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2010 MAY -6 P 1:26

WRITER:

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Partner
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May 6, 2010

Via Hand Delivery

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

Case 14481

Re: Application of Cimarex Energy Co.

Dear Florene:

Enclosed for filing please find: (1) the original and one (1) copy of an application by Cimarex Energy Co. for a non-standard oil spacing and proration unit and compulsory pooling; and (2) a proposed advertisement.

I request that the enclosed application be set for hearing on the June 10, 2010 Examiner Docket.

Thank you for your attention to this matter.

Sincerely,

Gary W. Larson

GWL:js
Encls.

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, EDDY COUNTY, NEW MEXICO.

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Case No. 14481

APPLICATION

Cimarex Energy Co. ("Cimarex") applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the W/2 E/2 of Section 21, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests from 2500 feet subsurface to the base of the Bone Spring formation underlying the NW/4 NE/4 of Section 21, and the Bone Spring formation underlying the non-standard unit. In support of its Application, Cimarex states:

1. Cimarex is an interest owner in the W/2 E/2 of Section 21, and proposes to drill a well thereon.
2. Cimarex proposes to drill the Penny Pincher 21 Fed No. 3H well to a depth sufficient to test the Bone Spring formation. It seeks to dedicate (i) the NW/4 NE/4 of Section 21 to the well to form a standard 40 acre oil spacing and proration unit, and (ii) the W/2 E/2 of Section 21 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. The well will be a horizontal well, with an orthodox surface location in the NW/4 NE/4 of Section 21, and a terminus at an orthodox location in the SW/4 SE/4 of Section 21.
3. Cimarex has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W/2 E/2 of Section 21 for the purposes set forth herein.

4. Although Cimarex has 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, the interest owners have failed or refused to join in dedicating their interests. Therefore, Cimarex seeks an order pooling all mineral interest owners in (i) the NW/4 NE/4 of Section 21, and (ii) the W/2 E/2 of Section 21, from 2500 feet subsurface to the base of the Bone Spring formation, pursuant to NMSA §§70-2-17 & 18.

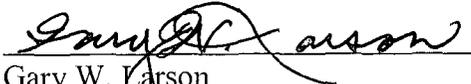
5. Approval of the non-standard unit and the pooling of all mineral interests underlying the W/2 E/2 of Section 21 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Cimarex 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 W/2 E/2 of Section 21;
- B. Pooling all mineral interests in (i) the NW/4 NE/4 of Section 21, and (ii) the W/2 E/2 of Section 21, from 2500 feet subsurface to the base of the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as the operator of the Penny Pincher 21 Fed No. 3H well;
- D. Considering the cost of 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,

HINKLE, HENSLEY, SHANOR &
MARTIN, LLP



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Counsel for Applicant Cimarex Energy Co.

PROPOSED ADVERTISEMENT

Case No. 1407 81 :

Application of Cimarex Energy Co. for a non-standard oil spacing and proration unit and compulsory pooling, Eddy 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 W/2 E/2 of Section 21, Township 19 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests from 2,500 feet subsurface to the base of the Bone Spring formation underlying (i) the NW/4 NE/4 of Section 21 to form a standard 40 acre oil spacing and proration unit, and (ii) the W/2 E/2 of Section 21 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. The units are to be dedicated to the Penny Pincher 21 Federal Com No. 3 well, a horizontal well to be drilled at an orthodox surface location in the NW/4 NE/4 with a terminus at an orthodox location in the SW/4 SE/4 of Section 21. 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, the 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 units are located approximately 13 miles south-southeast of Loco Hills, New Mexico.

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