:

As stipulated in attached letter

Red Hills Unit No. 1

Abandon the Wolfcamp perforations and recomplete as a dual Devonian/Penn. Atoka gas well.

MIRUDDPU, install 4" blow down line approx.. 250' N.E. of well to burn pit. Anchor 4" line in cement. Load both strings and 7 5/8" csg. w/10# brine.

Set back press. valves in both springs of tubing.

Vent all press. off well head.

Remove tree, nipple up 10,000 psi Hydraulic BOP w/offset rams to pull short string (Wolfcamp west side). (May want to set plug in X Nipple below pkr).

Pick up on long string (east side) should be free. Remove dual hanger from tbg. head. Change to regular rams in BOP. Circ. hole w/10# brine water.

RIH and engage long string, back off tubing as deep as possible.

Engage Otis packoff assembly, jar loose, circulate tubing if possible and watch fore pressure increase. POOH, keeping tubing full at all times.

Pump into Penn perfs and establish injection rate. Squeeze as per Halliburton recommendation. Disp cement w/10 ppg brine water.

RIH w/shoe and wash pipe, cut over dual packer, POOH.

Run cement retainer on wireline and set approx. @ 13,400'.

RIH w/2 7/8" tubing and squeeze Wolfcamp perfs 13,440' to 13,667' as per Halliburton recommendations. Drill out, test squeeze perfs to 1000 psi. Re-squeeze if necessary.

Clean out 6 5/8" and 4 1/2" liner to cement retainer @ 17,590'.

Run GR-CCL-Casing Inspection Log from 17,590 to 14,400' and correlate to Welex Radioactivity log dated 8-24-64.

Perforate Devonian w/3 1/8" DP csg. gun @ 2 SPF f/17,476-17,492' and 17,528-17,544 (total 32'/66 holes) referencing Welex Radioactivity log dated 8-24-64.

Red Hills Unit #1

RIH & set permanent pkr on WL @ approx. 16,760'. RIH w/2 3/8-" & 2 7/8" tapered tubing string hydro testing in hole to 7000 psi.

Break down perfs 17,476-17,544' w/spot acid @ 1BPM and acidize same w/3000 gals 15% HCL w/1000 cu ft N2/bbl and 95 1.3 SG BS to divert @ 3-6 BPM and 6000 psi maximum pressure.

Perf Penn Atoka w/4" DP csg gun @ 2 SPF from 14,607-11, 14,618-32, 14643-52, 14,658-62, 14,706-12, 14,716-21, 14,737-42, 14,748-52, 14758-64, 14,772-76, 14784-88, 14,840, 14,844, 14,852, 14,856 & 14,864'.

Kill Penn perfs. POOH w/2 7/8" tbg & treating pkr. RIH w/2 3/8" & 2 7/8" tapered tbg and dual pkr and 2 7/8" long string hydro testing tbg in hole to 7000 psi. Sting into permanent pkr @ approx. 16,760'. Set dual pkr. Unlatch long string & circ pkr fluid. Latch long string into dual pkr.

RIH w/2 7/8" short string hydro testing tbg in hole to 7000 psi. Latch into pkr. ND BOP. NU wellhead.

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO.

30-025-21036

5. Indicate Type of Lease

STATE ☒

FEE ☐

6. State Oil & Gas Lease No.

K-1459

7. Lease Name or Unit Agreement Name

Red Hills Unit

8. Well No.

1

9. Pool name or Wildcat

Red Hills (Wolfcamp)

1. Type of Well:

OIL
WELL ☐

GAS
WELL ☒

OTHER

2. Name of Operator

Union Oil Company of California

3. Address of Operator

P. O. Box 671 - Midland, TX 79702

4. Well Location

Unit Letter O : 330 Feet From The south Line and 2310 Feet From The east Line

Section 32

Township 25-S

Range 33-E

NMPM

Lea

County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)

3386' GR

11.

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

REMEDIAL WORK ☐

ALTERING CASING ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☒

COMMENCE DRILLING OPNS. ☐

PLUG AND ABANDONMENT ☐

REPAIR OR ALTER CASING ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

OTHER: ☐

Change plans

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

On November 14, 1990 a request to abandon the Wolfcamp formation and recomplete the Red Hills Unit Well No. 1 as a dual Devonian/Penn.-Atoka gas well was submitted to your office (approval of C-101 was Nov. 16, 1990). Union Oil has abandoned plans for the re-completion of subject well.

Red Hills Unit Well No. 1 continues to be an active gas well in the Red Hills (Wolfcamp) Field.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE

Charlotte Beeson

TITLE

Drilling Clerk

DATE 7-13-93

TYPE OR PRINT NAME

Charlotte Beeson

(915) 685-7607
TELEPHONE NO.

(This space for State Use)

ORIGINAL SIGNED BY JERRY SEXTON
DISTRICT I SUPERVISOR

APPROVED BY

TITLE

DATE

JUL 15 1993

CONDITIONS OF APPROVAL, IF ANY: