

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



November 24, 2014

Cimarex Energy Co.
Attn: Mr. David Catanach

ADMINISTRATIVE NON-STANDARD LOCATION, AND NON-STANDARD PRORATION
UNIT

Administrative Order NSL-7198
Administrative Application Reference No. pMAM1430239690

Administrative Order NSP-2012
Administrative Application Reference No. pMAM1430239941

Cimarex Energy Co.
OGRID 215099
Klein 33 Federal Com Well No. 6H
API No. 30-015-42034

Proposed Location:

| | <u>Footages</u> | <u>Unit/Lot</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|--------------------|-----------------|-------------|-------------|--------------|---------------|
| Surface | 210 FSL & 2000 FWL | 3 | 33 | 26S | 27E | Eddy |
| Penetration Point | 330 FSL & 2000 FWL | 3 | 33 | 26S | 27E | Eddy |
| Terminus | 330 FNL & 2020 FWL | C | 28 | 26S | 27E | Eddy |

Proposed Project Area:

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|---|--------------|--------------------------------|------------------|
| Lot 3, Lot 4, NE/4 NW/4, NW/4 NW/4 of Section 33, W/2 of Section 28 | 446.77 | WC-015 S262728A;Wolfcamp (Gas) | 98017 |

Reference is made to your application received on October 29, 2014.

You have requested to drill this well at a non-standard gas spacing and proration unit described above in the referenced pool or formation. This proration unit is governed by statewide Rule 19.15.15.10.B NMAC, which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning

directional wells in designated project areas. This location is unorthodox because a portion of the project area is less than 660 feet from the unit boundary.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location in order to maximize the recovery of oil and gas reserves from the Wolfcamp formation within the project area. Also, surface obstructions forced the location to move 20 feet west.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches for affected parties in New Mexico.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of one or more non-standard proration units to be included in your proposed project area, as follows:

Units Comprising this Project Area

| <u>Unit</u> | <u>Acres</u> | <u>Pool</u> | <u>Code</u> |
|---|--------------|--------------------------------|-------------|
| Lot 3, Lot 4, NE/4 NW/4, NW/4 NW/4 of Section 33, | 126.77 | WC-015 S262728A;Wolfcamp (Gas) | 98017 |
| W/2 of Section 28 | 320 | WC-015 S262728A;Wolfcamp (Gas) | 98017 |

Statewide Rule 19.15.15.10.B NMAC provides for 320-acre units, which consists of the W/2 of Section 28. However, Lot 3, Lot 4, NE/4 NW/4, and NW/4 NW/4 of Section 33, are comprised of 126.77-acres. According to Division Rule 19.15.15.11.B(1) NMAC, an administrative approval is required for a non-standard spacing unit that is less than 70 percent of a standard spacing unit, in this case 126.77-acres

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location because the non-standard project area represents a reasonable and effective method by which portions of irregular Section 33 can be incorporated into horizontal Wolfcamp project area.

It is also understood that since no acreage is being excluded in the project area, no interest owner is affected; therefore, notification is not required.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

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The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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 November 24, 2014

A handwritten signature in cursive script, appearing to read "Scott Dauran for".

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management - Carlsbad