

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 14489
ORDER NO. R-13283

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 10, 2010, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 28th day of June, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Cimarex Energy Co. ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation consisting of the W/2 of the W/2 (Units D, E, L and M) of Section 24, Township 19 South, Range 32 East, NMPM, in Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Bone Spring formation [East Lusk-Bone Spring Pool (41442)].

(3) The Unit is to be dedicated to Applicant's East Lusk 24 Federal Com. Well No. 1H ("the proposed well"), a horizontal well to be drilled from a standard surface location and penetration point 375 feet from the North line and 660 feet from the West line (Unit D) of Section 24 to a standard terminus, or bottomhole location, 330 feet from the South line and 660 feet from the West line (Unit M) of Section 24.

(4) Spacing in the East Lusk-Bone Spring Pool is governed by the Special Rules and Regulations for the East Lusk-Bone Spring Pool which provide for standard 160-acre spacing and proration units, substantially in the form of a square which is a quarter section, being a legal subdivision of the United States Public Land Surveys. The Special Rules and Regulations for the East Lusk-Bone Spring Pool were adopted by Order No. R-4994, issued in Case No. 5443 on April 1, 1975, amended by Order No. R-4994-A, issued on April 15, 1975, and made permanent by Order No. R-4994-B, issued on May 18, 1976.

(5) Division Rule 4.12.A(3) provides that notice of an application for a non-standard proration unit shall be furnished to "owners of interest in the mineral estate to be excluded from the proration unit . . . in the quarter section for 160-acre pools for [sic] formations"

(6) The record does not demonstrate that this rule was complied with. Rather the record indicates that notices were given to presumed offset operators on the assumption that spacing was governed by statewide rules providing for 40-acre units.

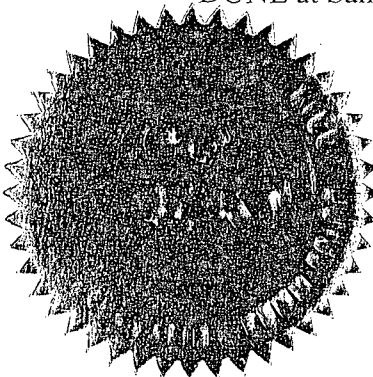
(7) Accordingly, this case should be re-opened and re-set for hearing to enable the applicant to give the required notices, and/or to amend its application to seek establishment of a 320-acre unit and project area comprising the entire W/2 of Section 24.

IT IS THEREFORE ORDERED THAT:

(1) This case shall be re-opened, and set for further hearing on July 22, 2010, to enable applicant either to give notices to all owners of interests in the mineral estate in the E/2 W/2 of Section 24, or to amend its application to seek formation of a 320-acre, W/2 unit, and give notices to all operators in the 160-acre units offsetting a proposed 320-acre unit.

(2) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

MARK E. FESMIRE, P.E.
Acting Director