

DATE: 5/21/2014	SUSPENSE	ENGINEER: MAM	LOGGED IN: 5/21/2014	TYPE: NSL	APP NO.: PMAM1414145298 PMAM1414141981
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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 _____

NSL - 7088
NSP - 1486
Cimarex Energy Co.
215099
Well
- Hornby 35 Federal
Com #24
30-015-42165
Pool
- Hay Hollow
Bone Springs
30215

[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

[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.

David Catanach
Print or Type Name

David Catanach
Signature

Agent for Cimarex Energy Company
Title

5/21/14
Date

drcatanach@netscape.com
E-Mail Address

May 21, 2014

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey
Division Director

Re: Application for Unorthodox Well Location &
Non-Standard Spacing Unit/Horizontal Project Area
Hornsby 35 Federal Com No. 2H
Surface Location (SL): 210' FSL & 1270' FWL (Lot 4)
First Take Point (FTP): 330' FSL & 1270' FWL (Lot 4)
Both in Section 35, Township 26 South, Range 27 East, NMPM,
Bottomhole Location (BHL): 330' FNL & 750' FWL (Unit D)
Section 26, Township 26 South, Range 27 East, NMPM,
Eddy County, New Mexico

Dear Ms. Bailey:

Pursuant to Division Rules 19.15.15.13 & 19.15.15.11, Cimarex Energy Company ("Cimarex") respectfully requests administrative approval:

1. For an unorthodox horizontal well location for its proposed Hornsby 35 Federal Com Well No. 2H which will be located at the surface, first take point and bottomhole locations described above; and
2. For a 224.02-Acre Non-Standard Spacing Unit/Horizontal Project Area comprising the W/2 W/2 of Section 26 and Unit D and Lot 4 (W/2 NW/4 equivalent) of Irregular Section 35, both in Township 26 South, Range 27 East.

The proposed Hornsby 35 Federal Com No. 2H will be drilled and completed as a horizontal well in the Hay Hollow-Bone Spring Pool (30215).

The Hay Hollow-Bone Spring Pool is currently governed by Division Rule 19.19.15.9 which requires standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the spacing unit.

The proposed non-standard well location is necessary in order to maximize the recovery of oil and gas reserves from the Bone Spring formation underlying the proposed non-standard spacing unit/horizontal project area.

The attached plat shows that Section 35 is an irregular section whose southern boundary is the New Mexico/Texas State Line. This section is comprised of four standard 40-acre units (Units A, B, C & D) and four non-standard lots (Lots 1-4) that each comprise approximately 24 acres.

The concurrent development of Sections 26 and 35 in the Bone Spring formation in the manner proposed by Cimarex represents a reasonable and effective method by which portions of Irregular Section 35 can be incorporated into horizontal Bone Spring project areas.

In addition to the currently proposed non-standard spacing unit, Cimarex, as operator of the Bone Spring formation in Sections 26 & 35, will, at a later time, propose three additional non-standard Bone Spring spacing units comprising: i) the E/2 W/2 of Section 26 and Unit C and Lot 3 (E/2 NW/4 equivalent) of Irregular Section 35; ii) W/2 E/2 of Section 26 and Unit B and Lot 2 (W/2 NE/4 equivalent) of Irregular Section 35 and; iii) E/2 E/2 of Section 26 and Unit A and Lot 1 (E/2 NE/4 equivalent) of Irregular Section 35.

Affected Offset Acreage-Unorthodox Well Location: The affected offset acreage with regards to the proposed unorthodox well location is a 224.07-Acre Non-Standard Spacing Unit/Horizontal Bone Spring Project Area that comprises the E/2 W/2 of Section 26 and Unit C and Lot 3 (E/2 NW/4 equivalent) of Irregular Section 35. This affected non-standard spacing unit will be operated by Cimarex and is dedicated to the Cimarex Hornsby 35 Federal Com No. 5H. **Please note that the working interest ownership between the drill tract and the affected offset non-standard spacing unit is common.** Also, please note that the FTP of the Hornsby 35 Federal Com No. 2H will be located 330 feet from the South line and 1270 feet from the West line of Irregular Section 35. Since the FTP of this well is 330 feet north of the New Mexico/Texas State Line, it does not appear that the proposed unorthodox well location adversely affects any offset acreage in Texas. Consequently, notice of this application with regards to the proposed unorthodox location is not required, and has not been provided to any party.

