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2009 SEP 16 P 12:46

September 15, 2009

Hand delivered

Case 14370

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co., are an original and one copy of an amended application for a non-standard unit and compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the October 15, 2009 hearing.

Very truly yours,

  
James Bruce

Attorney for Cimarex Energy Co.

Parties Being Pooled

Hyde Oil and Gas Corporation  
Attention: Blair Hamburg  
Suite 1018  
6300 Ridglea Place  
Fort Worth, Texas 76116

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

**Case No. 14370**

**AMENDED APPLICATION**

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests from the surface to the base of the Bone Spring formation underlying the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34, and has the right to drill a well thereon.
2. Applicant proposes to drill the Mallon 34 Fed. Well No. 18, at a surface location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34, and drill it to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate (i) the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ , and a terminus at an orthodox location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ , of Section 34.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34;
- B. Pooling all mineral interests in (i) the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 34, and (ii) the S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 34, from the surface to the base of the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- 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,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Cimarex Energy Co.

PROPOSED ADVERTISEMENT

**Case No. 14370: (Readvertised)**

***Application of Cimarex Energy Co. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.*** Cimarex Energy Co. seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S/2S/2 of Section 34, Township 19 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests from the surface to the base of the Bone Spring formation underlying (i) the SW/4SW/4 of Section 34 to form a standard 40 acre oil spacing and proration unit, and (ii) the S/2S/2 of Section 34 to form a non-standard 160 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The units are to be dedicated to the Mallon 34 Fed. Well No. 18, a horizontal well to be drilled with a surface location at an orthodox location in the SW/4SW/4, and a terminus at an orthodox location in the SE/4SE/4, of Section 34. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 17 miles west of Monument, New Mexico.

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