

McMillan, Michael, EMNRD

From: McMillan, Michael, EMNRD
Sent: Wednesday, March 29, 2017 4:47 PM
To: 'Amithy Crawford'
Subject: RE: [External] RE: Cimarex Energy Federal 9 Well No. 1, Federal Well No.2, No.3, and No. 4

Thanks

I will have someone put this letter and your application into the well files.

Mike

From: Amithy Crawford [mailto:acrawford@cimarex.com]
Sent: Wednesday, March 29, 2017 3:00 PM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Subject: RE: [External] RE: Cimarex Energy Federal 9 Well No. 1, Federal Well No.2, No.3, and No. 4

Mr. McMillan,

Please see attached the letter that you have requested. Please let me know if this addresses your concerns.

Thank you,

Amithy Crawford

From: McMillan, Michael, EMNRD [mailto:Michael.McMillan@state.nm.us]
Sent: Monday, March 20, 2017 10:00 AM
To: Kelly Reese <kreese@cimarex.com>; Amithy Crawford <acrawford@cimarex.com>
Subject: RE: [External] RE: Cimarex Energy Federal 9 Well No. 1, Federal Well No.2, No.3, and No. 4

Thanks

Mike

From: Kelly Reese [mailto:kreese@cimarex.com]
Sent: Monday, March 20, 2017 8:59 AM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>; Amithy Crawford <acrawford@cimarex.com>
Subject: RE: [External] RE: Cimarex Energy Federal 9 Well No. 1, Federal Well No.2, No.3, and No. 4

Mike,

The ownership is the same for all of the wells. I was going to draft a new letter since my other two were confusing. I will get that to Amithy today.

Kelly Reese, CPL

| | | | | | |
|----------------------|----------|-----------------|------------------------|-------------|---------------------------|
| DATE IN 3/10/2016 | SUSPENSE | ENGINEER MAM | LOGGED IN 3/10/2016 | TYPE CTB | APP NO. PMAM1706458060 |
|----------------------|----------|-----------------|------------------------|-------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☒ CTB ☐ PLC ☐ PC ☒ OLS ☒ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

DEM
 Cimarex Energy Co. of Colorado
 Federal 9 #1 162683
 30-015-25840
 Federal #2
 30-015-25716
 Federal #3
 30-015-25751
 Federal #4
 30-015-25784

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

RECEIVED
 3/10/2016
 162683
POU
Shagant
Bone Spinning
Monty
56405

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Amithy Crawford
 Print or Type Name

Amithy Crawford
 Signature

Regulatory Analyst
 Title

3/8/17
 Date

acrawford@cimarex.com
 e-mail Address

Cimarex Energy Co.

202 S. Cheyenne Ave.

Suite 1000

Tulsa, Oklahoma 74103-4346

PHONE: 918.585.1100

FAX: 918.585.1133



Michael McMillian
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Federal 9 #001, Federal #002, Federal #003, Federal #004
API 30-015-25840, 30-015-25716, 30-015-25751, 30-015-25784
NW/4NW/4 of Section 9 & SE/4 Section 5, Township 18 South, Range 31 East, N.M.P.M.
Eddy County, New Mexico.

Dear Mr. McMillian:

The Federal 9 #001 well is located in the NW/4NW/4 of Sec. 9, 18S, 31E, Eddy County NM, and the Federal 002, 003, & 004 are located in the SE/4 of Sec. 5, 18S, 31E, Eddy County NM.

Cimarex is the operator of the NW/4NW/4 of Sec. 9 and the SE/4 of Sec. 5, 18S, 31E, Eddy County, NM as to all depths from the surface of the Earth down to the base of the Bone Spring formation. Ownership, including overriding royalty interests, in the Federal 9 #001, Federal #002, #003, & #004 are identical within these depths with Cimarex Energy Co. of Colorado as the 100% Working Interest Owner and Operator of all the described wells.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kelly Reese".

Kelly Reese

Exploration Landman

kreese@cimarex.com

Direct: 432-620-1966

APPLICATION FOR COMMINGLING AT A COMMON CENTRAL TANK BATTERY & OFF LEASE GAS MEASUREMENT & STORAGE

Commingling proposal for Federal 5 Tank Battery:

Federal 9 #1 – Sec. 09, 18S, 31E

Federal #2 #3 #4- Sec. 05, 18S, 31E

Eddy County NM

| Well Name | Qtr/Qtr | API | POOL | BOPD | Gravities | MCFPD | BTU |
|--------------|---------|--------------|-------|------|-----------|-------|-------|
| Federal 9 #1 | NW/NW | 30-015-25840 | 56405 | 2 | 36.24 | 5 | 1.327 |
| Federal #2 | NW/SE | 30-015-25716 | 56405 | 3 | 36.24 | 4 | 1.327 |
| Federal #3 | SE/SE | 30-015-25751 | 56405 | 1 | 36.24 | 5 | 1.327 |
| Federal #4 | SW/SE | 30-015-25784 | 56405 | 2 | 36.24 | 4 | 1.327 |

The attached map shows the federal leases and well locations in Section 09-T18S-R31E & Sec 05-T18S-R31E.

The BLM's interest in all wells is the same. Lease NMNM106964 royalty rate is 12.5% and involves 160 acres. Lease NMNM028098 royalty rate is 12.5% and involves 40 acres.

The ownership is identical in all wells, please see attached ownership verification letter. Originally, all wells were under federal lease # NMNM0334702 and then the NWNW of section 9 was segregated into a new lease NMNM028098 and section 5 was segregated into a new lease #NMNM106964 on December 23rd 1975.

Oil & Gas Metering:

The central tank battery is located on the well pad for the Federal #1 located in Sec. 05 NESE, T18S-R31E on federal lease NMNM106964 in Eddy County, New Mexico. The production from the Federal 9-1, 2, 3, & 4 wells will come to a common production header. The production from the Federal #1 will go into its own individual production separator, tanks and custody transfer meter.

Oil and gas production from the Federal 9-1, 2, 3, & 4 is commingled and allocated to the wells based upon a monthly well test. Oil production from these wells is produced into a 210 bbl and 300 bbl tank and commingled production is gauged daily. The gas production from the Federal 9-1, 2, 3 & 4 wells flow into a common production separator and flows through DCP # 14892-00 sales meter on the NW side of the facility. These meters will be calibrated on a regular basis per API, NMOCD, and BLM specifications. The BLM and OCD will be notified of any future changes in the facilities.

Process and Flow Descriptions:

The flow of production is shown in detail on attached facility diagram. Also attached is a map that shows the lease boundaries and location of wells.

The commingling of this production is the most effective economical means of producing the reserves. Identical ownership in the two leases does not present a problem for royalty distribution or production allocation. The proposed commingling will reduce operating expenses as well as reduce the surface facility footprint and overall emissions.

Due to the low volume producing well(s) any other allocation requirements could possibly require plug and abandonment of well in order to eliminate the commingling issue.

Cimarex Energy Co. understands the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMNM106964

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.

FEDERAL 5 BATTERY 1

2. Name of Operator

Contact: AMITHY CRAWFORD

CIMAREX ENERGY CO OF COLORADO-Mail: acrawford@cimarex.com

9. API Well No.

3a. Address

202 S. CHEYENNE AVE STE 1000
TULSA, OK 74103

3b. Phone No. (include area code)

Ph: 432-620-1909

10. Field and Pool or Exploratory Area
SHUGART BONE SPRING

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec -2147483648 T18S R31E 2080FSL 560FEL

11. County or Parish, State

EDDY COUNTY, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|---|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Hydraulic Fracturing | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Surface Commingling |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Cimarex Energy Co. Respectfully requests approval to surface commingle oil production from the Federal #2, #3, & #4 and the Federal 9 #1 at the Federal 5 Battery. Cimarex also requests approval for off Lease storage and off lease measurement.

Please see attached the application, map, C102s, process flow diagram and LR2000 reports.

14. I hereby certify that the foregoing is true and correct.

**Electronic Submission #369141 verified by the BLM Well Information System
For CIMAREX ENERGY CO OF COLORADO, sent to the Carlsbad**

Name (Printed/Typed) AMITHY CRAWFORD

Title REGULATORY ANALYST

Signature (Electronic Submission)

Date 03/08/2017

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

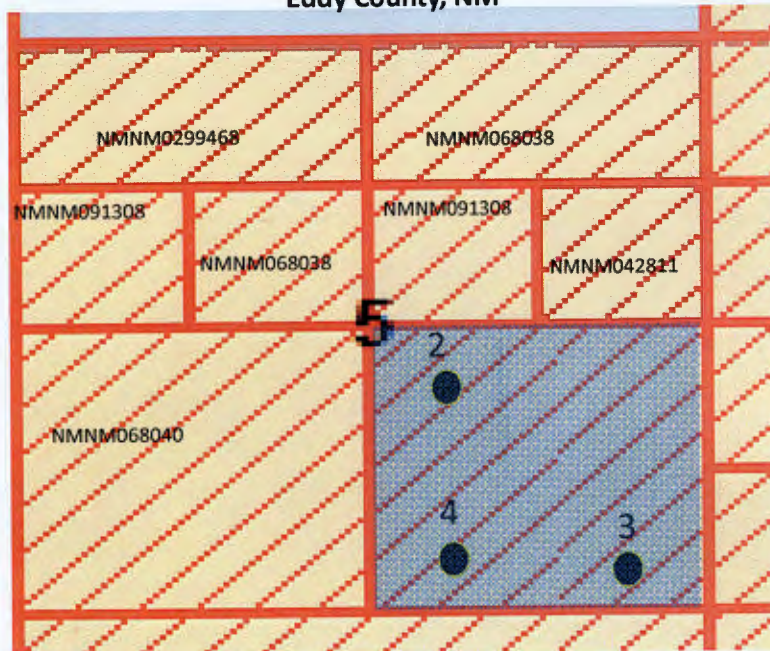
Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

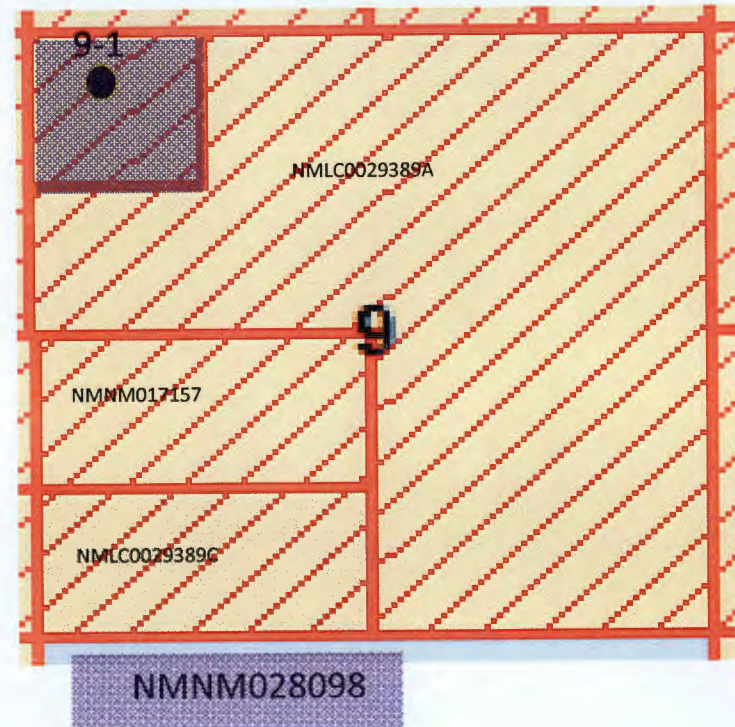
(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