Affected Offset Acreage-Non-Standard Spacing Unit: Division Rule 19.15.4.12(A)(3) requires that notice for non-standard proration units be provided to "owners of interest in the mineral estate to be excluded from the proration unit in the quarter-quarter section for 40-acre pools or formations, the one-half quarter section for 80-acre pools or formations, the quarter section for 160-acre pools or formations, the half section for 320-acre pools or formations or section for 640-acre pools or formations in which the non-standard unit is located". As shown on the attached plat, and as previously stated in this application, all acreage in Irregular Section 35 will ultimately be included in one of four horizontal Bone Spring Project Areas operated by Cimarex. Also shown on

the attached plat is the proposed Bone Spring development pattern in Irregular Section 34. This acreage is also operated by Cimarex. Other than the Bone Spring spacing units/project areas shown on the attached plat, there are currently no additional existing or proposed Bone Spring spacing units or project areas that directly offset the proposed non-standard spacing unit. Cimarex believes that since no party will be excluded from participating in Bone Spring development in Sections 26 and Irregular Section 35, and since Bone Spring development in Irregular Section 34 has already been proposed, no party is affected by the proposed non-standard spacing unit, and consequently notice of this application is not required, and has not been provided to any party.

Attached is a Form C-102 showing the proposed well and proposed non-standard spacing unit. Please note that there are currently no other Bone Spring producing wells within the proposed non-standard spacing unit. Also attached is a map showing the offset spacing unit affected by the unorthodox well location and other existing or proposed Bone Spring Project Areas directly offsetting the proposed non-standard spacing unit.

In summary, approval of the application will provide Cimarex the opportunity to recover additional oil and gas reserves from the Hay Hollow-Bone Spring Pool underlying the W/2 W/2 of Section 26 and Unit D and Lot 4 (W/2 NW/4 equivalent) of Irregular Section 35 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach, Agent
Cimarex Energy Company
600 North Marienfeld, Suite 600
Midland, Texas 79701

Xc: OCD-Artesia

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240
Phone (505) 893-8161 Fax: (505) 893-0720

DISTRICT II

811 S. First St., Artesia, NM 88210
Phone (505) 745-1203 Fax: (505) 745-0720

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 834-8178 Fax: (505) 834-8170

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-8400 Fax: (505) 476-8402

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30015-42165	Pool Code 30215	Pool Name Hay Hallow; Bone Spring
Property Code 40444	Property Name HORNSBY 35 FEDERAL COM	Well Number 2H
OGRID No. 215099	Operator Name CIMAREX ENERGY CO.	Elevation 3275'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	35	26 S	27 E		210	SOUTH	1270	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	26	26 S	27 E		330	NORTH	750	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
224.02			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

BHL & LTP: 330' FNL & 750' FWL

PROPOSED BOTTOM HOLE LOCATION
Lat - N 32°01'09.92"
Long - W 104°10'00.89"
NAD83 - N 370844.2
E 592014.4
(NAD-83)

FTP: 330' FSL & 1270' FWL

SURFACE LOCATION
Lat - N 32°00'02.08"
Long - W 104°09'54.45"
NAD83 - N 363991.248
E 593479.548
(NAD-83)

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a secondary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature Terri Stattham Date 5-2-14

Printed Name _____

Email Address _____

SURVEYOR CERTIFICATION

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 belief.

Date Surveyed May 2, 2014

Signature & Seal of Professional Surveyor Gary L. Jones

Certificate No. Gary L. Jones 7977

Basin Surveys 29238

**Cimarex Energy Company
Application for Non-Standard Well Location &
Non-Standard Spacing & Proration Unit
Hornsby 35 Federal Com No. 2H
Hay-Hollow Bone Spring Pool**

27E

23

24

No. 2H BHL:
330' FNL & 750' FWL

27

26

25

330' Setback Line

Affected Offset Tract
Operator: Cimarex
This 224.07-Acre Bone
Spring Horizontal
Project Area is
dedicated to the
Hornsby 35 Federal
Com Well No. 5H

Proposed 224.02-Acre
Bone Spring Horizontal
Project Area

34

35

36

Proposed 160-Acre
Bone Spring Project Area
Operator: Cimarex

Proposed 174.96-Acre
Bone Spring Project Area
Operator: Cimarex

First Take Point:
330' FSL & 1270' FWL

Lot 4

Lot 3

Lot 2

Lot 1

New Mexico

**Hornsby 35 Federal Com No. 2H
S.L.: 210' FSL & 1270' FWL**

Texas

26S