

8/07/2014 DATE IN	SUSPENSE	MAAM ENGINEER	8/07/2014 LOGGED IN	NSL TYPE	PMAM1421948510 APP NO.
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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 _____

NSL 7/14/2
 NSP 1/20/2
 Cimarex Energy Co.
 215099

WEL
 Hornsby 35K admi
 CUM 9H
 30-015-42137
 Pool
 -WL-015 52627284
 WOLFcamp (GAS)
 98017

- [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

8/7/14
 Date

drcatanach@netscape.com
 E-Mail Address

DISTRICT I1025 N. French Dr., Hobbs, NM 88240
Phone (505) 599-0181 Fax: (505) 599-0720**DISTRICT II**611 S. First St., Artesia, NM 88210
Phone (505) 745-1255 Fax: (505) 745-0720**DISTRICT III**1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 834-3170 Fax: (505) 834-3170**DISTRICT IV**1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 475-5450 Fax: (505) 475-5450State of New Mexico
Energy, Minerals and Natural Resources DepartmentForm C-102
Revised August 1, 2011Submit one copy to appropriate
District Office**OIL CONSERVATION DIVISION**1220 South St. Francis Dr.
Santa Fe, New Mexico 87505**WELL LOCATION AND ACREAGE DEDICATION PLAT**☐ AMENDED REPORT

API Number 30015-42137	Pool Code 98017	Pool Name WC-015 S262728A; WC (Gas)
Property Code 40444	Property Name HORNSBY 35 FEDERAL COM	Well Number 9H
OGRIID No. 215099	Operator Name CIMAREX ENERGY CO.	Elevation 3244'

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 2	35	26 S	27 E		210	SOUTH	1940	EAST	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
B	26	26 S	27 E		330	NORTH	1940	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
448.31			

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

PROPOSED BOTTOM HOLE LOCATION
Lat - N 32°01'10.21"
Long - W 104°09'30.53"
NAD83 - N 370878.2
E 595519.2
(NAD-83)

PROPOSED SURFACE LOCATION
Lat - N 32°00'02.07"
Long - W 104°09'30.58"
NAD83 - N 363993.1
E 595535.0
(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 in a voluntary pooling agreement or a compulsory pooling law heretofore entered by the division.

Signature: *Terry Stathem* Date: 5-2-14
Printed Name: Terry Stathem
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.

Date Surveyed: AUGUST 28, 2013
Signature: *[Signature]*
Professional Surveyor: [Stamp]
Certificate No. 7977
BASIN SURVEYS 29245

August 7, 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 Unorthodox Well Locations &
Non-Standard Spacing Unit/Horizontal Project Area
Hornsby 35 Federal Com Wells No. 7H, 9H, 10H & 12H
E/2 of Section 26 & Units A & B & Lots 1 & 2 of Irregular Section 35
All in Township 26 South, Range 27 East, NMPM,
WC-015 S262728A; Wolfcamp (Gas) Pool (98017)
Eddy County, New Mexico

Dear Ms. Bailey:

Pursuant to Division Rules 19.15.15.13 & 19.15.15.11, Cimarex Energy Company ("Cimarex") respectfully requests administrative approval:

1. For four unorthodox horizontal well locations for the Hornsby 35 Federal Com Wells No. 7H, 9H, 10H and 12H located at the surface, first take point and bottomhole locations described as follows. These wells will be drilled to test the WC-015 S262728A: Wolfcamp (Gas) Pool:

Hornsby 35 Federal Com Well No. 7H (API No. 30-015-42168)

Surface Location: 210' FSL & 2020' FEL (Lot 2) Section 35
First Take Point: 330' FSL & 2020' FEL (Lot 2) Section 35
Bottomhole Location: 330' FNL & 2020' FEL (Unit B) Section 26

Hornsby 35 Federal Com Well No. 9H (API No. 30-015-42137)

