



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

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Director

Oil Conservation Division

August 15, 2006

Cimarex Energy Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5436 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-618440686*) dated June 26, 2006 and filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of the operator Cimarex Energy Company ("Cimarex"); and (ii) the Division's records in Artesia and Santa Fe: all concerning Cimarex's request for an unorthodox subsurface infill Morrow gas well location/producing area for its recently drilled McGruder Hill "13" Federal Well No. 3 (*API No. 30-015-34778*), located on the surface 2445 feet from the South line and 260 feet from the West line (Unit L) of Section 13, Township 22 South, Range 25 East, NMPM, Happy Valley-Morrow Gas Pool (**78060**), Eddy County, New Mexico.

Your application for Cimarex has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It appears that under the provisions of Division Rules 111.A (7) and 111.C (2) (b), Cimarex received authorization from the Division's Artesia District Office to directionally drill its McGruder Hill "13" Federal Well No. 3 to the Morrow formation within an existing 331.08-acre stand-up deep gas spacing unit, or project area, comprising Lots 1 through 4 and the SW/4 (W/2 equivalent) of Section 13 to a targeted bottomhole location 1980 feet from the North line and 1470 feet from the West line (Lot 4/Unit F) of Section 13.

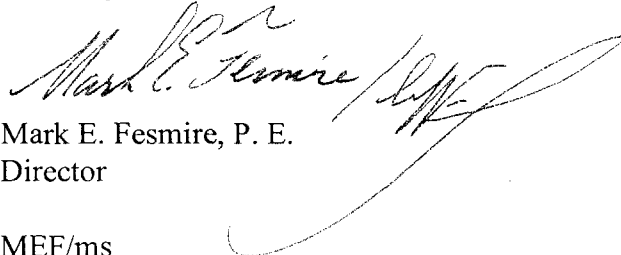
This 331.08-acre unit is currently dedicated to Cimarex's McGruder "13" Federal Com. Well No. 1 (*API No. 30-015-29871*), also designated at times as the McGruder "13" State Well No. 1, located in the SW/4 of Section 13.

The penetration point into the top of the Morrow formation at a reported depth of 10,433 feet by the subject McGruder Hill "13" Federal Well No. 3 occurred at a subsurface location approximately 2052 feet from the North line and 1275 feet from the West line (Lot 3/Unit E) of Section 13. The bottomhole location or subsurface location at total depth (11,775 feet MD) for this well is approximately 1842 feet from the North line and 1597 feet from the West line (Lot 4/Unit F) of Section 13. Further, the upper 350 feet, more or less, of this wellbore is closer than 660 feet to the half-section line separating the SW/4 and NW/4 equivalent of Section 13. Pursuant to Division Rules 104.C (2) (b), 111.A (7) and 13, and 111.C (2) this wellbore is technically considered to be unorthodox; however, the subsurface pathway of this infill Morrow gas well is confined to a window, or producing area, within the NW/4 equivalent of Section 13 that is no closer than 660 feet to the subject 331.08-acre project area/stand-up deep Morrow gas spacing unit.

Pursuant to Division Rule 111.A (7), the above-described deep subsurface infill Morrow gas well location within the NW/4 equivalent of Section 13 for Cimarex's McGruder Hill "13" Federal Well No. 3 is hereby approved. Further, Cimarex shall comply with all provisions of Division Rule 111 applicable in this matter.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
