

DATE IN 5/27/2014	SUSPENSE	ENGINEER MAM	LOGGED IN 5/27/2014	TYPE NSP	APP NO. PMAm1414745566
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☒ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

- NSP
 - Cimarex Energy CO
 215099
 Well
 - Hornsby 35 Federal
 Com #5H
 30-015-4267
 Pool
 - Hwy Hollows Bone
 Spring
 30215

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Catanach
 Print or Type Name

David Catanach
 Signature

Agent for Cimarex Energy Company
 Title

5/27/14
 Date

drcatanach@netscape.com
 E-Mail Address

May 27, 2014

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Ms. Jami Bailey
Division Director

Re: Application for Non-Standard Spacing Unit/
Horizontal Project Area
Hornsby 35 Federal Com No. 5H
Surface Location (SL): 210' FSL & 2180' FWL (Lot 3)
First Take Point (FTP): 330' FSL & 2180' FWL (Lot 3)
Both in Section 35, Township 26 South, Range 27 East, NMPM,
Bottomhole Location (BHL): 330' FNL & 1980' FWL (Unit C)
Section 26, Township 26 South, Range 27 East, NMPM,
Eddy County, New Mexico

Dear Ms. Bailey:

Pursuant to Division Rule 19.15.15.11, Cimarex Energy Company ("Cimarex") respectfully requests administrative approval for a 224.07-Acre Non-Standard Spacing Unit/Horizontal Project Area comprising the E/2 W/2 of Section 26 and Unit C and Lot 3 (E/2 NW/4 equivalent) of Irregular Section 35, both in Township 26 South, Range 27 East.

The proposed Hornsby 35 Federal Com No. 5H, which will be drilled as a horizontal well at a standard well location to test the Hay Hollow-Bone Spring Pool (30215), will be dedicated to the proposed non-standard spacing unit.

The Hay Hollow-Bone Spring Pool is currently governed by Division Rule 19.19.15.9 which requires standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the spacing unit.

The attached plat shows that Section 35 is an irregular section whose southern boundary is the New Mexico/Texas State Line. This section is comprised of four standard 40-acre units (Units A, B, C & D) and four non-standard lots (Lots 1-4) that each comprise approximately 24 acres.

The concurrent development of Sections 26 and 35 in the Bone Spring formation in the manner proposed by Cimarex represents a reasonable and effective method by

which portions of Irregular Section 35 can be incorporated into horizontal Bone Spring project areas.

In addition to the currently proposed non-standard spacing unit, Cimarex, as operator of the Bone Spring formation in Sections 26 & 35, has or will propose three additional non-standard Bone Spring spacing units comprising: i) the W/2 W/2 of Section 26 and Unit D and Lot 4 (W/2 NW/4 equivalent) of Irregular Section 35; ii) W/2 E/2 of Section 26 and Unit B and Lot 2 (W/2 NE/4 equivalent) of Irregular Section 35 and; iii) E/2 E/2 of Section 26 and Unit A and Lot 1 (E/2 NE/4 equivalent) of Irregular Section 35.

Affected Offset Acreage-Non-Standard Spacing Unit: Division Rule 19.15.4.12(A)(3) requires that notice for non-standard proration units be provided to “owners of interest in the mineral estate to be excluded from the proration unit in the quarter-quarter section for 40-acre pools or formations, the one-half quarter section for 80-acre pools or formations, the quarter section for 160-acre pools or formations, the half section for 320-acre pools or formations or section for 640-acre pools or formations in which the non-standard unit is located”. As shown on the attached plat, and as previously stated in this application, all acreage in Irregular Section 35 will ultimately be included in one of four horizontal Bone Spring Project Areas operated by Cimarex. Since no acreage will be excluded from participating in Bone Spring development in Sections 26 and Irregular Section 35, no interest owner is affected by the proposed non-standard spacing unit, and consequently, notice of this application is not required, and has not been provided to any party.

Please note that that the working interest ownership within all of Section 26 and all of Irregular Section 35 is common.

Attached is a Form C-102 showing the proposed well and proposed non-standard spacing unit. Please note that there are currently no other Bone Spring producing wells within the proposed non-standard spacing unit. Also attached is a map that shows other existing or proposed Bone Spring Horizontal Project Areas that either directly offset the proposed non-standard spacing unit, or are located within Sections 26 and Irregular Section 35.

In summary, approval of the application will provide Cimarex the opportunity to recover additional oil and gas reserves from the Hay Hollow-Bone Spring Pool underlying the E/2 W/2 of Section 26 and Unit C and Lot 3 (E/2 NW/4 equivalent) of Irregular Section 35 that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

*Cimarex Energy Company
Application for Non-Standard Spacing Unit/
Horizontal Project Area
Hornsby 35 Federal Com No. 5H
Page 3*

Sincerely,

A handwritten signature in black ink that reads "David Catanach". The signature is fluid and cursive, with the first name "David" and last name "Catanach" clearly legible.

David Catanach, Agent
Cimarex Energy Company
600 North Marienfeld, Suite 600
Midland, Texas 79701

Xc: OCD-Artesia

DISTRICT I

1025 N. French Dr., Hobbs, NM 88240
Phone (505) 563-8181 Fax: (505) 563-0720

DISTRICT II

811 S. First St., Artesia, NM 88210
Phone (505) 748-1283 Fax: (505) 748-0780

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 884-8178 Fax: (505) 884-8170

DISTRICT IV

1820 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3450 Fax: (505) 476-3455State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30015-42167	Pool Code 30215	Pool Name Hay Hallow; Bone Spring
Property Code 40444	Property Name HORNSBY 35 FEDERAL COM	Well Number 5H
OGRIID No. 215099	Operator Name CIMAREX ENERGY CO.	Elevation 3263'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 3	35	26 S	27 E		210	SOUTH	2180	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	27 E		330	NORTH	1980	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
224.07			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

BHL & LTP: 330' FNL & 1980' FWL

PROPOSED BOTTOM HOLE LOCATION
Lat - N 32°01'10.06"
Long - W 104°09'46.61"
NMSPC - N 370860.2
E 594144.3
(NAD-83)

FTP: 330' FSL & 2180' FWL

SURFACE LOCATION
Lat - N 32°00'02.08"
Long - W 104°09'43.86"
NMSPC - N 363991.958
E 594389.290
(NAD-83)

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Terri Stathem 5-2-14
Signature Date
Terri Stathem
Printed Name
Email Address

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

SEPTEMBER 3, 2014
Date Surveyed
Signature of Professional Surveyor
Certificate No. Gary L. Jones 7977
BASIN SURVEYS 29241

Cimarex Energy Company
Application for Non-Standard Spacing Unit/
Horizontal Project Area
Hornsby 35 Federal Com No. 5H
Hay-Hollow Bone Spring Pool

No. 5H BHL:
330' FNL & 1980' FWL

27

330' Setback Line

26

25

Proposed 224.07-Acre
Bone Spring Horizontal
Project Area

Existing or Proposed
Bone Spring Horizontal
Project Areas
Operator: Cimarex

34

35

36

First Take Point:
330' FSL & 2180' FWL

Lot 4

Lot 3

Lot 2

Lot 1

New Mexico

Hornsby 35 Federal Com No. 5H
S.L.: 210' FSL & 2180' FWL

Texas

27E

23

24

26S