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March 28, 2011

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Case 14632

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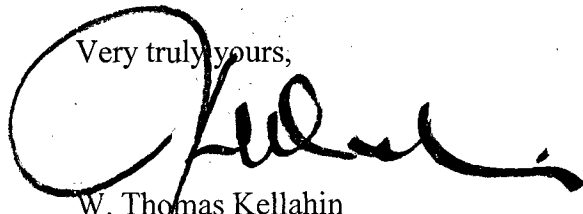
Mr. Daniel Sanchez, Acting Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Southeast Lusk "33" Federal Com. Well No. 3-H
Dedication: W/2E/2 of Section 33, T19S, R32E
(APD #30-025--pending)
Application of Cimarex Energy Co. of Colorado
for Designation of a Non-Standard Spacing Unit,
an Unorthodox Surface Location and for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. Sanchez

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 April 28, 2011. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Cimarex Energy Co.
Attn: Mike Wallace

CASE 146³²: Application of Cimarex Energy Co. for a Non-Standard Spacing and Proration Unit, an Unorthodox Surface Location and Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order consolidating the four 40-acres spacing units within the W/2E/2 of Section 33, Township 19 South, Range 32 East and designating the 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 South Lusk-Bone Springs Pool (code 41460), underlying the W/2E/2 of this section to be dedicated to its Southeast Lusk "33" Federal Com Well No. 3-H to be drilled horizontally from an unorthodox surface location (Unit B) 25 feet FNL and 2460 feet FEL to a bottom hole location (Unit O) 330 feet FSL and 1980 feet FEL 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 a risk charge of 200% for the risk involved in this well. This unit is located approximately five miles northeast of the intersection of US Highway 62/180 and State Highway 176, 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. OF COLORADO FOR
DESIGNATION OF A NON-STANDARD SPACING
AND PRORATION UNIT AND FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 14632

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APPLICATION

Cimarex Energy Co. of Colorado ("Cimarex") by its attorneys, Kellahin & Kellahin, seeks an order consolidating four 40-acres spacing units within the W/2E/2 of Section 33, Township 19 South, Range 32 East and designating the units as a 160-acre non-standard oil spacing and proration unit for a well location in the Bone Springs formation, including the South Lusk-Bone Springs Pool (Code #41460), for applicant's horizontal drilling project area. Applicant further seeks the compulsory pooling of all interest in the Bone Springs formations underlying the W/2E/2 of this section to be dedicated to its SE Lusk "33" Federal Com Well No. 3-H to be drilled horizontally from a surface location (Unit B) 330 feet FNL and 1980 feet FEL to a bottom hole location (Unit O) 330 feet FSL and 1980 feet FEL 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 a risk charge of 200% for the risk involved in this well.

In support of its application Cimarex states:

- (1) Cimarex proposes to drill and operate the South East Lusk 33 #3-H to be a horizontal wellbore has set forth on the C-102 attached as Exhibit "A"
- (2) Cimarex controls 32.52 % of the working interest ownership within the proposed 160-acre spacing unit and has an interest in each of the four 40-acre tracts.

NMOCD Application

Cimarex Energy Co.

-Page 2-

- (3) On January 18, 2011, Cimarex sent a well proposal letter, including an AFE, to the remaining uncommitted working interest owners within the project area.
- (4) Despite reasonable efforts, Cimarex was unable to conclude a voluntary agreement with those parties listed on Exhibit "B" attached.
- (5) Pursuant to Commission Order R-11992, effective August 15, 2003, Cimarex requests that the 200% risk charge be applied.
- (6) As currently required by the Division, Cimarex has identified the offsetting operators and/or working interest to this project area and will provide notification. See Exhibit "C" attached.
- (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 those other working interests owners to be pooled, as listed on Exhibit "B" and to those offsetting operator/working interest owners adjacent to this non-standard spacing and proration unit, as listed on Exhibit "C" and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for April 28, 2011.

WHEREFORE, Cimarex, as applicant, requests that this application be set for hearing on April 28, 2011 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;

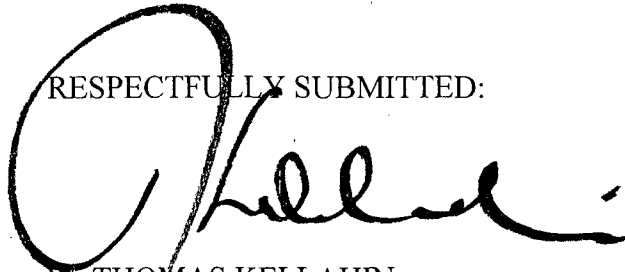
NMOCD Application

Cimarex Energy Co.

-Page 3-

- (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 large, stylized handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the 'RESPECTFULLY SUBMITTED:' text.

W. THOMAS KELLAHIN
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Santa Fe, New Mexico 87501

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DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised July 16, 2010

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name SOUTHEAST LUSK "33" FEDERAL		Well Number 3H
OGRID No.	Operator Name CIMAREX ENERGY CO. OF COLORADO		Elevation 3560'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	33	19 S	32 E		25	NORTH	2460	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	33	19 S	32 E		330	SOUTH	1980	EAST	LEA
Dedicated Acres		Joint or Infill	Consolidation Code	Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>SURFACE LOCATION Lat - N 32°37'26.64" Long - W 103°46'14.06" NMSPCE- N 591224.5 E 714596.5 (NAD-83)</p> <p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32°36'37.95" Long - W 103°46'08.50" NMSPCE- N 586306.60 E 715097.79 (NAD-83)</p>	<p>S.L.</p> <p>2460'</p> <p>3558.9'</p> <p>3564.1'</p> <p>3558.6'</p> <p>3560.2'</p> <p>4944.5'</p> <p>B.H.</p> <p>330'</p> <p>1980'</p> <p>EXHIBIT A 0889-133-008 OF 0102</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>Email Address _____</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date Surveyed _____</p> <p>Signature & Seal of Professional Surveyor _____</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 24234</p>
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EXHIBIT "B"

Apache Corporation
303 Veterans Air Park Lane, Ste. 300
Midland, TX 79705
Attn: Michelle Hanson

Pure Energy Group, Inc.
22610 US Hwy. 281 North, Ste 218
San Antonio, TX 78258

Cross Border Resources
22610 U.S. Highway 281 N., Suite 218
San Antonio, TX 78258

EXHIBIT "C"

OFFSETTING OPERATORS OR WORKING INTEREST OWNERS

Apache Corporation
303 Veterans Airpark, Suite 3000
Midland, TX 79705

Chisos Ltd.
670 Dona Ana Road, SW
Deming, NM 88030

Cross Border Resources
22610 U.S. Highway 281 N., Suite 218
San Antonio, TX 78258

Sue Ann & Will E. Craddock
670 Dona Ana Road, SW
Deming, NM 88030

Pure Energy Group, Inc.
22610 US Hwy. 281 North, Ste 218
San Antonio, TX 78258

OXY USA WTP, L.P.
5 Greenway Plaza, Ste 110
Houston, TX 77227-7570
Attn: Robbie Abraham

Devon Energy Production Company, L.P.
20 North Broadway
Oklahoma City, OK 73102-8260