Surface Location: 210' FSL & 1940' FEL (Lot 2) Section 35
First Take Point: 330' FSL & 1940' FEL (Lot 2) Section 35
Bottomhole Location: 330' FNL & 1940' FEL (Unit B) Section 26

Hornsby 35 Federal Com Well No. 10H (API No. 30-015-42170)

Surface Location: 210' FSL & 790' FEL (Lot 1) Section 35
First Take Point: 330' FSL & 790' FEL (Lot 1) Section 35
Bottomhole Location: 330' FNL & 790' FEL (Unit A) Section 26

Hornsby 35 Federal Com Well No. 12H (API No. 30-015-42138)

Surface Location: 210' FSL & 710' FEL (Lot 1) Section 35

First Take Point: 330' FSL & 710' FEL (Lot 1) Section 35

Bottomhole Location: 330' FNL & 710' FEL (Unit A) Section 26

2. For a 448.31-Acre Non-Standard Spacing Unit/Horizontal Project Area comprising the E/2 of Section 26 and Units A & B and Lots 1 & 2 (NE/4 equivalent) of Irregular Section 35, both in Township 26 South, Range 27 East.

The proposed Hornsby 35 Federal Com Wells No. 7H, 9H, 10H and 12H will be drilled and completed as a horizontal wells in the WC-015 S262728A; Wolfcamp (Gas) Pool (98017).

The proposed Hornsby 35 Federal Com Wells No. 9H & 12H will test the "D" interval within the Wolfcamp formation, and the Hornsby 35 Federal Com Wells No. 7H & 10H will test the "C" interval within the Wolfcamp formation.

The WC-015 S262728A; Wolfcamp (Gas) Pool is currently governed by Division Rule 19.19.15.10 which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section in which the well is located, and no closer than 10 feet to any governmental quarter-quarter section line or subdivision inner boundary. These wells are also governed by the provisions of Order No. R-13499, which order established rules and regulations for horizontal wells.

The proposed non-standard well locations are necessary in order to maximize the recovery of oil and gas reserves from the Wolfcamp formation underling the proposed non-standard spacing unit/horizontal project area.

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 Wolfcamp 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 Wolfcamp project areas.

In addition to the currently proposed non-standard spacing unit, Cimarex, as operator of the Wolfcamp formation in Sections 26 & 35, will concurrently propose an

additional non-standard Wolfcamp spacing unit comprising the W/2 of Section 26 and Units C & D and Lot 3 & 4 (NW/4 equivalent) of Irregular Section 35 in a separate administrative application.

Affected Offset Acreage-Unorthodox Well Location(s): The affected offset acreage with regards to the proposed unorthodox well locations are: i) the W/2 of Section 26 & Units C & D and Lots 3 & 4 of Irregular Section 35, which will be operated in the Wolfcamp formation by Cimarex Energy Company. **Please note that the working interest ownership between the drill tract and the offset tract comprising the W/2 of Section 26 and Units C & D and Lots 3 & 4 of Irregular Section 35 is common;** ii) W/2 of Section 23 which is currently operated in the Wolfcamp formation by Mewbourne Oil Company; iii) the W/2 E/2 of Section 23 which is currently operated in the Wolfcamp formation by Chevron U.S.A., Inc.; iv) the E/2 E/2 of Section 23 which is leased by Chevron U.S.A., Inc.; and v) the S/2 and NW/4 of Section 24, which is currently leased by Yates Petroleum Corporation. Consequently, notice of this application with regards to the proposed unorthodox locations is being provided to Mewbourne Oil Company, Chevron U.S.A., Inc. and Yates Petroleum Corporation.

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 Section 26 and Irregular Section 35 will ultimately be included in one of two horizontal Wolfcamp Project Areas operated by Cimarex. Also shown on the attached plat are other Wolfcamp spacing units that directly offset the proposed non-standard spacing unit. Cimarex believes that since no party will be excluded from participating in Wolfcamp development in Sections 26 and Irregular Section 35, no party is affected by the proposed non-standard spacing unit, and consequently notice of this application with regards to the non-standard spacing unit is not required, and has not been provided to any party.

Attached is a Form C-102 for each of the four wells showing the proposed surface and bottomhole well locations and proposed non-standard spacing unit. Please note that there are currently no other Wolfcamp producing wells within the proposed non-standard spacing unit. Also attached is a map showing the offset spacing units affected by the unorthodox well locations and other existing or proposed Wolfcamp spacing unit and/or project areas directly offsetting the proposed non-standard spacing unit.

In summary, approval of the application will provide Cimarex the opportunity to recover additional oil and gas reserves from the WC-015 S262728A; Wolfcamp (Gas) Pool underlying the E/2 of Section 26 and Units A & B and Lots 1 & 2 (NE/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.

Sincerely,

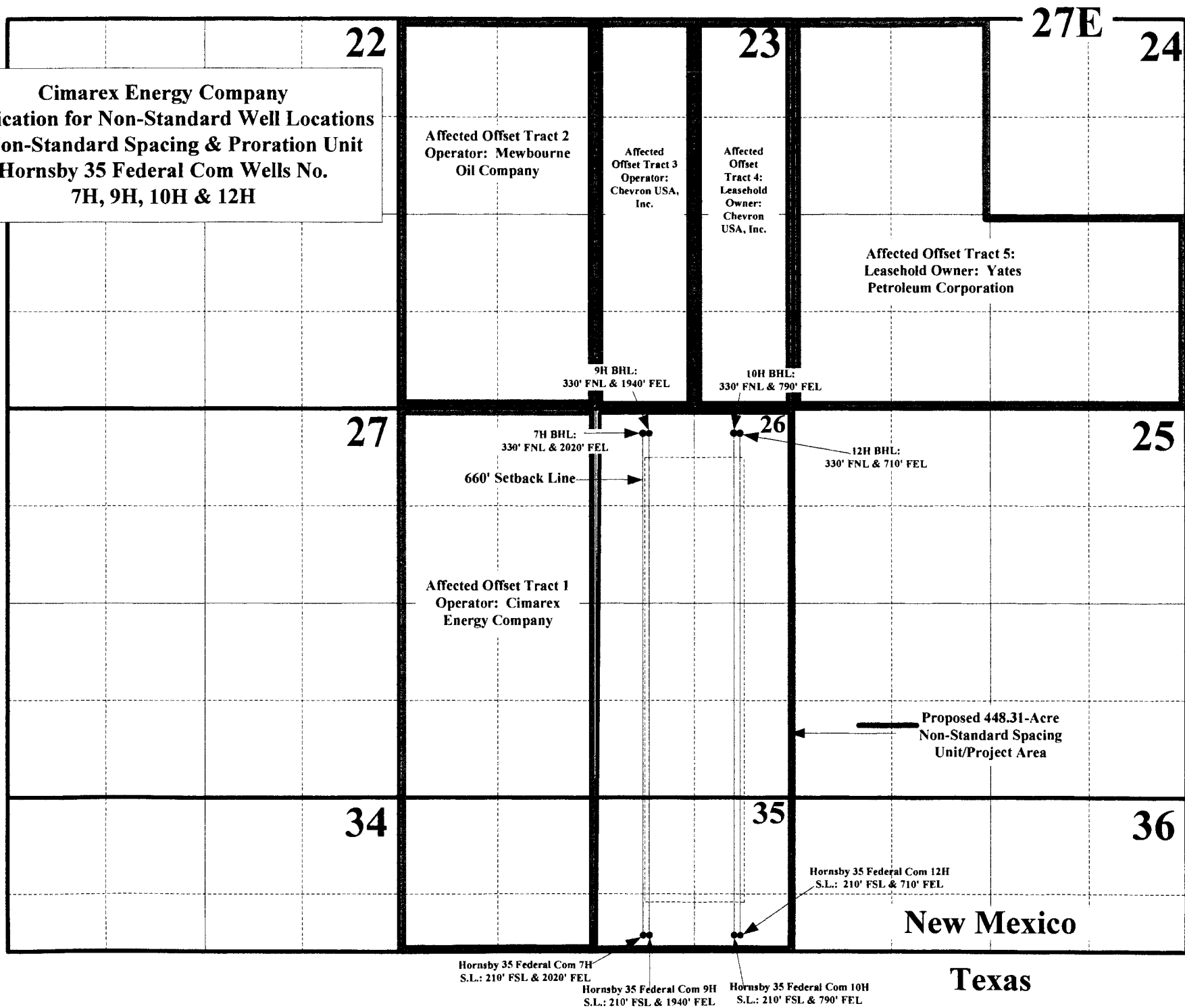


David Catanach, Agent
Cimarex Energy Company
600 North Marienfeld, Suite 600
Midland, Texas 79701

Xc: OCD-Artesia

Cimarex Energy Company
Application for Non-Standard Well Locations
& Non-Standard Spacing & Proration Unit
Hornsby 35 Federal Com Wells No.
7H, 9H, 10H & 12H

26S



August 7, 2014

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Mewbourne Oil Company Chevron U.S.A., Inc.
500 W. Texas, Suite 1020 P.O. Box 2100
Midland, Texas 79701 Houston, Texas 77252

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, New Mexico 88210

Re: Cimarex Energy Company
Application for Non-Standard Spacing Unit/Horizontal Project Area &
Non-Standard Well Locations
Hornsby 35 Federal Com Wells No. 7H, 9H, 10H & 12H
Eddy County, New Mexico

Ladies & Gentlemen:

Enclosed please find a copy of an application for a Non-Standard Spacing Unit/Horizontal Project Area and Unorthodox Horizontal Well Locations filed with the Oil Conservation Division. Cimarex Energy Company ("Cimarex") proposes to form a 448.31-Acre Non-Standard Gas Spacing Unit/Horizontal Project Area comprising the E/2 of Section 26 and Units A & B and Lots 1 & 2 of Irregular Section 35, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. This unit will be dedicated to the Hornsby 35 Federal Com Wells No. 7H, 9H, 10H and 12H, which will be drilled as a horizontal well to test the WC-015 S262728A; Wolfcamp (Gas) Pool. The wells are located at surface, first take point and bottomhole locations as described in the application.

You are being provided a copy of the application as an affected offset operator and/or leaseholder. Objections must be filed with the Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, within 20 days.

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

Sincerely,



David Catanach-Agent
Cimarex Energy Company
600 N. Marienfeld, Suite 600
Midland, Texas 79701

Enclosure

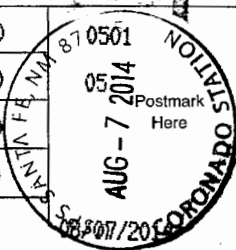
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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total		\$7.40



Sent To **Chevron U.S.A., Inc.**
 Street or PO **P.O. Box 2100**
 City, State **Houston, Texas 77252**

PS Form 3800, August 2000

Instructions

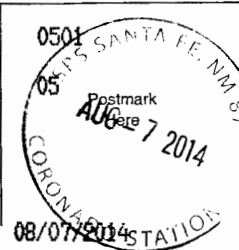
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Restricted Delivery Fee (Endorsement Required)		\$0.00
Total P		\$7.40



Sent To **Mewbourne Oil Company**
 Street, or PO B. **500 W. Texas, Suite 1020**
 City, State **Midland, Texas 79701**

PS Form 3800, August 2000

Instructions

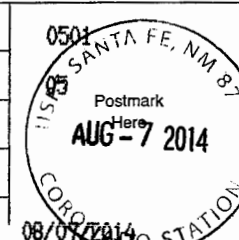
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Sent To **Yates Petroleum Corporation**
 Street, or PO B. **105 S. Fourth Street**
 City, State **Artesia, New Mexico 88210**

PS Form 3800, August 2000

Instructions