Federal Lease
Sec. 5-18S-31E
Eddy County, NM

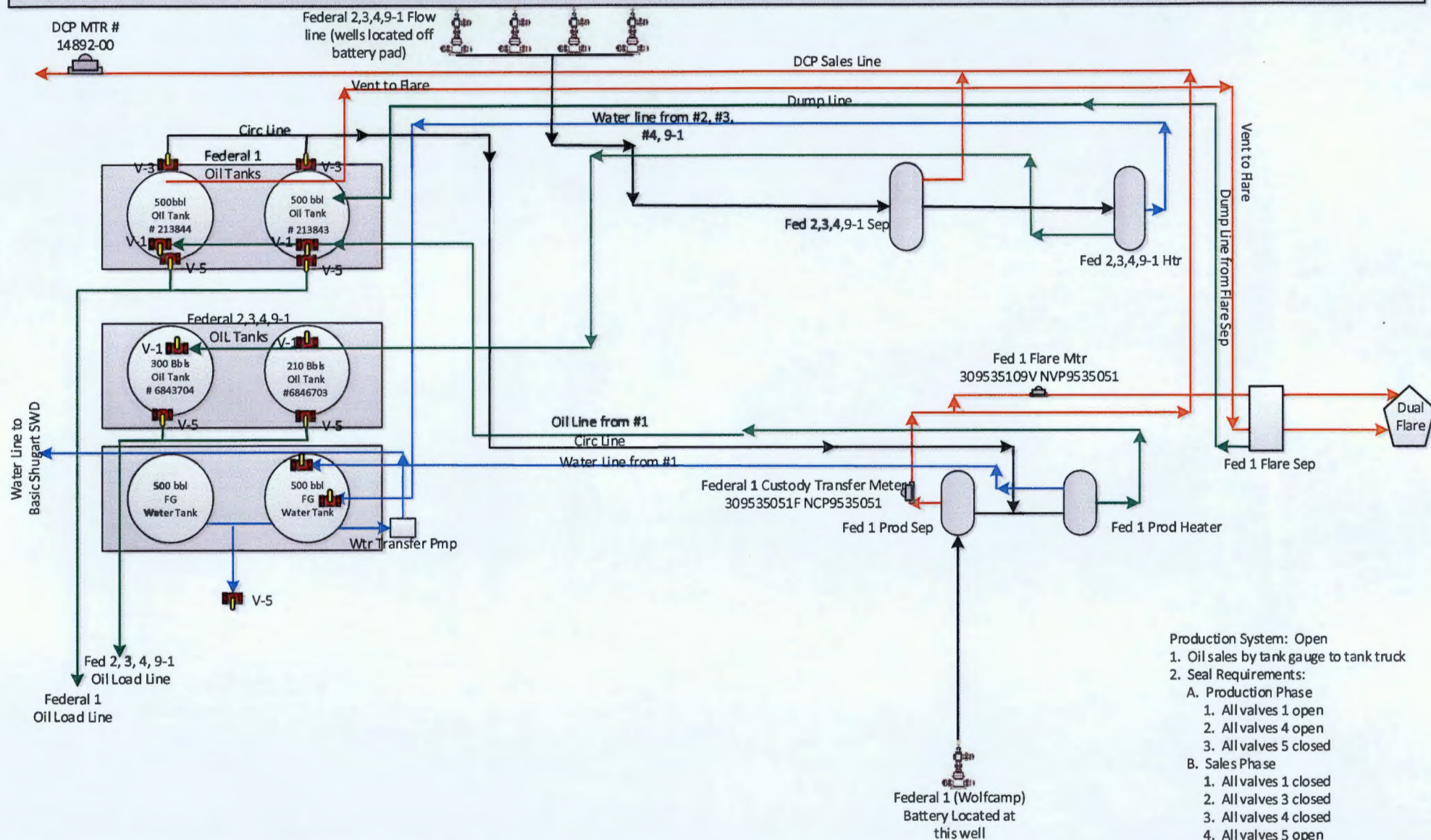


Federal 9 Lease
Sec. 9-18S-31E
Eddy County, NM



Site Facility Diagram

Federal 5 Battery



- Production System: Open
1. Oil sales by tank gauge to tank truck
 2. Seal Requirements:
 - A. Production Phase
 1. All valves 1 open
 2. All valves 4 open
 3. All valves 5 closed
 - B. Sales Phase
 1. All valves 1 closed
 2. All valves 3 closed
 3. All valves 4 closed
 4. All valves 5 open

Lease: Federal 1
API: 30-015-25490
ULSTR: NESE 05-18S-31E
2080 FSL 560 FEL
Eddy County, NM
BLM # NMNM106964

