

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF CIMAREX ENERGY CO. FOR
APPROVAL OF A NON-STANDARD OIL SPACING
AND PRORATION UNIT AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

Case No. 14469

RECEIVED OGD
2010 MAR 30 PM 2:21

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests from the surface to the top of the Bone Spring formation underlying the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35, and the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an operator in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35, and has the right to drill a well thereon.
2. Applicant proposes to drill the Mallon 35 Fed. Well No. 7 to a depth sufficient to test the Bone Spring formation. The well is a horizontal well, with a surface location 660 feet from the north line and 330 feet from the east line, and a terminus 660 feet from the north line and 330 feet from the west line, of Section 35. Applicant seeks to dedicate (i) the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35 to the well to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing from the surface to the top of the Bone Spring formation, and (ii) the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) in the Bone Spring formation.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35;
- B. Pooling all mineral interests in (i) the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35 from the surface to the top of the Bone Spring formation, and (ii) the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 35 in the Bone Spring formation;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- 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,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Cimarex Energy Co.

PROPOSED ADVERTISEMENT

Case No. 14469 :

Application of Cimarex Energy Co. for approval of a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. Cimarex Energy Co. seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N/2N/2 of Section 35, Township 19 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Bone Spring formation underlying the NE/4NE/4 of Section 35 to form a standard 40 acre oil spacing and proration unit, and (ii) the Bone Spring formation underlying the N/2N/2 of Section 35 to form a non-standard 160 acre oil spacing and proration unit (project area). The units are to be dedicated to the Mallon 35 Fed. Well No. 7, a horizontal well to be drilled at a surface location 660 feet from the north line and 330 feet from the east line, with a terminus 660 feet from the north line and 330 feet from the west line, of Section 35. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 15-1/2 miles west of Monument, New Mexico.

RECEIVED OCD
2010 MAR 30 P 3: 24