

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



April 19, 2017

Cimarex Energy Company
Attn: Ms. Zoe Lees

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

Administrative Order NSL-7521
Administrative Order NSP-2062

Cimarex Energy Company
OGRID 215099
Medwick 32 Federal Com. Well No. 7H
API No. 30-015-42172

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	290' FSL & 2050' FEL	2	32	26S	27E	Eddy
Penetration Point	330' FSL & 2590' FWL	3	32	26S	27E	Eddy
Final perforation (Terminus)	330' FNL & 2590' FWL	C	29	26S	27E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
E/2 W/2 of Section 29, Lot 3 and NE/4 NW/4 of Section 32	160 23.13 40	WC-015 G-04 S262625B; Bone Spring	98018

Reference is made to your application received on February 16, 2017.

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 surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area. 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 Cimarex Energy Company is planning to drill five equally spaced horizontal Bone Spring wells in Section 29 and Section 32. As a result, the proposed well is approximately 50 feet of the 1/2 section line, which is non-standard. Further, this is a test to determine the optimal well spacing, optimum completion techniques, and possible infill locations not only for this non-standard project area, but others as well.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches.

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 a non-standard proration unit to be included in your proposed project area, as follows:

Units Comprising this Project Area

Unit	Acres	Pool	Pool Code
E/2 W/2 of Section 29, Lot 3 and NE/4 NW/4 of Section 32	160 23.13 40	WC-015 G-04 S262625B; Bone Spring	98018

Statewide Rule 19.15.15.9.A NMAC provides for 40-acre units, which consists of the entire project area except Lot 3 of Section 32. Lot 3 of Section 32 is comprised of 23.13-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 23.13 acres.

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 non-standard project area because it represents a reasonable and effective method by which Irregular Section 32 can be incorporated to optimize horizontal well development in the Bone Spring formation.

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 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

It is understood that you have given due notice of this application to all operators or owners to whom notice is required by Division Rule 19.15.4.12.A(3) NMAC.

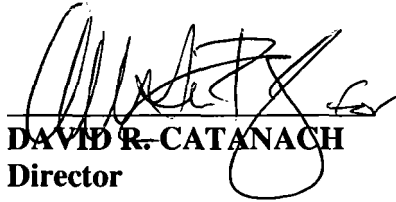
Pursuant to the authority conferred by Division Rule 19.15.15.11.B (2), the above-described non-standard proration unit is hereby approved.

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.

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 April 19, 2017.



DAVID R. CATANACH
Director

DRC/mam

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