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

APPLICATION OF CIMAREX
ENERGY CO. FOR COMPULSORY
POOLING, EDDY COUNTY,
NEW MEXICO

CASE NO. 20591

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 pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 of Section 34, Township 25 South, Range 26 East, and W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico. In support of this application, Cimarex states as follows:

1. Cimarex is an interest owner in the subject lands and has a right to drill wells thereon.
2. Cimarex seeks to dedicate the W/2 of Section 34, Township 25 South, Range 26 East, and W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico to form a 640-acre, more or less, spacing unit.
3. Cimarex plans to drill the **Hayduke 34-3 Federal Com 8H, 9H, 10H, and 11H** wells to a depth sufficient to test the Bone Spring formation, and laterally in a southerly direction within the formation to the referenced bottom hole location:
 - The **Hayduke 34-3 Federal Com 8H** well is a horizontal well with a surface location 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, Eddy County, and the intended bottom hole location is 100' FSL and 660' FWL of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 7,300' to the Bone Spring formation.

- The **Hayduke 34-3 Federal Com 9H** well is a horizontal well with a surface location 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, Eddy County, and the intended bottom hole location is 100' FSL and 1980' FWL of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 7,300' to the Bone Spring formation.
- The **Hayduke 34-3 Federal Com 10H** well is a horizontal well with a surface location 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, Eddy County, and the intended bottom hole location is 100' FSL and 660' FWL of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 7,680' to the Bone Spring formation.
- The **Hayduke 34-3 Federal Com 11H** well is a horizontal well with a surface location 390' FNL and 1310' FWL of Section 34, Township 25 South, Range 26 East, Eddy County, and the intended bottom hole location is 100' FSL and 1980' FWL of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 7,680' to the Bone Spring formation.

4. These wells will be located within the WC-015 G-03 S252636M; Bone Spring Pool (Pool ID: 97818) and will comply with the Division's setback requirements.

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

6. The creation of a horizontal spacing unit and 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, this case is set for hearing before an Examiner of the Oil Conservation Division on July 11, 2019, Cimarex requests that, after notice and hearing as required by law, the Division enter its order:

A. Creating a horizontal spacing unit in the Bone Spring formation comprised of W/2 of Section 34, Township 25 South, Range 26 East, and W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the W/2 of Section 34, Township 25 South, Range 26 East, and W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico;

C. Designating Cimarex as operator of this unit and the wells to be drilled thereon;

D. Authorizing Cimarex to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;

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 wells.

Respectfully submitted,

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

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CASE NO. 26591: Application of Cimarex Energy Co. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a 640-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the W/2 of Section 34, Township 25 South, Range 26 East, and W/2 of Section 3, Township 26 South, Range 26 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Hayduke 34-3 Federal Com 8H, 9H, 10H, and 11H** wells, to be horizontally drilled. The producing area for these wells will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Cimarex as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 8.5 miles southeast of Whites City, New Mexico.