

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

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2009 JUN 22 P 12:51

Case No. 14508

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Abo/Wolfcamp formation comprised of Lot 1, SE $\frac{1}{4}$ NE $\frac{1}{4}$, and E $\frac{1}{2}$ SE $\frac{1}{4}$ (the E $\frac{1}{2}$ E $\frac{1}{2}$) of Section 3, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico, and (ii) pooling all mineral interests from the surface to the top of the Abo/Wolfcamp formation underlying Lot 1 of Section 3, and the Abo/Wolfcamp formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 3, and has the right to drill a well thereon.
2. Applicant proposes to drill its Boxer 3 Fee Well No. 4 to a depth sufficient to test the Abo/Wolfcamp formation. Applicant seeks to dedicate (i) Lot 1 of Section 3 to the well to form a standard 41.02 acre oil spacing and proration unit, and (ii) the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 3 to the well to form a non-standard 161.02 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent. The well is a horizontal well, with a surface location 375 feet from the north line and 660 feet from the east line, and a terminus 330 feet from the south line and 660 feet from the east line, of Section 3.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 3 for the purposes set forth herein.

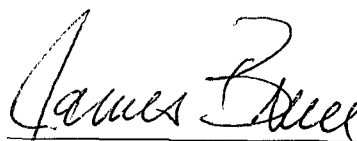
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½E½ of Section 3, 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 E½E½ of Section 3 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 Abo/Wolfcamp formation comprised of the E½E½ of Section 3;
- B. Pooling all mineral interests in (i) Lot 1 of Section 3 from the surface to the top of the Abo/Wolfcamp formation, and (ii) the E½E½ of Section 3 from the surface to the base of the Abo/Wolfcamp formation;
- C. Designating Cimarex Energy Co. of Colorado 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, reading "James Bruce". The signature is written in dark ink and is positioned above a horizontal line.

James Bruce
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Attorney for Cimarex Energy Co.

PROPOSED ADVERTISEMENT

Case No. 14508:

Application of Cimarex Energy Co. for a non-standard oil spacing and proration unit and compulsory pooling, Chaves County, New Mexico. Cimarex Energy Co. seeks an order approving a 161.02-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of Lot 1, SE/4NE/4, and E/2SE/4 (the E/2E/2) of Section 3, Township 15 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the top of the Abo/Wolfcamp formation underlying Lot 1 of Section 3 to form a standard 41.02 acre oil spacing and proration unit, and (ii) in the Abo/Wolfcamp formation underlying the E/2E/2 of Section 3 to form a non-standard 161.02 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent, The units are to be dedicated to the Boxer 3 Fee Well No. 4, a horizontal well to be drilled at a surface location 375 feet from the north line and 660 feet from the east line, with a terminus 330 feet from the south line and 660 feet from the east line, of Section 3. 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 Cimarex Energy Co. of Colorado as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 17-1/2 miles north-northeast of Loco Hills, New Mexico.

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