Lease: Federal 2
API: 30-015-25716
ULSTR: 05-18S-31E
1980 FSL 1980 FEL
Eddy County, NM
BLM # NMNM106964

Lease: Federal 3
API: 30-015-25751
ULSTR: 05-18S-31E
990 FSL 660 FEL
Eddy County, NM
BLM # NMNM106964

Lease: Federal 4
API: 30-015-25784
ULSTR: 05-18S-31E
660 FSL 1980 FEL
Eddy County, NM
BLM # NMNM106964

Lease: Federal 9 #1
API: 30-015-25840
ULSTR: 09-21S-31E
410 FNLL 850 FWL
Eddy County, NM
BLM # NMNM28098



Drawn: 3/8/17 AC

MEXICO OIL CONSERVATION COMMISS. N
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-132
 Supersedes C-128
 Effective 1-1-65

All distances must be from the outer boundaries of the Section.

| | | | | | |
|--|--|-----------------------------|---|---------------------------------------|----------------------|
| Operator UNION TEXAS PETROLEUM CORPORATION | | | Lease Federal 9 | | Well No. 1 |
| Unit Letter D | Section 9 | Township 18 South | Range 31 East | County Eddy | |
| Actual Footage Location of Well: 410 feet from the North line and 850 feet from the West line | | | | | |
| Ground Level Elev. 3709. | Producing Formation Bone Springs North Shugart | | Pool JND. D. SHUGART Bone Springs | Dedicated Acreage: 40 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

CERTIFICATION

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

Ken White

Name

Reg. Permit Coordinator

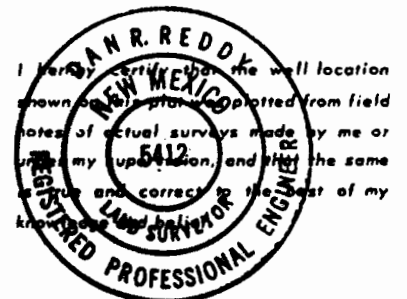
Position

Union Texas Petroleum Corp.

Company

11/11/87

Date



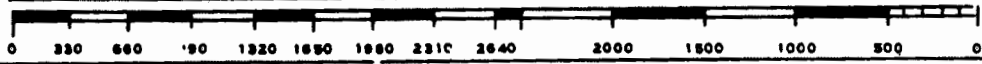
Date Surveyed

June 29, 1987

Registered Professional Engineer
 and/or Land Surveyor

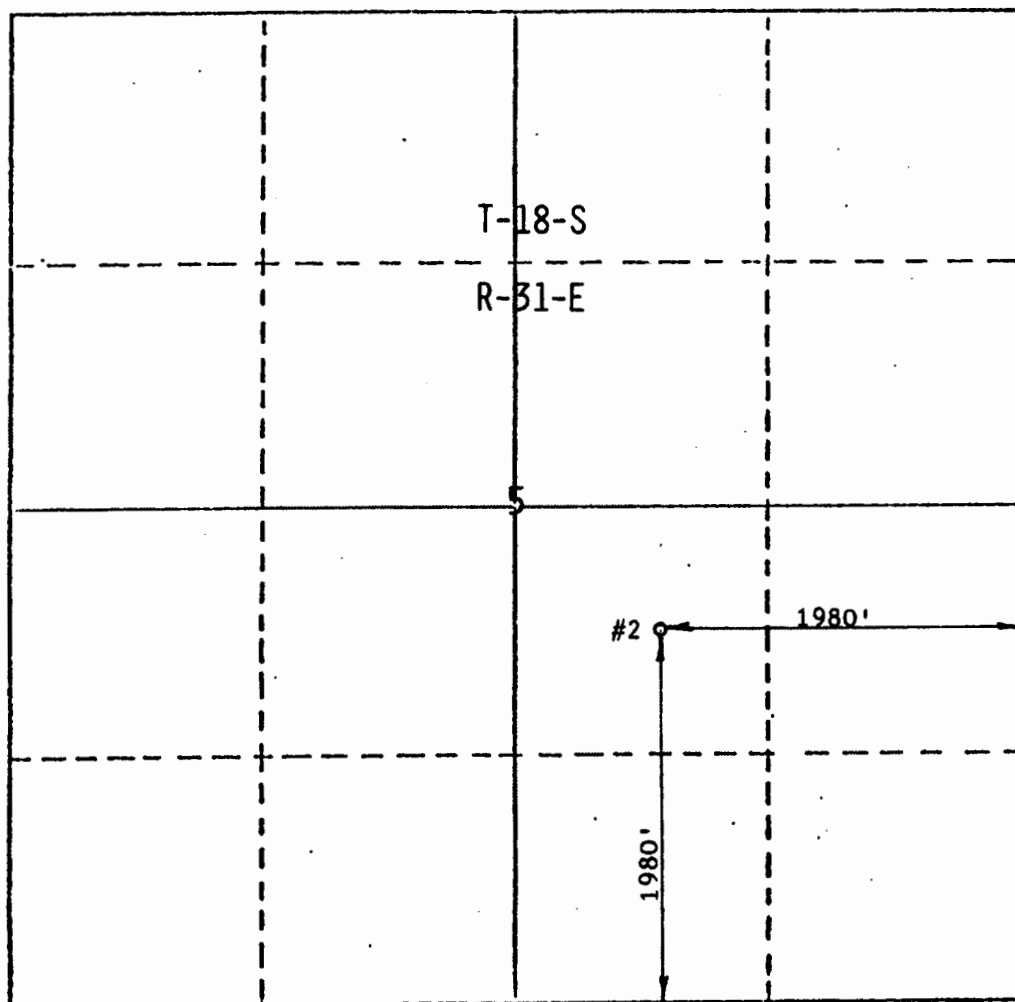
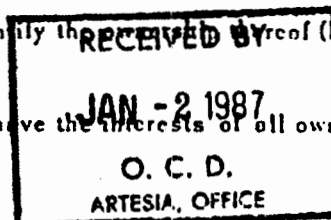
R. R. Reddy
 Certificate No.

NM PE&LS NO. 5412



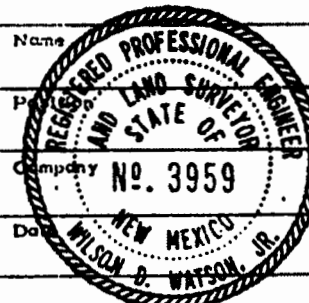
All distances must be from the outer boundaries of the Section.

| | | | | | |
|---|--|-------------------------------------|---------------------------------------|-----------------------|----------------------|
| Operator Union Texas Petroleum Corporation | | | Lease Federal | | Well No. 2 |
| Unit Letter J | Section 5 | Township T-18-S | Range R-31-E | County Eddy | |
| Actual Footage Location of Well: | | | | | |
| 1980 feet from the South line and | | 1980 feet from the East line | | | |
| Ground Level Elev. 3707' | Producing Formation Helfcamp | Pool North Hefcamp | Dedicated Acreage: 40 Acres | | |
| <p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the interest (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If answer is "yes," type of consolidation _____</p> <p>If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.</p> | | | | | |



CERTIFICATION

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



I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

November 13, 1985

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

3959

Certificate No.

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

All distances must be from the outer boundaries of the Section.

