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September 12, 2011

HAND DELIVERED

Case 14741

Ms. Jami Bailey, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

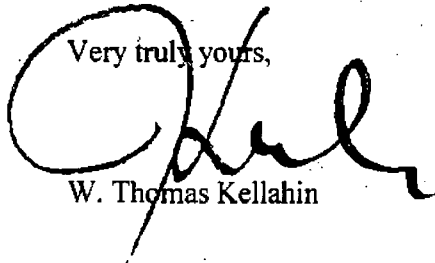
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2011 SEP 13 A 8:47

Re: West Shugart "32" State ComWell No. 2-H
Dedication: E/2W/2 of Section 32, T18S, R31E
(APD #30-015-PENDING)
Application of Cimarex Energy Co. of Colorado
for Designation of a Non-Standard Spacing Unit and
for Compulsory Pooling,
Eddy County, New Mexico

Dear Ms. Bailey,

On behalf of Cimarex Energy Co. of Colorado ("Cimarex"), please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for October 13, 2011. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Cimarex Energy Co.
Attn: Mark Compton

CASE 14741: Application of Cimarex Energy Co. of Colorado for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order consolidating the four 40-acres spacing units within the E/2W/2 of Section 32, Township 18 South, Range 31 East and designating the consolidated units as a 160-acre non-standard oil spacing and proration unit for a well locations in the Bone Springs formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Springs formations underlying the E/2W/2 of this section to be dedicated to its West Shurgart "32" State Com Well No. 2-H to be drilled horizontally from a surface location (Unit C) 330 feet FNL and 2110 feet FWL to a bottom hole location (Unit N) 330 feet FSL and 1980 feet FWL within this section and to a depth sufficient to test the Bone Springs formation, NMPM, Eddy County, New Mexico. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as the operator of the well a risk charge of 200% for the risk involved in this well. This unit is located approximately eleven miles Southeast of Maljamar, New Mexico.

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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF
CIMAREX ENERGY CO. OF COLORADO FOR
DESIGNATION OF A NON-STANDARD SPACING
AND PRORATION UNIT AND FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. 14741

APPLICATION

Cimarex Energy Co. of Colorado ("Cimarex") by its attorneys, Kellahin & Kellahin, seeks an order consolidating the four 40-acres spacing units within the E/2W/2 of Section 32, Township 18 South, Range 31 East and designating the consolidated units as a 160-acre non-standard oil spacing and proration unit for a well locations in the Bone Springs formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interests in the Bone Springs formations underlying the E/2W/2 of this section to be dedicated to its West Shurgart "32" State Com Well No. 2-H to be drilled horizontally from a surface location (Unit C) 330 feet FNL and 2110 feet FWL to a bottom hole location (Unit N) 330 feet FSL and 1980 feet FWL within this section and to a depth sufficient to test the Bone Springs formation; NMPM, Eddy County, New Mexico. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as the operator of the well a risk charge of 200% for the risk involved in this well.

In support of its application Cimarex states:

- (1) Cimarex proposes to drill and operate the Weest Shugart "32" State Com Well No. 2-H as a horizontal wellbore as set forth on the C-102 attached as Exhibit "A"
- (2) Cimarex controls a working interest ownership within the proposed 160-acre spacing unit and has an interest in each of the four 40-acre tracts.

NMOCD Application

Cimarex Energy Co.

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- (3) Cimarex has consolidated some of the working interest owners on a voluntary basis for this well and its spacing unit.
- (4) Prior to filing this application, Cimarex sent a well proposal letter, including an AFE and Joint Operating Agreement, to the remaining uncommitted working interest owners within the project area.
- (5) Despite reasonable efforts, Cimarex was unable to conclude a voluntary agreement with those parties listed on Exhibit "B" attached.
- (6) Pursuant to Commission Order R-11992, effective August 15, 2003, Cimarex requests that the 200% risk charge be applied.
- (7) As currently required by the Division, Cimarex has identified the offsetting operators and/or working interest to this project area and will provide notification. See Exhibit "C" attached.
- (8) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Cimarex needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (9) In accordance with the Division's notice requirements, a copy of this application has been sent to those other working interests owners to be pooled, as listed on Exhibit "B" and to those offsetting operator/working interest owners adjacent to this non-standard spacing and proration unit, as listed on Exhibit "C" and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 13, 2011.

WHEREFORE, Cimarex, as applicant, requests that this application be set for hearing on October 13, 2011 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- Cimarex Energy Co. of Colorado be named operator;
- Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

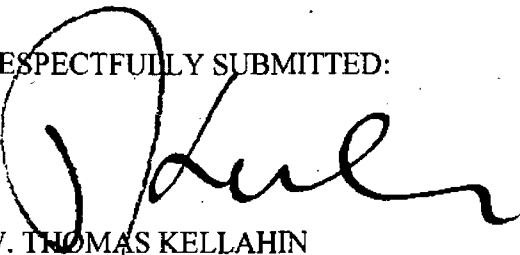
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Cimarex Energy Co.

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- In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- A 160-acre non-standard oil proration and spacing unit;
- For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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DISTRICT I

1625 N. French Dr., Hobbs, NM 58240

DISTRICT II

1301 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 July 16, 2010

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name WEST SHUGART "32" STATE COM	Well Number 2
OGRIID No.	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3572'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	32	18 S	31 E		330	NORTH	2110	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
N	32	18 S	31 E		330	SOUTH	1980	WEST	EDDY
Dedicated Acres	Joint or Infill	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>SURFACE LOCATION Lat - N 32°42'36.95" Long - W 103°53'36.05" NMSPCE - N 622406.3 E 676666.8 (NAD-83)</p> <p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32°41'51.23" Long - W 103°53'37.48" NMSPCE - N 617785.1 E 676664.0 (NAD-83)</p>	<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 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 voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>Email Address _____</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 _____</p> <p>Signature of Professional Surveyor _____</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 24912</p>
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