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2011 JAN 10 P 12:57

January 10, 2011

Hand delivered

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

Case 14581

Dear Florene:

Enclosed for filing, on behalf of Cimarex Energy Co. of Colorado, are an original and one copy of an amended application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. **This matter was previously continued to the February 3, 2011 Examiner hearing.**

Very truly yours,

  
James Bruce

Attorney for Cimarex Energy Co. of Colorado

Parties Being Notified

Bonefish LLC  
P.O. Box 57180  
Albuquerque, New Mexico 87187

Nearburg Exploration Company, L.L.C.  
Building 2, Suite 120  
3300 North A Street  
Midland, Texas 79705

On behalf of itself and:

Leesburg Investments, Ltd.  
Holsum, Inc.  
Gretchen Nearburg  
Roy G. Niederhoffer  
AAR Ltd. Partnership  
R-N Ltd. Partnership  
LJS Resources, LLC  
Wright Family Trust  
John Barr III  
Tristan Barr  
JB III Partners  
LDH Holdings, LLC  
Duane A. Davis

Dean A. Horning  
Robert G. Shelton  
Duke W. Roush  
Herbert R. Willis  
Clyde P. Finlay II  
Nearburg Producing Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

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Case No. 14581

AMENDED 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 the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 32, Township 18 South, Range 31 East, N.M.P.M., Eddy 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 $\frac{1}{2}$ W $\frac{1}{2}$  of Section 32, and has the right to drill a well thereon.
2. Applicant proposes to drill its West Shugart 32 State Well No. 1, to a depth sufficient to test the Bone Spring formation, and seeks to dedicate W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 32 to the well to form a non-standard 160.00 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 in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ , and a terminus in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ , of Section 32.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ W $\frac{1}{2}$  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.

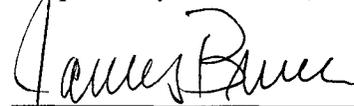
Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 32, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the W $\frac{1}{2}$ W $\frac{1}{2}$  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 $\frac{1}{2}$ W $\frac{1}{2}$  of Section 32;
- B. Pooling all mineral interests in the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 32 in the Bone Spring formation;
- C. Designating applicant 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  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Cimarex Energy Co. of  
Colorado

## PROPOSED ADVERTISEMENT

*Case No. 14581: (continued and readvertised)*

*Application of Cimarex Energy Co. of Colorado for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.* Cimarex Energy Co. of Colorado 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/2W/2 of Section 32, Township 18 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the W/2W/2 of Section 32 to form a non-standard 160 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 West Shugart 32 State Well No. 1, a horizontal well to be drilled at a surface location in the NW/4NW/4, with a terminus in the SW/4SW/4, 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 9 miles south-southeast of Loco Hills, New Mexico.