

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF CIMAREX ENERGY
CO. FOR COMPULSORY POOLING AND
APPROVAL OF OVERLAPPING WELL
UNITS, EDDY COUNTY, NEW MEXICO.**

Case No. _____

APPLICATION

Cimarex Energy Co. applies for an order pooling all uncommitted mineral interest owners in the Wolfcamp formation underlying a horizontal spacing unit comprised of the W/2 of Section 29 and the W/2 of Section 32, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and for approval of overlapping well units, and in support thereof, states:

1. Applicant is an interest owner in the W/2 of Section 29 and the W/2 of Section 32, and has the right to drill a well or wellson the proposed well unit.

2. Applicant proposes to drill (a) the Southern Hills 32-29 State Fed. Com. Well No. 3H, with a first take point in the SW/4SW/4 of Section 32 and a last take point in the NW/4NW/4 of Section 29, and (b) the Southern Hills 32-29 State Fed. Com. Well No. 4H, with a first take point in the SE/4SW/4 of Section 32 and a last take point in the NE/4NW/4 of Section 29, to depths sufficient to test the Wolfcamp formation. The W/2 of Section 29 and the W/2 of Section 32 will be dedicated to the wells.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W/2 of Section 29 and the W/2 of Section 32 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 wells or to otherwise commit their interests to the wells, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all uncommitted mineral interest owners in the Wolfcamp formation underlying the W/2 of Section 29 and the W/2 of Section 32, pursuant to NMSA 1978 §70-2-17.

5. The proposed well unit overlaps the following existing, producing well unit:

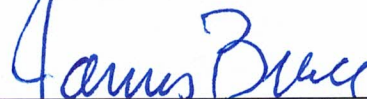
<u>Well Name</u>	<u>Well Unit</u>	<u>Operator</u>
Cottonwood Hills 32 St. Com. Well No. 2H	W/2 §32	Cimarex Energy Co.

6. The pooling of all uncommitted mineral interest owners in the Wolfcamp formation underlying the W/2 of Section 29 and the W/2 of Section 32, and approval of the overlapping well units, 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. Pooling all uncommitted mineral interest owners in the Wolfcamp formation underlying the W/2 of Section 29 and the W/2 of Section 32;
- B. Designating applicant as operator of the wells;
- C. Approving of the overlapping well units;
- D. Considering the cost of drilling, completing, and equipping the wells, and allocating the cost among the wells' 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, completing, and equipping the wells in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in blue ink that reads "James Bruce". The signature is written in a cursive style and is positioned above a horizontal line.

James Bruce
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Attorney for Cimarex Energy Co.