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November 12, 2010

Hand delivered

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

*Case 14580*

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co., are an original and one copy of an application for compulsory pooling, etc., together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the December 16, 2010 Examiner hearing.

Very truly yours,

  
James Bruce

Attorney for Cimarex Energy Co.

Parties Being Notified

Marbob Energy Corporation  
COG Operating, LLC  
Suite 100  
550 West Texas  
Santa Fe, New Mexico 79701

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

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Case No. 14580

APPLICATION

Cimarex Energy Co. of Colorado applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of Lot 3, W $\frac{1}{2}$ NE $\frac{1}{4}$ , and NW $\frac{1}{4}$ SE $\frac{1}{4}$  (the W $\frac{1}{2}$ E $\frac{1}{2}$ ) of Section 32, Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an operator in the W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32, and has the right to drill a well thereon.
2. Applicant proposes to drill its South Lusk 32 State Well No. 2, to a depth sufficient to test the Bone Spring formation, and seeks to dedicate W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32 to the well to form a non-standard 160.45 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 is a horizontal well, with a surface location in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ , and a terminus in Lot 3, of Section 32.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32 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 W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32, 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 W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32 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 W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32;
- B. Pooling all mineral interests in the W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 32 in the Bone Spring formation;
- C. Designating applicant or COG Operating, LLC as operator of the 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,



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James Bruce  
Post Office Box 1056  
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Attorney for Cimarex Energy Co. of  
Colorado

PROPOSED ADVERTISEMENT

Case No. 14586 :

***Application of Cimarex Energy Co. of Colorado for approval of a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.*** Cimarex Energy Co. of Colorado seeks an order approving a 160.45-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of Lot 3, W/2NE/4, and NW/4SE/4 (the W/2E/2) of Section 32, Township 19 South, Range 32 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the W/2E/2 of Section 32 to form a non-standard 160.45 acre oil spacing and proration unit (project area) for any pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the South Lusk 32 State Well No. 2, a horizontal well to be drilled at a surface location in the NW/4NE/4, with a terminus in Lot 3, of Section 32. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 30 miles west of Monument, New Mexico.

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