

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 21, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Cimarex Energy Company of Colorado

c/o James Bruce

P. O. Box 1056

Santa Fe, New Mexico 87504

Administrative Order NSL-5437

Dear Mr. Bruce:

Reference is made to the following: (i) your application filed on behalf of the operator, Cimarex Energy Company of Colorado ("Cimarex"), formerly Gruy Petroleum Management Company ("Gruy"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 28, 2006 (**pSEM0-620955612**); and (ii) the Division's records in Santa Fe and Artesia: all concerning Cimarex's request for an unorthodox Delaware oil well location for its existing Grynberg "11" Federal Com. Well No. 3 (**API No. 30-015-34193**), recently drilled an infill Pennsylvanian gas well within a standard 640-acre gas spacing unit comprising all of Section 11, Township 25 South, Range 26 East, NMPM, White City-Pennsylvanian Gas Pool (**87280**), Eddy County, New Mexico. Pursuant to **Rule 4** of the "*Special Rules and Regulations for the White City-Pennsylvanian Gas Pool*", as promulgated by Division Order No. R-2429-A, as amended by Orders No. R-2429-B, C, C-1, D, and E, this well's location, being 1500 feet from the South line and 1300 feet from the West line (Unit L) of Section 11, is considered to be "standard."

Your application for Cimarex has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding from your application and from our records that Gruy spud this well on August 24, 2005, drilled to a total depth of 12,275 feet, and completed this well within the White City-Pennsylvanian Gas Pool. At this time it is Cimarex's intent to perforate the Delaware interval for possible oil production; however, pursuant to Division Rule 104.B (1), this location is unorthodox for the standard 40-acre oil spacing and proration unit comprising the NW/4 SW/4 (Unit L) of Section 11 for either the Undesignated South Black River-Delaware Pool (**96451**) or Undesignated Southwest Sulphate-Delaware Pool (**57845**).

It is further understood that working interest ownership is uniform in Section 11 under an operating agreement and that the N/2 and the SW/4 of Section 11 is subject to a single federal lease (**U. S. Government lease No. NM-14468**), which has common ownership as to royalty and overriding royalty interests.

Cimarex Energy Company of Colorado

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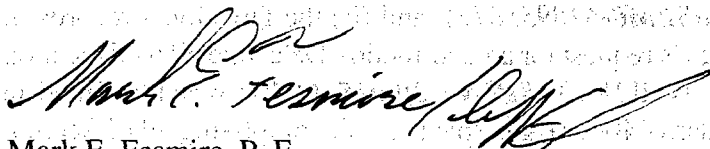
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By the authority granted me under the provision of Division Rule 104.F (2) the above-described unorthodox Delaware oil well location for Cimarex's Grynberg "11" Federal Com. Well No. 3 is hereby approved.

AS AN OBSERVATION, the Division suggests that all operators take additional steps to stake wells at locations considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within their immediate area of operations.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad