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|----------------|----------|--------------------------|------------------|----------|------------------------|
| DATE IN 8/9/06 | SUSPENSE | DAVID BROOKS ENGINEER | LOGGED IN 8/9/06 | TYPE NSL | APP NO. pTDS0622153372 |
|----------------|----------|--------------------------|------------------|----------|------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NSP

pTDS0623757101

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 _____

[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.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504
Print or Type Name

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

Signature

Attorney for Applicant
Title

Date

jamesbruc@aol.com
e-mail Address

2006 AUG 9 PM 2 19

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

August 9, 2006

Hand delivered

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Cimarex Energy Co. of Colorado applies for approval of an unorthodox oil well location for the following well:

| | |
|-------------------|---|
| <u>Well:</u> | Pipeline "B-5" Fed. Well No. 1 |
| <u>Location:</u> | 660 feet FNL & 1650 feet FEL |
| <u>Well Unit:</u> | Lots 1 & 2 §5-19S-34E, Eddy County, New Mexico (89.68 acres) |

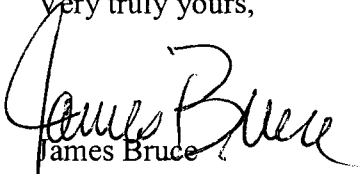
The well will be drilled to a depth sufficient to test the Bone Spring formation (EK-Bone Spring Pool). Under Order No. R-4981, the pool is spaced on 80 acres, with wells to be located within 150 feet of the center of a quarter-quarter section. A Form C-102 is attached as Exhibit A.

The location is unorthodox for topographic reasons. There are sand dunes in this area, and there is sand dune lizard habitat. As a result, the Bureau of Land Management ("BLM") requires operators to minimize surface disturbance. Attached as Exhibit B is applicant's proposed development plan for this area (covering four sections of land), which was submitted to the BLM. The proposed location minimizes surface disturbance for roads, pipelines, *etc.*, and minimizes effects on sand dunes and wildlife habitat.

Applicant also requests approval of a non-standard unit. The pool rules reflect that a standard unit is 79-81 acres, and this well unit is 89.68 acres due to a variation in the government survey.

The well is internal to the well unit. In addition, the NE¼ of Section 5 (and other acreage) is subject to Federal Lease NM 4314, which has common ownership in the Bone Spring formation. Therefore, there are no adversely affected parties, and no offset interest owners have been notified of the application.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in dark ink and is positioned above the printed name "James Bruce".

Attorney for Cimarex Energy Co. of Colorado

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1501 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------|---|-------------------------------|
| API Number | Pool Code | Pool Name E-K; Bone Spring |
| Property Code | Property Name PIPELINE "B-5" FEDERAL | Well Number 1 |
| OGRID No. 162683 | Operator Name CIMAREX ENERGY CO. OF COLORADO | Elevation 3874' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 5 | 19 S | 34 E | | 660 | NORTH | 1650 | EAST | LEA |

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 |
| | | | | | | | | | |
| Dedicated Acres 80 | Joint or Infill N | Consolidation Code | Order No. | | | | | | |

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

| | | | |
|--|--|---|--|
| | | <p>OPERATOR CERTIFICATION</p> <p>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 pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><u>Zeno Farris</u> 8-3-06 Signature Date</p> <p>Zeno Farris Printed Name</p> | |
| | | <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>DATE SURVEYED: JUNE 26, 2006 SIGNATURE: [Signature] PROFESSIONAL SURVEYOR: 7877</p> <p>Certificate No. 7877 BASIN SURVEYS</p> | |
| <p>Lat - N32°41'42.5" Long - W103°34'45.2" NMSPCE - N 617443.518 E 773328.388 (NAD-83)</p> | | | |

EXHIBIT A



07/29/06

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE
620 EAST GREENE STREET
CARLSBAD, NEW MEXICO 88220-6292

ATT: Mr. TY ALLEN

Re: P.O.D. for CIMAREX
PIPELINE "B" FEDERAL WELLS
SECTIONS 5,6,7,18 T19S-R34E

Dear Mr. Allen:

The enclosed topographic plats shows the proposed developement plan for Cimarex Pipeline "B" Federal wells to be drilled in the above referenced sections. A corridor for the flowlines, powerlines, proposed roads are to follow the existing roads where this is possible in this way the damage to the surface and wildlife in the area will be kept to a minimum.

A handwritten signature in cursive script, reading "Joe T. Janica", is positioned above the typed name.

Joe T. Janica

Agent for

CIMAREX ENERGY CO. OF COLORADO

