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MODRALL SPERLING
LAWYERS

September 11, 2017

Florene Davidson
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 15848

Jennifer L. Bradfute
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jlb@modrall.com

Re: APPLICATION OF CIMAREX ENERGY CO. FOR A NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Cimarex's Application / Lea 7 Federal Com 1H

Thank you for your assistance. Please contact me or Jennifer Bradfute if you have any questions.

Sincerely,

Kathleen Allen
Legal Assistant

/kta/W3017097.DOC
Enclosures

Modrall Sperling
Roehl Harris & Sisk
P.A.

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

**APPLICATION OF CIMAREX
ENERGY CO. FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 15848

APPLICATION

Cimarex Energy Co. ("Cimarex"), OGRID Number 215099, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) creating a non-standard 160-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 7, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. In support of this application, Cimarex states as follows:

1. Cimarex is an interest owner in the subject lands and has a right to drill a well thereon.
2. Cimarex seeks to dedicate the W/2 W/2 of Section 7 to the proposed well to form a non-standard 160-acre, more or less, oil spacing and proration unit (the "project area").
3. Cimarex has drilled the **Lea 7 Federal Com 1H** well to a depth sufficient to test the Bone Springs formation. This well is a horizontal well with a surface location 330 feet from

the South line, 660 feet from the West line of Section 7, and a terminus 330 feet from the North line, 868 feet from the West line of Section 7.

4. This well is within the WC-025 G-08 S203506D pool (Pool Code 97983), which is subject to the statewide rules for oil spacing and proration units. The producing interval that Cimarex seeks to drill will comply with the statewide 330 foot setback requirements established under Rule 19.15.15.9(A) NMAC.

5. Cimarex sought, but has been unable to obtain a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.

6. Approval of the non-standard unit and the pooling of all interests in the Bone Spring formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. Notice of this application is being given in accordance with Division rules as shown on Exhibit A.

WHEREFORE, Cimarex Energy Co. requests this application be set for hearing before an Examiner of the Oil Conservation Division on October 12, 2017, and after notice and hearing as required by law, the Division enter its order:

A. Creating a non-standard oil spacing and proration unit ("project area") in the Bone Spring formation comprised of W/2 W/2 of Section 7, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit/project area;

- C. Designating Cimarex as operator of this unit and the well to be drilled thereon;
- D. Authorizing Cimarex to recover its costs of drilling, equipping and completing this well;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: _____

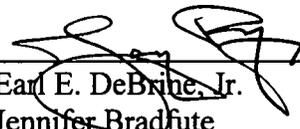

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Telephone: 505.848.1800
Attorneys for Applicant

EXHIBIT A

CIMAREX ENERGY CO. NOTICE LIST

Parties to be pooled:

AOG Mineral Partners, Ltd.
601 W. Texas Ave
Midland, Texas 79701

The Long Family Trusts, Larry P. Long, Managing Trustee
118 S. Kilgore St.
Kilgore, Texas 75662

Lowe Family, Ltd.
P.O. Box 53775
Lubbock, Texas 79453

Vora Lowe Hartley Mineral Trust,
Attn: Teddy L. Hartley & Robert Thomas Hartley, Trustees
P.O. Box 1024
Clovis, NM 88102

M. Dion Lowe
7801 Espanola
Austin, TX 78737

John E. & Helen M. Kennan Family Trust, created January 13, 1994
Attn: William H. Kennan, Trustee
1430 Soquel Ave.
Santa Cruz, CA 95062

Offsets:

Marshall & Winston, Inc.
P.O. Box 50880
Midland, Texas 79710

Legacy Reserves LP
P.O. Box 10848
Midland, TX 79702

COG Operating, LLC
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

CASE NO. 15848 : Application of Cimarex Energy Co. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 160-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of the W/2 W/2 of Section 7, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Lea 7 Federal Com. #1H well**, to be horizontally drilled. The producing area for this well will be 330 feet from the project area boundary. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 12 miles southeast of the intersection of Hobbs Highway 180 and County Road 27-A/Marathon Road, located in Lea County, New Mexico.