

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



July 9, 2014

Cimarex Energy Co.
Attn: Mr. David Catanach

ADMINISTRATIVE NON-STANDARD LOCATION, AND NON-STANDARD PRORATION
UNIT

Administrative Order NSL-7088
Administrative Application Reference No. pMAM1414141981

Administrative Order NSP-1986
Administrative Application Reference No. pMAM1414145298

Cimarex Energy Co.
OGRID 215099
Hornsby 35 Federal Com Well No. 2H
API No. 30-015-42165

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit/Lot</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	210 FSL & 1270 FWL	4	35	26S	27E	Eddy
Penetration Point	330 FSL & 1270 FWL	4	35	26S	27E	Eddy
Terminus	330 FNL & 750 FWL	D	26	26S	27E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
W/2 W/2 of Section 26, NW/4 NW/4 of Section 35 and Lot 4 of Section 35	224.02	Hay Hollow; Bone Spring	30215

Reference is made to your application received on May 21, 2014.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet

from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location in order to maximize the recovery of oil and gas reserves from the Bone Spring formation within the project area.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of one or more non-standard proration units to be included in your proposed project area, as follows:

Units Comprising this Project Area

Unit	Acres	Pool	Code	Std or NS
W/2 W/2 of Section 26	160	Hay Hollow; Bone Spring	30215	Std
NW/4 NW/4 of Section 35	40	Hay Hollow; Bone Spring	30215	Std
Lot 4 of Section 35	24.02	Hay Hollow; Bone Spring	30215	NS

Statewide Rule 19.15.15.9.A NMAC provides for 40-acre units, which consists of the entire project area except Lot 4 of Section 35. Lot 4 of Section 35 is comprised of 24.02-acres. According to Division Rule 19.15.15.11.B(1) NMAC, an administrative approval is required for a non-standard spacing unit that is less than 70 percent of a standard spacing unit, in this case 24.02 acres.

It is our understanding that you are seeking this location because the non-standard project area represents a reasonable and effective method by which portions of Irregular Section 35 can be incorporated into horizontal Bone Spring project area.

It is also understood that since no acreage is being excluded in the project area, no interest owner is affected; therefore, notification is not required.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2) NMAC, the above-described non-standard proration unit is hereby approved.

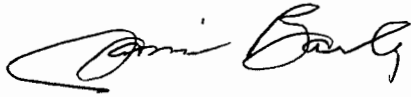
General provisions

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on July 9, 2014

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad