

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15561
ORDER NO. R-14261**

**APPLICATION OF CIMAREX ENERGY COMPANY FOR A NON-STANDARD
SPACING AND PRORATION UNIT, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 17, 2016, at Santa Fe New Mexico, before Examiner Michael A. McMillan.

NOW, on this 30th day of December, 2016, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Cimarex Energy Company ("Applicant, or Cimarex") seeks approval of a 446.86-acre, more or less, non-standard spacing and proration unit (the "Unit") for oil production from the Bone Spring formation, WC-015 G-04 S262625B; Bone Spring Pool (98018), comprised of the W/2 E/2 and E/2 W/2 of Section 28, and Lot 2, Lot 3, NW/4 NE/4, and NE/4 NW/4 (W/2 NE/4 and E/2 NW/4 equivalent) of Irregular Section 33, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) This Unit is to be dedicated to the following three wells all to be completed at orthodox locations within the Unit area:

(a) The proposed Klein 33 Federal Com Well No. 7H (API No. 30-015-42180) to be drilled from a surface location (Lot 2 or SW/4 NE/4) 290 feet from the South line and 2560 feet from the East line of Section 33 in a northerly direction to a bottom hole location (Unit C) 330 feet from the North line and 2660 feet from the East line of Section 28. This well would be drilled essentially along the centerline of the two sections.

(b) The existing Klein 33 Federal Com Well No. 5H (API No. 30-015-42098) was spud from a surface location 210 feet from the South line and 1980 feet from the West line (Lot 3 or SE/4 NW/4) of Section 33 and drilled in a northerly direction to a bottom hole location 345 feet from the North line and 1713 feet from the West line (Unit C) of Section 28. This well has produced from the Bone Spring formation since May of 2015 and has been dedicated to the E/2 W/2 of both sections. The well would be re-dedicated to the proposed Unit.

(c) The proposed Klein 33 Federal Com Well No. 8H (API No. 30-015-42181) which will be spud from a surface location 290 feet from the South line and 2540 feet from the East line (Lot 2 or SW/4 NE/4) of Section 33 and drilled in a northerly direction to a bottom hole location 330 feet from the North line and 1700 feet from the East line (Unit B) of Section 28.

(4) The Unit area is considered to be wildcat for oil production from the Bone Spring formation; therefore, oil well spacing and setbacks are governed by statewide Rule 19.15.15.9(A) NMAC.

(5) Applicant appeared at the hearing through counsel and presented the following testimony:

- (a) The Unit area consists of two Bureau of Land Management leases and no State or fee lands.
- (b) Within the proposed Unit, ownership of interests is identical.
- (c) The proposed Unit area is similar geologically to developed acreage in the Bone Spring formation to the south in Culberson County, Texas. It has been determined that at least five wells per section must be drilled to prevent waste of oil and gas reserves.
- (d) The Klein 33 Federal Com Well No. 7 is proposed to be drilled along the centerline of both sections to prevent waste of oil and gas; therefore, a non-standard spacing and proration unit is needed.
- (e) The Unit area would not result in stranded acreage since applicant has:
 - (i) Completed an offsetting well in the W/2 W/2 of both sections; and
 - (ii) Is planning an offsetting well in the E/2 E/2 of both sections.
- (f) Based on historical results, horizontal Bone Spring wells drilled in a North-South direction seem superior in production to wells drilled in an East-West direction.

- (g) All quarter-quarter sections to be included in the Unit area are expected to be productive in the Bone Spring formation and will be produced by a well drilled by Applicant, so that the Unit as requested will not impair correlative rights.
 - (h) Applicant provided notice of this application to affected parties in the quarter-quarter sections surrounding the Unit area by certified mail and by publication before hearing in a newspaper of general circulation in Eddy County, New Mexico.
- (6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

- (7) Applicant has presented geologic and engineering testimony showing that to efficiently and effectively develop the oil and gas reserves it is necessary in this area to drill at least five horizontal wells per section in the same interval of the Bone Spring formation. To drill five horizontal wells in these two sections in a South to North direction, and have each well equally spaced, applicant must drill one well near the centerline of the sections, as it has herein proposed.
- (8) The proposed well located near the center line of the section(s) will affect, develop, or drain portions of lands in the quarter-quarter sections to the east and to the west of the well. Therefore, the oil spacing and proration unit for this well should include the twelve (12) quarter-quarters described in this application.
- (9) Applicant's proposal to create a 446.86-acre, more or less, non-standard oil spacing and proration unit in the Bone Spring formation, WC-015 G-04 S262625B; Bone Spring Pool, comprised of the W/2 E/2 and E/2 W/2 of Section 28, and Lot 2, Lot 3, NW/4 NE/4, and NE/4 NW/4 (W/2 NE/4 and E/2 NW/4 equivalent) of Irregular Section 33, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico, should be approved to prevent waste and protect correlative rights.
- (10) Applicant's proposal to include Klein 33 Federal Com Well's No. 5H and 8H as optional wells in this, identically owned, oil spacing and proration unit should also be approved.
- (11) All other Division rules should still apply to wells drilled within this Unit.
- (12) The oil and gas allowable for the Unit should be based on the applicable unit allowable for the pool multiplied by the twelve (12) quarter-quarter sections comprising the Unit.

IT IS THEREFORE ORDERED THAT:

(1) The application of Cimarex Energy Company to create a 446.86-acre, more or less, non-standard oil spacing and proration unit (the "Unit") in the Bone Spring formation [WC-015 G-04 S262625B; Bone Spring Pool (Pool code 98018)] comprised of the W/2 E/2 and E/2 W/2 of Section 28, and Lot 2, Lot 3, NW/4 NE/4, and NE/4 NW/4 (W/2 NE/4 and E/2 NW/4 equivalent) of Irregular Section 33, both in Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) The Unit shall be dedicated to the proposed Klein 33 Federal Com Well No. 7H (API No. 30-015-42180) to be drilled from a surface location (Lot 2 or SW/4 NE/4) 290 feet from the South line and 2560 feet from the East line of Section 33 in a northerly direction in the Bone Spring formation to a bottom hole location (Unit C) 330 feet from the North line and 2660 feet from the East line of Section 28.

(3) Creation of this Unit is dependent on the drilling and completion of the Klein 33 Federal Com Well No. 7H (API No. 30-015-42180) along the center line of the two sections. The Unit shall exist as long thereafter as said well or subsequently drilled wells are completed in the Bone Spring formation.

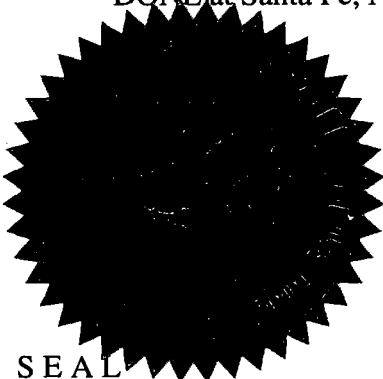
(4) Cimarex Energy Company as operator shall file forms C-102 reflecting the dedication of each of the following wells to the Unit:

Klein 33 Federal Com Well No. 5H (API No. 30-015-42098)
Klein 33 Federal Com Well No. 8H (API No. 30-015-42181)

(5) The oil and gas allowable for the Unit shall be based on the applicable unit allowable for the pool multiplied by the twelve (12) quarter-quarter sections comprising the Unit.

(6) Jurisdiction of this case is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director