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March 16, 2010

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

Case 14460

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co. of Colorado, are an original and one copy of an application to allow the drilling of a well in the potash area, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the April 15, 2010 Examiner hearing. Thank you.

Very truly yours


James Bruce

Attorney for Cimarex Energy Co. of Colorado

PARTIES BEING NOTIFIED

Intrepid Mining NM LLC
1996 Potash Mines road
P.O. Box 101
Carlsbad, New Mexico 88220

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY CO.
OF COLORADO FOR AN ORDER AUTHORIZING
THE DRILLING OF A WELL IN THE POTASH
AREA, EDDY COUNTY, NEW MEXICO.

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Case No. 14460

APPLICATION

Cimarex Energy Co. of Colorado, pursuant to the provisions of Division Order No. R-111-P (“The Rules and Regulations Governing the Exploration and Development of Oil and Gas in Certain Areas Herein Defined, Which Are Known to Contain Potash Reserves”), applies for an order approving the drilling of its State 14 Com. Well No. 3, a horizontal well to be drilled to test the Bone Spring formation within the Potash Area. The proposed well has a surface location 375 feet from the north line and 2120 feet from the west line, and a terminus 330 feet from the south line and 1980 feet from west line, of Section 14, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico. In support of thereof, applicant states:

1. Applicant is the operator of certain oil and gas rights in Section 14, and has the right to develop the oil and gas reserves underlying this property.
2. Applicant proposes to drill its State 14 Com. Well No. 3 to a total depth in excess of 5000 feet subsurface to test the Bone Spring formation (Turkey Track-Bone Spring Pool) on a non-standard 160-acre oil spacing unit (project area) comprised of the E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 14.
3. The E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 14, the tract upon which applicant proposes to drill, is state land that is located within the Potash Area.
4. Order R-111-P states that “no mining operations shall be conducted in the Potash Area that would, in the opinion of the Division or its duly authorized representative, constitute a

hazard to oil or gas production, or that would unreasonably interfere with the orderly development and production from any oil or gas pool.” C(2).

5. Applicant proposes to drill in an area where oil and gas are currently being produced, and therefore potash mining operations would unreasonably interfere with oil and gas development and production.

6. Applicant’s application for permit to drill (“APD”) was improperly rejected because it was not afforded the opportunity to show that potash would not be unduly affected by applicant’s well.

7. Applicant should be afforded the opportunity to show that its proposed well location would not unduly waste commercial potash. See R-111-P ¶ 20.

8. Further, by rejecting applicant’s APD, the Division has denied applicant, its lessor, and other owners of the oil and gas rights underlying the E½W½ of Section 14 the opportunity to produce the recoverable oil and gas under their property. Unless reversed, this will cause the waste of hydrocarbons. Applicant therefore requests that this matter be set for hearing before a Division Hearing Examiner.

9. Approval of this application will protect correlative rights for it will afford applicant and the other owners of the oil and gas rights in the E½W½ of Section 14 the opportunity to produce their just and equitable share of the reserves under their property, for it will honor the mutual agreement between the owners of both the potash and the oil and gas interests for the development of these lands. Approval of this application will otherwise be in the best interests of conservation and the prevention of waste.

WHEREFORE, applicant requests that this application be set for hearing before an Examiner of the Division, and that, after notice and hearing, the Division enter its order

authorizing applicant to drill its proposed State 14 Com. Well No. 3 to test the Bone Spring formation, and granting other appropriate relief.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", written over a horizontal line.

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

Attorney for Cimarex Energy Co. of Colorado

PROPOSED ADVERTISEMENT

Case No. 14460 :

Application of Cimarex Energy Co. of Colorado for an order authorizing the drilling of a well in the Potash Area, Eddy County, New Mexico. Applicant seeks an order approving the drilling of its proposed State 14 Com. Well No. 3, a horizontal well to test the Bone Spring formation (Turkey Track-Bone Spring Pool) within the Potash Area, at a surface location 375 feet from the north line and 2120 feet from the west line of Section 14, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico. The E/2W/2 of Section 14 will be dedicated to the well to form a 160-acre non-standard well unit (project area). The unit is located approximately 12 miles south-southwest of Loco Hills, New Mexico.

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