

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, TX 79701
MAIN 432.571.7800



December 16, 2019

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Mr. Daniel Sanchez, OCD Compliance and Enforcement Manager
1220 South St. Francis Drive
Santa Fe, NM 87505

HOBBS OCD

DEC 19 2019

RECEIVED

**Re: Notice of Violation
Cimarex Energy Company of Colorado**

Dear Mr. Sanchez,

Please see attached Notice of Violation letter concerning Cimarex Energy Company of Colorado (Cimarex). The Oil Conservation Division (OCD) has provided a notice of violation of the following provisions:

- Inactive wells rule
- Failure to report production

Currently, Cimarex has eight (8) inactive wells, thereby exceeding the minimum allowed. In order to return to compliance, Cimarex intends to plug and abandon two (2) of the wells within the next 30 days:

1. Bondurant Federal #12H 3002540182
2. Hudson 31 Federal #3H 3002530551

Intent to plug sundry notices have been submitted to the Bureau of Land Management (BLM) for approval. I anticipate approval within the next week. Cimarex will move forward with plugging the wells as soon as approved paperwork is received. Subsequent plugging operations sundries will be submitted as soon as operations are complete.

Cimarex is also reviewing five (5) additional wells for uphole potential or plug and abandonment:

1. Cooper 5 #9 3002535990
2. Eureka 36 State #1 3002533184
3. Laughlin #1 3002534975
4. Maduro Unit #8 3002538240
5. Williams 34 #5 3002535850

Regarding the missing production reports for the Red Hills Unit #1 well. I have reviewed the NMOCD electronic well file and the Cimarex Red Hills Unit #1 well records and I have found no information to indicate the well was completed as a dual completion in the Penn formation.

The following records indicate an intent to recomplete to the Penn:

- C101 approved 11/16/1990
 - Intent to Recomplete Penn
- C103 approved 07/15/1993
 - Change of plans - well was not completed as a dual in the Penn. Active Wolfcamp pool well.

I believe the 07/15/1993 sundry was an attempt to clean up the well record and remove the Penn as an active completion. No production has been attributed to the Penn as far back as 1994.

Please contact me at 432-620-1936 should you have additional questions or need additional information regarding this issue.

Sincerely,



Terri Stathem
Manager – Regulatory Compliance
(o) 432-620-1936
(m) 432-287-4995

CC: NMOCD District 1 – Hobbs
NMOCD District 2 - Artesia

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Cabinet Secretary

Adrienne Sandoval
Division Director
Oil Conservation Division



December 4, 2019

Cimarex Energy Company of Colorado
OGRID# 162683
600 N. Marienfeld Street, Suite 600
Midland, TX 79701

NOTICE OF VIOLATION

The Oil Conservation Division (OCD) has determined that CIMAREX ENERGY COMPANY OF COLORADO is violating the following provision(s):

- INACTIVE WELLS (19.15.5.9(A)(4) NMAC)**
You are the operator of record for 509 wells and do not have an Agreed Compliance Order. Therefore, you shall not operate more than 7 inactive wells. However, you are operating 8 inactive wells as identified in Exhibit A.
- FINANCIAL ASSURANCE (19.15.5.9(A)(1) NMAC)**
You failed to post financial assurance for active and inactive wells in the amounts identified in Exhibit B.
- PRODUCTION REPORTS (19.15.7.24 NMAC)**
You failed to submit production reports for the month(s) of SEPTEMBER for the wells identified in Exhibit C.

Until you correct the violation(s) described above, OCD may impose the following sanctions: Denial of registration (19.15.9.8(B) NMAC); Denial of change of operator (19.15.9.9(C)(1) NMAC); Denial or revocation of an injection permit (19.15.26.8(A)(2) NMAC); Denial of an application for a drilling permit (19.15.14.10(A) NMAC); and Denial of allowable and authorization to transport (19.15.16.20(A)(4) NMAC).

You must correct the violation(s) described above or sign an Agreed Compliance Order no later than 30 days after the date of this Notice of Violation. If you fail to correct the violation(s) or sign an Agreed Compliance Order as specified above, OCD will apply for a compliance order imposing additional sanctions.

For more information, contact Daniel Sanchez, OCD Compliance and Enforcement Manager, at (505) 476-3493 or Daniel.Sanchez@state.nm.us.

Regards,

A handwritten signature in black ink, appearing to read "Daniel Sanchez".

Daniel Sanchez
Compliance and Enforcement Manager

cc: OCD District 1

Office of Legal Counsel, EMNRD

EXHIBIT A

Inactive Well List

Total Well Count: 509 Inactive Well Count: 8
Printed On: Wednesday, December 04 2019

District	API	Well	ULSTR	OCU Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30 025 40127	BONDURANT FEDERAL #0121	D 01 19S 37E	B	162683	CH2M HILL ENERGY CO. OF COLORADO		O	07/2019	BONE SPRING SPUD 06/19/2011		
1	30 025 36990	COOPER S #193	2 05 25S 37E	B	162683	CH2M HILL ENERGY CO. OF COLORADO		O	02/2017	TUSD		
1	30 025 33184	EUREKA 36 STATE #021	F 31 16S 31E	F	162683	CH2M HILL ENERGY CO. OF COLORADO		G	04/2012		T	10/21/2019
1	30 025 34351	HUDSON 31 FEDERAL #003	O 16 16S 33E	O	162683	CH2M HILL ENERGY CO. OF COLORADO		O	08/2018			
1	30 025 34975	LAUGHLIN #361	H 04 20S 37E	H	162683	CH2M HILL ENERGY CO. OF COLORADO		C	05/2019	TUSD & DRINKARD		
1	30 025 30240	MADRID UNIT #005	L 25 18S 33E	L	162683	CH2M HILL ENERGY CO. OF COLORADO		G	08/2018	BEH MORROW, INT TO DISPOSE WATER 07/8/11		
1	30 025 20144	RED HILLS UNIT #021	K 05 21S 33E	K	162683	CH2M HILL ENERGY CO. OF COLORADO		G	09/2015	WD,FGAMP		
1	30 025 35550	WILLIAMS 31 #005	K 31 19S 37E	K	162683	CH2M HILL ENERGY CO. OF COLORADO	P	O	05/2012	DRINKARD		

WHERE Operator:162683, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

EXHIBIT C

Well Completions Not Reported on the C115

162683 CIMAREX ENERGY CO. OF COLORADO

Printed On: Wednesday, December 4, 2019

For Production Month: 9 /2019

Property	Well Name	ULSTR	Well Type	API	Pool	WC Status	C104 Approved
300545	RED HILLS UNIT #001	O-32-25S-33E	G	30-025-21038	83560 RED HILLS-PENN (GAS)	A	Not Known

Submit to Appropriate District Office
 State Lease - 6 copies
 Fee Lease - 5 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-101
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

API NO. (assigned by OCD on New Wells) 30-025-21036
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. K 1459

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL <input type="checkbox"/> RE-ENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input checked="" type="checkbox"/>		7. Lease Name or Unit Agreement Name Red Hills Unit
b. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>		
2. Name of Operator Union Oil Company of California		8. Well No. 1
3. Address of Operator P. O. Box 671 - Midland, TX 79702		9. Pool name or Wildcat Red Hills Penn (Gas) Red Hills (Wolfcamp)
4. Well Location Unit Letter <u>O</u> : <u>330</u> Feet From The <u>south</u> Line and <u>2310</u> Feet From The <u>east</u> Line Section <u>32</u> Township <u>25-S</u> Range <u>33-E</u> NMPM Lea County		

10. Proposed Depth 21,321'		11. Formation Dev./Penn.-Atoka	12. Rotary or C.T.
13. Elevations (Show whether DF, RT, GR, etc.) 3386' GR	14. Kind & Status Plug. Bond	15. Drilling Contractor	16. Approx. Date Work will start 1/91

17. **PROPOSED CASING AND CEMENT PROGRAM**

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP

To abandon the Wolfcamp perforations and recomplete as a dual Devonian/Penn. Atoka gas well.

See attached procedure.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Charlotte Beeson TITLE Drilling Clerk DATE 11-14-90

TYPE OR PRINT NAME Charlotte Beeson TELEPHONE NO. (915)682-973

(This space for State Use)
 APPROVED BY ORIGINAL SIGNED BY JERRY SEXTON
MUNICIPAL SUPERVISOR TITLE _____

DATE **NOV 16 1990**

CONDITIONS OF APPROVAL, IF ANY:

As stipulated in attached letter

Red Hills Unit No. 1

Abandon the Wolfcamp perforations and recomplete as a dual Devonian/Penn. Atoka gas well.

MIRUDDPU, install 4" blow down line approx.. 250' N.E. of well to burn pit. Anchor 4" line in cement. Load both strings and 7 5/8" csg. w/10# brine.

Set back press. valves in both springs of tubing.

Vent all press. off well head.

Remove tree, nipple up 10,000 psi Hydraulic BOP w/offset rams to pull short string (Wolfcamp west side). (May want to set plug in X Nipple below pkr).

Pick up on long string (east side) should be free. Remove dual hanger from tbg. head. Change to regular rams in BOP. Circ. hole w/10# brine water.

RIH and engage long string, back off tubing as deep as possible.

Engage Otis packoff assembly, jar loose, circulate tubing if possible and watch fore pressure increase. POOH, keeping tubing full at all times.

Pump into Penn perfs and establish injection rate. Squeeze as per Halliburton recommendation. Disp cement w/10 ppg brine water.

RIH w/shoe and wash pipe, cut over dual packer, POOH.

Run cement retainer on wireline and set approx. @ 13,400'.

RIH w/2 7/8" tubing and squeeze Wolfcamp perfs 13,440' to 13,667' as per Halliburton recommendations. Drill out, test squeeze perfs to 1000 psi. Re-squeeze if necessary.

Clean out 6 5/8" and 4 1/2" liner to cement retainer @ 17,590'.

Run GR-CCL-Casing Inspection Log from 17,590 to 14,400' and correlate to Welex Radioactivity log dated 8-24-64.

Perforate Devonian w/3 1/8" DP csg. gun @ 2 SPF f/17,476-17,492' and 17,528-17,544 (total 32'/66 holes) referencing Welex Radioactivity log dated 8-24-64.

Red Hills Unit #1

RIH & set permanent pkr on WL @ approx. 16,760'. RIH w/2 3/8-" & 2 7/8" tapered tubing string hydro testing in hole to 7000 psi.

Break down perfs 17,476-17,544' w/spot acid @ 1BPM and acidize same w/3000 gals 15% HCL w/1000 cu ft N2/bbl and 95 1.3 SG BS to divert @ 3-6 BPM and 6000 psi maximum pressure.

Perf Penn Atoka w/4" DP csg gun @ 2 SPF from 14,607-11, 14,618-32, 14643-52, 14,658-62, 14,706-12, 14,716-21, 14,737-42, 14,748-52, 14758-64, 14,772-76, 14784-88, 14,840, 14,844, 14,852, 14,856 & 14,864'.

Kill Penn perfs. POOH w/2 7/8" tbg & treating pkr. RIH w/2 3/8" & 2 7/8" tapered tbg and dual pkr and 2 7/8" long string hydro testing tbg in hole to 7000 psi. Sting into permanent pkr @ approx. 16,760'. Set dual pkr. Unlatch long string & circ pkr fluid. Latch long string into dual pkr.

RIH w/2 7/8" short string hydro testing tbg in hole to 7000 psi. Latch into pkr. ND BOP. NU wellhead.

Submit 3 Copies
to Appropriate
District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION
P.O. Box 2088

WELL API NO.
30-025-21036

DISTRICT II
P.O. Denver DD, Artesia, NM 88210

Santa Fe, New Mexico 87504-2088

5. Indicate Type of Lease
STATE FEE

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

6. State Oil & Gas Lease No.
K-1459

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT'
(FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name

Red Hills Unit

1. Type of Well:
OIL WELL GAS WELL OTHER

8. Well No.

1

2. Name of Operator
Union Oil Company of California

9. Pool name or Wildcat

Red Hills (Wolfcamp)

3. Address of Operator
P. O. Box 671 - Midland, TX 79702

4. Well Location
Unit Letter O : 330 Feet From The south Line and 2310 Feet From The east Line

Section 32 Township 25-S Range 33-E NMPM Lea County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)
3386' GR

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data
NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK PLUG AND ABANDON REMEDIAL WORK ALTERING CASING
TEMPORARILY ABANDON CHANGE PLANS COMMENCE DRILLING OPNS. PLUG AND ABANDONMENT
P.L. OR ALTER CASING CASING TEST AND CEMENT JOB
OTHER: OTHER: Change plans

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

On November 14, 1990 a request to abandon the Wolfcamp formation and recomplete the Red Hills Unit Well No. 1 as a dual Devonian/Penn.-Atoka gas well was submitted to your office (approval of C-101 was Nov. 16, 1990). Union Oil has abandoned plans for the re-completion of subject well.

Red Hills Unit Well No. 1 continues to be an active gas well in the Red Hills (Wolfcamp) Field.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Charlotte Beeson TITLE Drilling Clerk DATE 7-13-93
TYPE OR PRINT NAME Charlotte Beeson TELEPHONE NO. (915) 685-7607

(This space for State Use)

ORIGINAL SIGNED BY JERRY SEXTON
DISTRICT I SUPERVISOR

JUL 15 1993

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY: