

|                    |          |                    |                      |             |                           |
|--------------------|----------|--------------------|----------------------|-------------|---------------------------|
| DATE IN<br>1/29/08 | SUSPENSE | ENGINEER<br>Brooks | LOGGED IN<br>1/29/08 | TYPE<br>NSL | APP NO.<br>PKUR0802931972 |
|--------------------|----------|--------------------|----------------------|-------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



*Cimarex Energy Co. of Colorado*  
*Pennzoil 36 state Com. #2*

**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 \_\_\_\_\_

[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

RECEIVED  
2008 JUN 29 AM 9 04

[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.

James Bruce  
 P.O. Box 1056  
 Santa Fe, New Mexico 87504

*James Bruce*  
 \_\_\_\_\_  
 Signature

Attorney for Applicant  
 \_\_\_\_\_  
 Title

jamesbruc@aol.com  
 \_\_\_\_\_  
 e-mail Address

*1/25/08*

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

January 25, 2008

Hand delivered

Mark E. Fesmire, P.E.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Cimarex Energy Co. of Colorado applies for approval of an unorthodox oil well location for the following well:

|                   |   |
|-------------------|---|
| <u>Well:</u>      | Pennzoil 36 State Well No. 2  |
| <u>Location:</u>  | 1050 feet FNL & 1210 feet FEL   |
| <u>Well Unit:</u> | NE $\frac{1}{4}$ NE $\frac{1}{4}$ §36-19S-33E, Lea County, New Mexico |

The well was drilled in 2003, and was completed in the Morrow formation (Quail Ridge-Morrow Gas Pool) at an orthodox location.

Applicant plans to re-complete the well in the Bone Spring formation (Apache Ridge-Bone Spring Pool) and the Strawn formation (East Gem-Strawn Pool), and requests approval of an unorthodox location in both zones. Under statewide rules, spacing in each pool is 40 acres, with wells to be at least 330 feet from a quarter-quarter section line. Forms C-102 are attached as Exhibits A and B.

There are offsetting wells being drilled or completed in the Bone Spring formation, but they will not be drilled to test the Strawn because the Strawn pinches out and is tight to the south and west. See Exhibit C.

The N $\frac{1}{2}$ NE $\frac{1}{4}$  and SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 36 are subject to State Lease V-5271, and the SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 36 is subject to State Lease VB-51. Exhibits D and E. The offset interest owners, other than Magnum Hunter Production Inc. (a sister company of applicant) are listed on Exhibit

F. (The Land Office is being notified because there is a royalty difference in the two leases.) A copy of the notice letter sent to the offsets is attached as Exhibit G.

Please call me if you need any further information.

Very truly yours,

James Bruce

Attorney for Cimarex Energy Co. of Colorado

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                            |   |  |
|----------------------------|---|--|
| API Number<br>30-025-35971 | Pool Code<br>2260                               | Pool Name<br><i>under</i><br>Apache Ridge; Bone Spring |
| Property Code              | Property Name<br>PENNZOIL "36" STATE COM        | Well Number<br>2                                       |
| OGRID No.<br>162683        | Operator Name<br>CIMAREX ENERGY CO. OF COLORADO | Elevation<br>3617'                                     |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A             | 36      | 19 S     | 33 E  |         | 1050          | NORTH            | 1210          | EAST           | LEA    |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
|               |         |          |       |         |               |                  |               |                |        |

|                       |                 |                    |                          |
|-----------------------|-----------------|--------------------|--------------------------|
| Dedicated Acrea<br>40 | Joint or Infill | Consolidation Code | Order No.<br>NSL Pending |
|-----------------------|-----------------|--------------------|--------------------------|

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

A

EXHIBIT

**OPERATOR CERTIFICATION**

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Zeno Farris

Signature

Zeno Farris

Printed Name

Mgr Operations Admin

Title

11-09-07

Date

---

**SURVEYOR CERTIFICATION**

I hereby certify that the well locations 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.

June 25, 2002

Date Surveyed

Signature & Seal of Professional Surveyor

Certificate No. Gary L. Jones 7977

JLP BASTIN SURVEYS

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Ed., Atec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

**OIL CONSERVATION DIVISION**

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                            |   |                                |
|----------------------------|---|--------------------------------|
| API Number<br>30-025-35971 | Pool Code<br>96244                              | Pool Name<br>Gem; Strawn, East |
| Property Code              | Property Name<br>PENNZOIL "36" STATE COM        | Well Number<br>2               |
| OGRID No.<br>162683        | Operator Name<br>CIMAREX ENERGY CO. OF COLORADO | Elevation<br>3617'             |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A             | 36      | 19 S     | 33 E  |         | 1050          | NORTH            | 1210          | EAST           | LEA    |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
|               |         |          |       |         |               |                  |               |                |        |

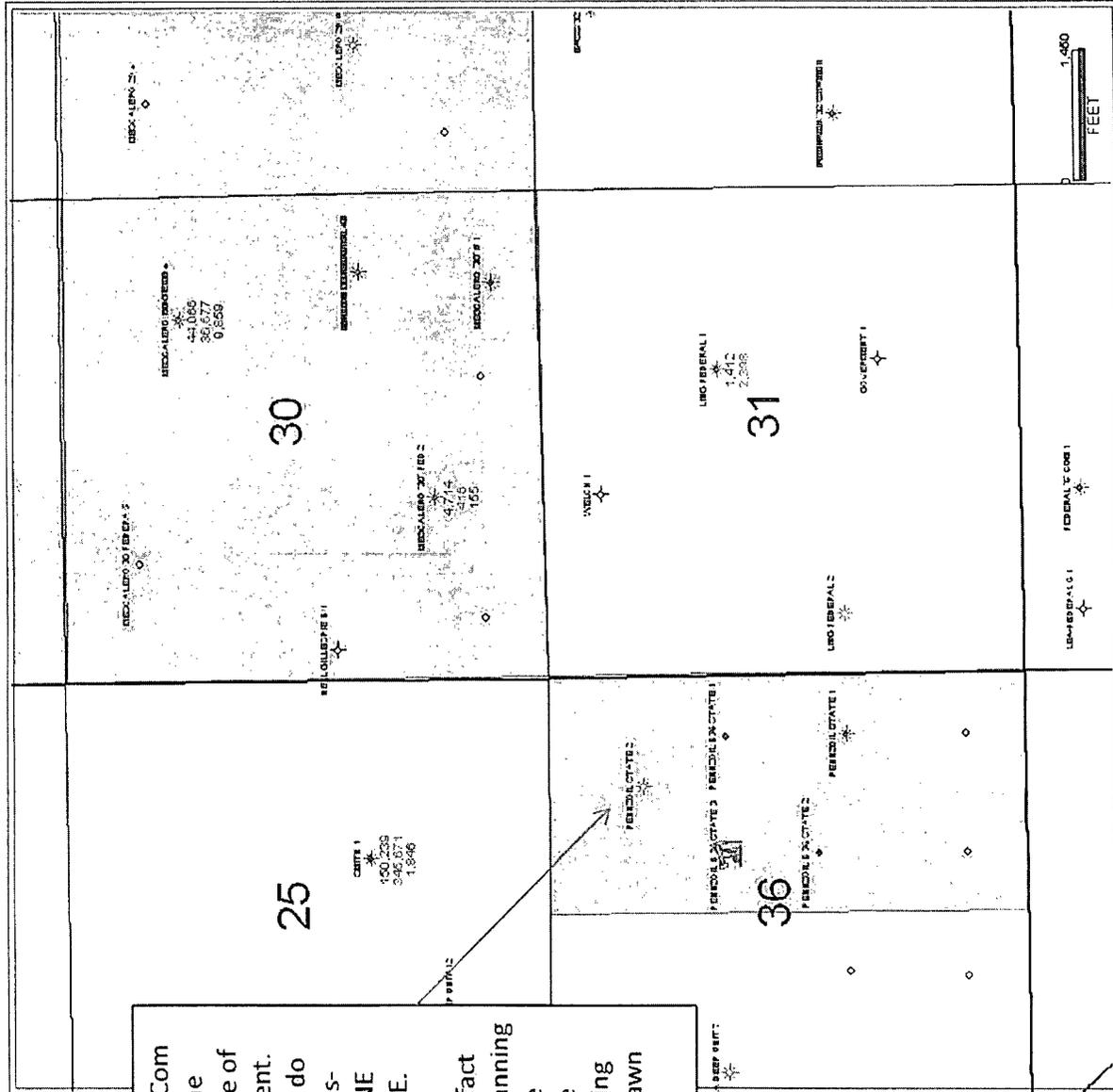
|                       |                 |                    |                          |
|-----------------------|-----------------|--------------------|--------------------------|
| Dedicated Acres<br>40 | Joint or Infill | Consolidation Code | Order No.<br>NSL Pending |
|-----------------------|-----------------|--------------------|--------------------------|

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

|  |   |
|--|---|
|  | <p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i><br/>Signature</p> <p>Zeno Farris<br/>Printed Name</p> <p>Mgr Operations Admin<br/>Title</p> <p>11-09-07<br/>Date</p>   |
|  | <p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>June 25, 2002<br/>Date Surveyed</p> <p><i>Gary L. Jones</i><br/>Signature &amp; Seal of Professional Surveyor</p> <p>W.O. No. 2572<br/>Certificate No. Gary L. Jones 7977</p> <p>JLP BASH SURVEYS</p> |

EXHIBIT **B**

# Strawn Production



Pennzoil 36 State Com #2 is located on the southwestern edge of Strawn development. Potential reserves do not support a grass-roots well in SW/NE section 36-19S-33E. This is tangibly supported by the fact that Cimarex is planning to drill offset Bone Spring wells to the south without taking them down to Strawn depth.

EXHIBIT C

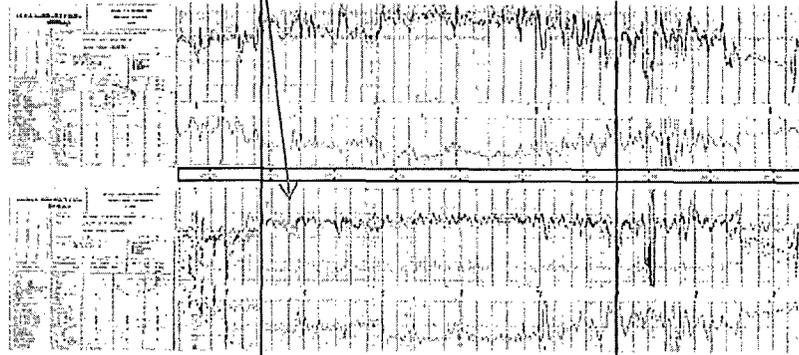
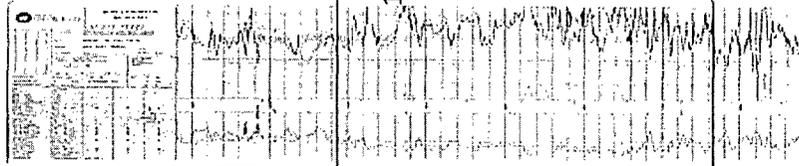
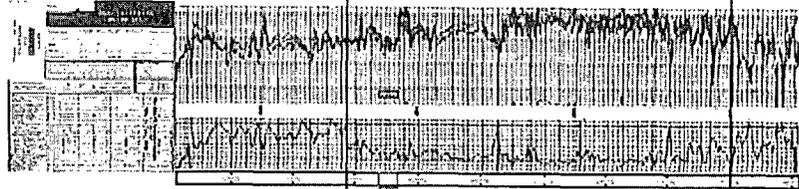
Strawn Cross-section

27705  
UNION OIL CO OF CAL  
CIMAREX  
SMITH  
1

35971  
GRUY PET MGMT CO  
CIMAREX  
PENNZOIL '36' STATE  
2

36255  
BROWN TOM INC  
GRUY PETROLEUM MANAGEMENT COMPANY  
LAGUNA DEEP UNIT  
7

145,626  
331,968  
1,846



STRN [GDS]

14% porosity

ATOK [GDS]

11% porosity

6% porosity and tight  
on resistivity log

5 Records found.

Lease Number:

## V0-5271-0001

Company name: MAGNUM HUNTER PRODUCTION, INC.  
 Company ID: 149315  
 Assigned from: V0-5271-0000  
 Total acres: 200.00  
 Prod stat: N/A

### Lease term:

Lease term: FIVE(5) YEAR TERM, 1/6th ROYALTY  
 Issue date: 3/1/1998  
 Termination date: Active  
 Termination reason: N/A  
 Current term: Extended Primary Term

### Billing information:

Bill to: MAGNUM HUNTER PRODUCTION, INC.  
 Rent per acre: 1.00  
 Billing frequency: Annual  
 Minimum annual rent: 200.00  
 Last bill date: 2/1/2007  
 Next bill date: 3/1/2008  
 Escalation: 0

### Land information:

| Section | Township | Range | Unit Letter | Lot | Tract | Acreage |
|---------|----------|-------|-------------|-----|-------|---------|
| 36      | 19S      | 33E   | A           |     |       | 40.00   |
|         |          |       | B           |     |       | 40.00   |
|         |          |       | H           |     |       | 40.00   |
|         |          |       | O           |     |       | 40.00   |
|         |          |       | P           |     |       | 40.00   |

EXHIBIT D

3 Records found.

Lease Number:

## **VB-0051-0003**

Company name: MAGNUM HUNTER PRODUCTION, INC.  
 Company ID: 149315  
 Assigned from: VB-0051-0002  
 Total acres: 120.00  
 Prod stat: N/A

### **Lease term:**

Lease term: FIVE(5) YEAR TERM, 3/16th ROYALTY  
 Issue date: 10/1/1986  
 Termination date: Active  
 Termination reason: N/A  
 Current term: Extended Primary Term

### **Billing information:**

Bill to: MAGNUM HUNTER PRODUCTION, INC.  
 Rent per acre: 1.00  
 Billing frequency: Annual  
 Minimum annual rent: 120.00  
 Last bill date: 9/6/2007  
 Next bill date: 10/1/2008  
 Escalation: 0

### **Land information:**

| Section | Township | Range | Unit Letter | Lot | Tract | Acreage |
|---------|----------|-------|-------------|-----|-------|---------|
| 36      | 19S      | 33E   | G           |     |       | 40.00   |
|         |          |       | I           |     |       | 40.00   |
|         |          |       | J           |     |       | 40.00   |

EXHIBIT E

Pennzoil 36 State Com No. 2  
A-36-19S-33E  
1050' FNL & 1210' FEL  
Apache Ridge; Bone Spring & Gem; Strawn, East  
Lea County, NM



RE: Pennzoil 36 State Com No. 2 NSL Application – Bone Spring and Strawn Pools

| <i>Royalty Owner:</i>  | <i>Override:</i>  | <i>Working Interest Owner:</i>                                    |
|--|---|---|
| New Mexico State Land Office<br>310 Old Santa Fe Trail<br>Santa Fe, NM 87501 | Wallace H. Scott Unified Trust<br>C/O Mark Fulton/Merrill Lynch<br>111 Congress Ave., Suite 600<br>Austin, TX 78701 | Marshall & Winston Inc.<br>PO Box 50880<br>Midland, TX 79710-0880 |

EXHIBIT F

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213  
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)  
(505) 660-6612 (Cell)  
(505) 982-2151 (Fax)

[jamesbruc@aol.com](mailto:jamesbruc@aol.com)

January 25, 2008

Certified Mail – Return Receipt Requested

Wallace H. Scott Unified Trust  
c/o Merrill Lynch  
Suite 600  
111 Congress Avenue  
Austin, Texas 78701

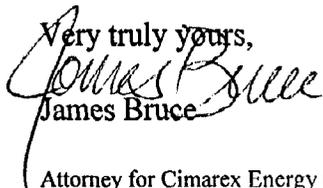
Jeff Albers  
Oil, Gas and Minerals Division  
Commissioner of Public Lands  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

Marshall & Winston, Inc.  
P.O. Box 50880  
Midland, Texas 79710

Attention: Kevin Hammit

Ladies and gentlemen:

Cimarex Energy Co. of Colorado has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 36, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter later.

Very truly yours,  
  
James Bruce

Attorney for Cimarex Energy Co. of Colorado

EXHIBIT 6

**Well File Search - Select API Number to View**

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected.

The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

2 Records Found

Displaying Screen 1 of 1

| <b>API Number</b>  | <b>ULSTR</b>  | <b>Footages</b>     |
|--|---------------|---------------------|
| <input type="radio"/> 3002535971                             | A -36-19S-33E | 1050 FNL & 1210 FEL |
| <b>Well Name &amp; Number:</b> PENNZOIL 36 STATE COM No. 002 |               |                     |
| <b>Operator:</b> CIMAREX ENERGY CO. OF COLORADO              |               |                     |
| <input type="radio"/> 3002538624                             | A -36-19S-33E | 930 FNL & 660 FEL   |
| <b>Well Name &amp; Number:</b> PENNZOIL B 36 STATE No. 007   |               |                     |
| <b>Operator:</b> CIMAREX ENERGY CO. OF COLORADO              |               |                     |

2 Records Found

Displaying Screen 1 of 1