

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF CIMAREX ENERGY CO.
FOR A HORIZONTAL SPACING UNIT AND
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Cimarex Energy Co. (“Cimarex”), OGRID No. 215099, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a standard 640-acre, more or less, spacing and proration unit comprised of the W/2 of Sections 29 and 32, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Wolfcamp formation, designated as a gas pool, underlying said unit.

In support of its Application, Cimarex states the following:

1. Cimarex is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Cimarex proposes and dedicates to the HSU the **Southern Hills 32-29 State Fed Com 3H Well** and **Southern Hills 32-29 State Fed Com 4H Well** as initial wells, to be drilled to a sufficient depth to test the Wolfcamp formation.
3. Cimarex proposes the **Southern Hills 32-29 State Fed Com 3H Well** to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 32 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 29.

4. Cimarex proposes the **Southern Hills 32-29 State Fed Com 4H Well** to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 32 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 29.

5. The wells will be unorthodox in location, and the 100' setback of the take points do not comply with the special field rules for the Purple Sage, Wolfcamp, pursuant to Order No. R-14262; Cimarex will be applying administratively to the NMOCD for approval of the non-standard locations

6. Cimarex has a horizontal well, the Cottonwood Hills 32 State Com (API No. 30-015-39967), in the W/2 of Section 32, in the Wolfcamp formation. The proposed HSU will overlap this 320-acre unit in the W/2, and Cimarex respectfully requests approval, to the extent necessary, for the overlapping units.

7. Cimarex has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

8. The pooling of all interests in the Wolfcamp formation within the proposed HSU, and creation of the spacing unit, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

9. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Cimarex requests that all uncommitted interests in this HSU be pooled and that Cimarex be designated the operator of the proposed horizontal wells and HSU.

WHEREFORE, Cimarex requests that this Application be set for hearing on November 4, 2021, before an Examiner of the Oil Conservation Division, and after notice and hearing as required by law, the Division enter an order:

- A. Approving the creation of a standard 640-acre, more or less, spacing and proration unit comprised of the W/2 of Sections 29 and 32, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted mineral interests in the Wolfcamp formation underlying the proposed HSU.
- C. Approving the **Southern Hills 32-29 State Fed Com 3H Well** and **Southern Hills 32-29 State Fed Com 4H Well** as the wells for the HSU.
- D. Designating Cimarex as operator of this HSU and the horizontal wells to be drilled thereon;
- E. Authorizing Cimarex to recover its costs of drilling, equipping, and completing the wells;
- F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Setting a 200% charge for the risk assumed by Cimarex in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

ABADIE & SCHILL, PC

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Application of Cimarex Energy Co. for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the W/2 of Sections 29 and 32, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Wolfcamp formation, designated as a gas pool, underlying the unit. The proposed wells to be dedicated to the horizontal spacing unit are the **Southern Hills 32-29 State Fed Com 3H Well** to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 32 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 29; and the **Southern Hills 32-29 State Fed Com 4H Well** to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 32 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 29. The wells will be unorthodox in location, and the 100' setback of the take points do not comply with the special field rules for the Purple Sage, Wolfcamp, pursuant to Order No. R-14262; Cimarex will be applying administratively to the NMOCD for approval of the non-standard locations; also to be considered is the approval, to the extent necessary, of an overlapping spacing unit involving the Cottonwood Hills 32 State Com (API No. 30-015-39967) in the W/2 of Section 32; the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 3 miles south of Carlsbad, New Mexico, and 1 mile north of the state line.