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October 28, 2010

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Case 14573

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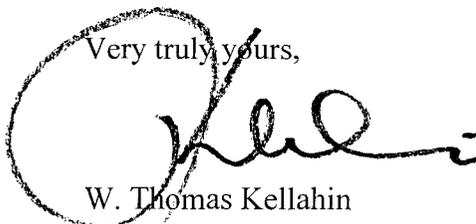
Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: North Young "15" Federal Com. Well No. 2-H
Dedication: E/2W/2 of Section 15, T18S, R32E
(APD #30-025--pending)
Application of Cimarex Energy Co.
for Designation of a Non-Standard Spacing Unit and
for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Cimarex Energy Co. of Colorado ("Cimarex"), please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for December 2, 2010. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Cimarex Energy Co.
Attn: Mark Compton

CASE 4573: Application of Cimarex Energy Co. for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order consolidating the 40-acres spacing units within the E/2W/2 of Section 15, Township 18 South, Range 32 East and designating a consolidated units as a 160-acre non-standard oil spacing and proration unit for a well locations in the Bone Springs formation for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interest in the Bone Springs formations, including the Parkway-Bone Springs Pool (49622), underlying the E/2W/2 of this section to be dedicated to its North Young 15 Federal Com Well No. 2-H to be drilled horizontally from a surface location (Unit N) 330 feet FSL and 1980 feet FWL to a bottom hole location (Unit C) 330 feet FNL and 1980 feet FWL within this section and to a depth sufficient to test the Bone Springs formation. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately seven miles south of Maljamar, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CIMAREX ENERGY CO. FOR DESIGNATION
OF A NON-STANDARD SPACING AND PRORATION
UNIT AND FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

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APPLICATION

Cimarex Energy Co. of Colorado ("Cimarex") by its attorneys, Kellahin & Kellahin, seeks an order consolidating the 40-acres spacing units within the E/2W/2 of Section 15, Township 18 South, Range 32 East and designating a consolidated units as a 160-acre non-standard oil spacing and proration unit for a well locations in the Bone Springs formation, including the Parkway-Bone Springs Pool (Code #49622), for Applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interest in the Bone Springs formations underlying the E/2W/2 of this section to be dedicated to its North Young 15 Federal Com Well No. 2-H to be drilled horizontally from a surface location (Unit N) 330 feet FSL and 1980 feet FWL to a bottom hole location (Unit C) 330 feet FNL and 1980 feet FWL within this section and to a depth sufficient to test the Bone Springs, NMPM, Lea County, New Mexico, Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application Cimarex states:

- (1) Cimarex controls 75.32552% of the working interest ownership within the proposed 160-acre spacing unit:
 - (a) Cimarex is the current lessee of the federal oil and gas lease in the SW/4 and the S/2NW/4 of Section 15, T18S, R33E, NMPM, Lea County, New Mexico.
 - (b) In addition, Cimarex has a 1.30208% working interest in the NE/NW/4 of Section 15,

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- (2) On September 28, 2010, Cimarex sent a well proposal letter, including an AFE to the remaining working interest owners in the NE/4NW/4 including Devon Energy Production Company
- (3) Cimarex believes that Devon as a 15.625 % interest in this proposed spacing unit.
- (4) Despite reasonable efforts, Cimarex was unable to conclude a voluntary agreement with Devon.
- (5) There are other working interest owners within the NE/4NW/4 who have not yet agreed to Cimarex's proposal and therefore are also included in this compulsory pooling request provided that they have not reached a voluntary agreement with Cimarex by the date of the hearing.
- (6) Pursuant to Commission Order R-11992, effective August 15, 2003, Cimarex requests that the 200% risk charge be applied.
- (7) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Cimarex needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (8) In accordance with the Division's notice requirements, a copy of this application has been sent to Devon and those other working interests owners to be pooled along with applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for December 2, 2010.

WHEREFORE, Cimarex, as applicant, requests that this application be set for hearing on December 2, 2010 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Cimarex Energy Co. be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

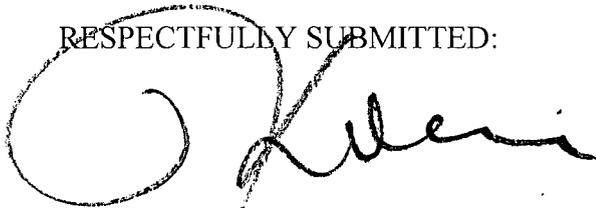
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- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%.
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the printed text 'RESPECTFULLY SUBMITTED:'. The signature is fluid and cursive.

W. THOMAS KELLAHIN

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