

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF CIMAREX
ENERGY CO. FOR APPROVAL OF
A HORIZONTAL SPACING UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 20102

APPLICATION

Cimarex Energy Co. ("Cimarex"), OGRID Number 215099, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) to the extent necessary, approving the creation of a 320-acre Bone Spring spacing unit; and (2) pooling all mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Sections 7 and the SW/SW of Section 6, Township 19 South Range 34 East, NMPM, Lea County, New Mexico. In support of this application, Cimarex states as follows:

1. In companion Case No. 16469 McElvain Energy, Inc. seeks an order pooling all mineral interests in the Bone Spring formation to create a 320-acre, spacing comprised of the W/2 NW/4 of Section 6, Township 19 South, Range 34 East, and the W/2 W/2 of Section 31, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico which conflicts with Cimarex's development plan for its proposed **Pipeline 7-6 Federal Corn 1H** that is the subject of this Application.

2. Cimarex is an interest owner in the subject lands and has a right to drill a well thereon.

3. Cimarex seeks to dedicate the W/2 W/2 of Section 7 and the SW/SW of Section 6, Township 19 South, Range 34 East, NMPM, Leas County, New Mexico to the proposed well to form a 320-acre, more or less, horizontal spacing unit.

4. Cimarex proposes to drill the **Pipeline 7-6 Federal Corn 1H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location 410' FSL and 1015' FWL of Section 7, Township 19 South, Range 34 East, and the intended bottom hole location 100' FNL and 330' FWL of Section 6, Township 19 South, Range 34 East. The well is proposed to be drilled vertically to a depth of approximately 9,770' to the Bone Spring formation and laterally in a northerly direction within the formation to the referenced bottom hole location.

5. This well will comply with the Division's setback requirements.

6. Cimarex sought, but has been unable to obtain a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.

7. The creation of a horizontal spacing unit the pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Cimarex Energy Co. requests this application be set for hearing with the competing application set for a Special Examiner hearing of the Oil Conservation Division on December 4, 2018 for Case No. 16469, and after notice and hearing as required by law, the Division enter its order:

- A. Creating a 320-acre, more or less, horizontal spacing unit in the Bone Spring formation comprised of the W/2 W/2 of Section 7 and the SW/SW of Section 6, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.
- B. Pooling all mineral interests in the Bone Spring formation underlying this horizontal spacing unit;
- C. Designating Cimarex as operator of this unit and the well to be drilled thereon;
- D. Authorizing Cimarex to recover its costs of drilling, equipping and completing this well;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CASE NO. _____: Application of Cimarex Energy Co. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant seeks an order from the Division: to the extent necessary, approving the creation of a Bone Spring spacing unit; and (2) pooling all mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 W/2 of Sections 7 and the SW/SW of Section 6, Township 19 South Range 34 East, NMPM, Lea County, New Mexico. This horizontal spacing unit will be dedicated to the **Pipeline 7-6 Federal Corn 1H** well, to be horizontally drilled with a producing area at an orthodox location. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 27 miles west of Hobbs, New Mexico.

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