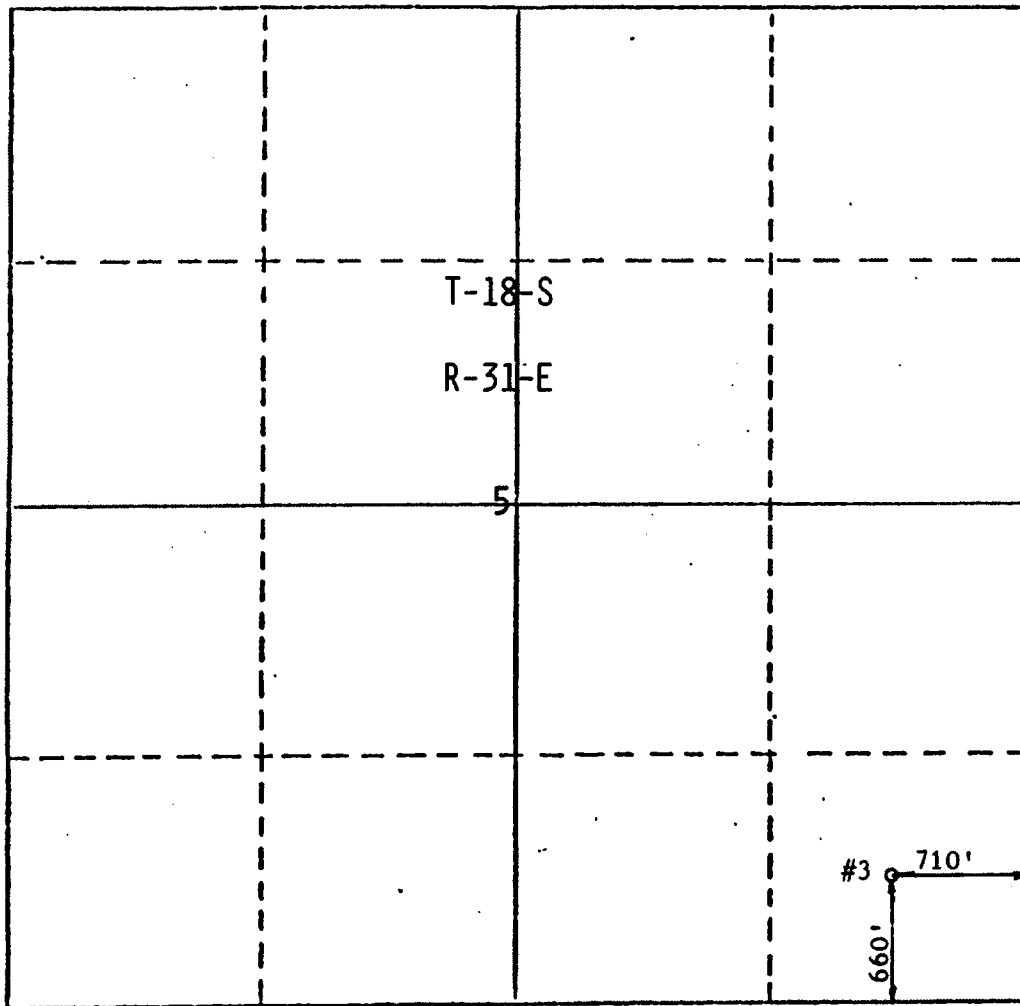
| | | | | |
|--|--|--|---------------------------------------|-----------------------|
| Operator Union Texas Petroleum Corp. ✓ | | Lease Federal | | Well No. 3 |
| Unit Letter P | Section 5 | Township T-18-S | Range R-31-E | County Eddy |
| Actual Footage Location of Well: 660 feet from the South line and 710 feet from the East line | | | | |
| Ground Level Elev. 3111' | Producing Formation BS North Shugart | Pool N. Shugart - Bone Springs | Dedicated Acreage: 40 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

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

Ken White

Name
Reg. Permit Coord.
Position
Union Texas Petroleum Corp
Company

Date
February 25, 1987
I hereby certify that the well location shown on this plat was plotted from field notes of a survey made by me or under my supervision and that the same is true to the best of my knowledge and belief.

Date Surveyed
3959
Registered Professional Engineer and/or Land Surveyor

Certificate No. _____

NEW MEXICO OIL CONSERVATION COMMIS. N
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-122
 Supersedes C-128
 Effective 1-1-65

All distances must be from the outer boundaries of the Section.

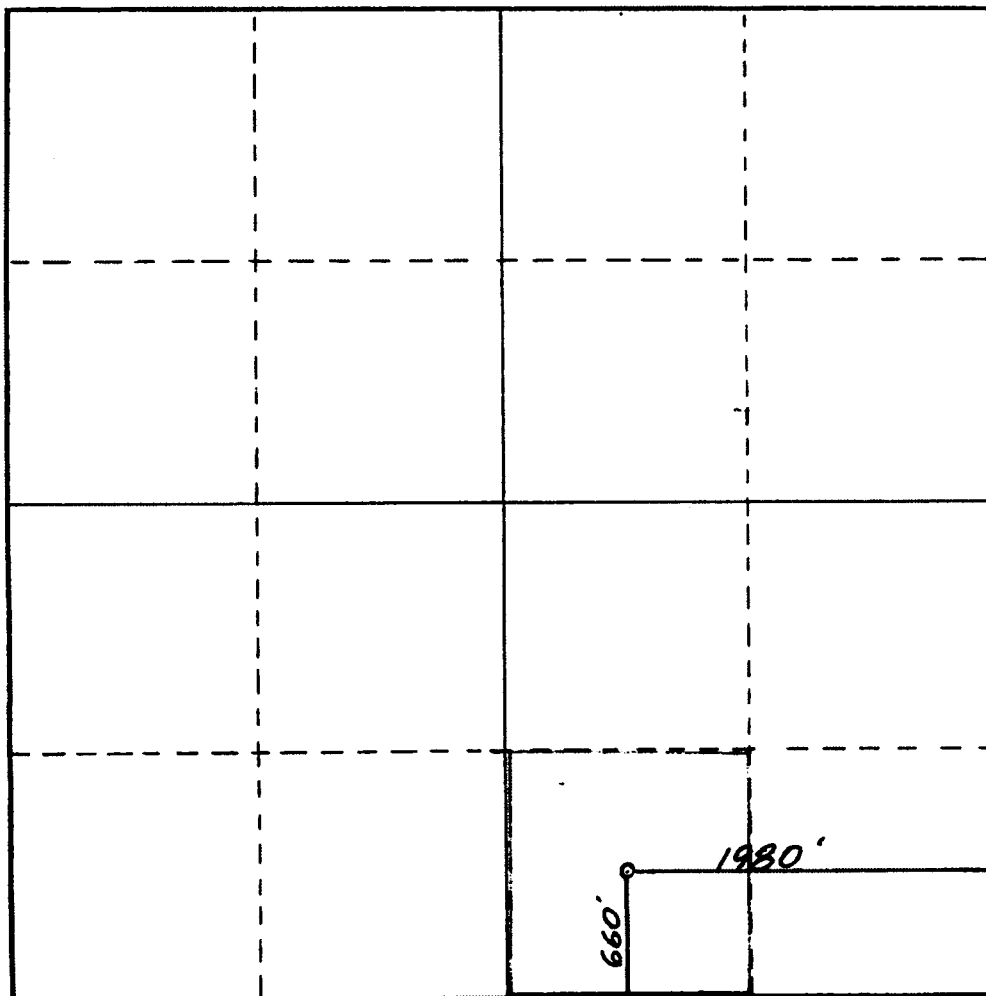
| | | | | | |
|---|---|-----------------------------|-----------------------------|-----------------------|---------------------------------------|
| Operator UNION TEXAS PETROLEUM CORPORATION | | | Lease Federal 5 | | Well No. 4 |
| Unit Letter 0 | Section 5 | Township 18 South | Range 31 East | County Eddy | |
| Actual Footage Location of Well: 660 feet from the South line and 1980 feet from the East line | | | | | |
| Ground Level Elev. 3710. | Producing Formation North Shugart | | Pool Bone Springs | | Dedicated Acreage: 40 Acres |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes;" type of consolidation _____

If answer is "no;" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

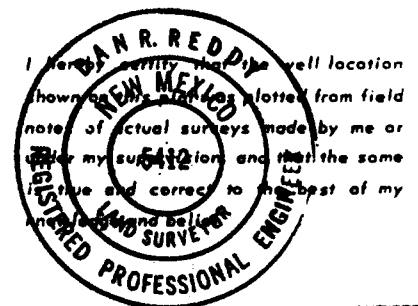
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Ken White

Name
Reg. Permit Coordinator
 Position
Union Texas Petroleum Corp.

Company
7-15-87

Date



Date Surveyed
June 29, 1987

Registered Professional Engineer
 and/or Land Surveyor

Dan R. Reddy
 Certificate No.
NM PE&LS NO. 5412

