

**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:**

**APPLICATION OF CIMAREX ENERGY CO. FOR
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.**

Case No. 14,683

VERIFIED STATEMENT OF HAYDEN P. TRESNER

Hayden P. Tresner, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the mineral interest owner being pooled has not responded to well proposals or has not yet executed an operating agreement agreement.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 32, Township 18 South, Range 26 East, N.M.P.M. The unit is to be dedicated to the Texas 32 Fee Well No. 2, to be drilled at an orthodox location.

Mineral ownership in the well unit is common as to the depths being pooled.

(c) The parties being pooled, their interests in the well unit, and their address, are as follows:

COG Operating LLC	23.75%
Concho Oil & Gas LLC	1.25%
Suite 100	
550 West Texas	
Midland, Texas 79701	

Oil Conservation Division
Case No. 14683
Exhibit No. 1

(d) A copy of the proposal letter sent to the uncommitted mineral interest owners is attached hereto as Exhibit B-1. E-mails sent by me to the parties being pooled are attached hereto as Exhibit B-2. In addition, I have called Stuart Dirks, COG's landman, approximately 3-5 times.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owner in the well.

(f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting interest owner.

(g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

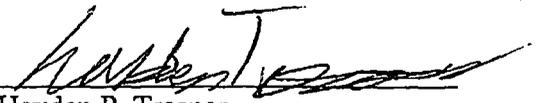
(h) Overhead charges of \$4,500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

(i) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

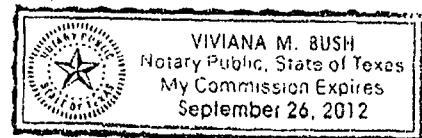
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 16th day of July, 2011 by Hayden P. Tresner.

My Commission Expires: September 26, 2012


Notary Public



Cimarex Energy Co.
600 N. Marrenfeld St.
Suite 600
Midland, Texas 79701
PHONE 432 571 7800



April 8, 2011

Mineral Owner Address List on Page 3

Re: New Well Proposal-Texas 32 Fee No.2
Township, 18 South, Range 26 East, N.M.P.M.
Section 32: NE/4NW/4
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Texas 32 Fee No.2 Well at legal location in the NE/4NW/4 of Section 32, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 330' FNL & 2310' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Texas wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

In the event you do not wish to participate in drilling the Texas wells, Cimarex will consider acquiring an Oil and Gas Lease on your mineral interest. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

EXHIBIT B-1

New Well Proposal-Texas 32 Fee No.2
Township, 18 South, Range 26 East, N.M.P.M.
Section 32: NE/4NW/4
Eddy County, New Mexico



- i.) \$1000.00 per net mineral acre bonus consideration;
- ii.) 25% royalty interest reserved;
- iii.) One (1) year primary term with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Texas 32 Fee No.2 Well

_____ Elects **TO** participate in the proposed Texas 32 Fee No.2 Well

_____ Elects **NOT** to participate in the proposed Texas 32 Fee No.2 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Texas 32 Fee No.2
Township, 18 South, Range 26 East, N.M.P.M.
Section 32: NE/4NW/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Texas 32 Fee No.2 Well, then:

_____ Elects TO be covered by well control insurance procured by Cimarex

_____ Elects NOT to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

Mineral Owner Address List

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5565

Sharbro Oil Limited Company
Attn: Hannah Palomin, Land Manager
P.O. Box 840
Artesia, New Mexico 88210

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5572

COG Operating, LLC
Concho Oil and Gas, LLC
Attn: Stuart Dirks
550 West Texas Ave., Suite 100
Midland, Texas 79701

Hayden Tresner

From: Hayden Tresner
Sent: Wednesday, May 04, 2011 10:44 AM
To: 'Stuart Dirks'
Subject: RE: Phone Call from Hayden Tresner Cimarex

Stuart,

Wanted to touch base with you on the Texas and Alaska well proposals. I'm trying to get everything squared away ASAP to get a rig in and get started.



Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

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From: Stuart Dirks [mailto:SDirks@conchoresources.com]
Sent: Wednesday, May 04, 2011 10:38 AM
To: Hayden Tresner
Subject: Fw: Phone Call from Hayden Tresner Cimarex

Hayden-

I am in an all day meeting, can you e-mail me?

Thanks

From: Robyn Cummins
To: Stuart Dirks
Sent: Wed May 04 10:36:41 2011
Subject: Phone Call from Hayden Tresner Cimarex

Stuart,

Please call Hayden @571-7856 in regards to the Alaska wells and the Texas Proposals (he e-mailed to Dean Chumbley) and copied you.

Thanks,

Robyn

COG OPERATING LLC

Robyn Cummins

Land Coordinator

550 W. Texas Avenue, Suite 100

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432-218-2324 phone

432-686-3000 fax



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From: Hayden Tresner
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Sent: Wednesday, May 04, 2011 10:50 AM
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I'll talk to the team after this meeting and will get back to you.

From: Hayden Tresner <htresner@cimarex.com>
To: Stuart Dirks
Sent: Wed May 04 10:44:02 2011
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COG OPERATING LLC

Robyn Cummins

Land Coordinator

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From: Hayden Tresner
Sent: Wednesday, May 04, 2011 10:50 PM
To: 'SDirks@conchoresources.com'
Subject: Re: Phone Call from Hayden Tresner Cimarex
Attachments: image001.jpg; image002.jpg

Stuart,

I think pitch owns a 25 pct. mineral int-it might have been pitch w/ 23.5 and marbob w/ 1.5, i cant remember but i sent proposals to dean chumbley's attention. I will be out until next thurs. I thought i copied you on the proposals that i sent to dean?

Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld Street, Suite 600
Midland, Texas 79701
Office (432) 571-7856
Cell (432) 413-1560

From: Stuart Dirks [mailto:SDirks@conchoresources.com]
Sent: Wednesday, May 04, 2011 04:17 PM
To: Hayden Tresner
Subject: RE: Phone Call from Hayden Tresner Cimarex

Hayden-

All of our interest in the Alaska wells are from Marbob and I don't have any Marbob files. Would you please tell me what you show our interest to be? I believe we have some leasehold and some minerals.

Thanks,
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Sent: Wednesday, May 04, 2011 10:59 AM
To: Stuart Dirks
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Landman-Permian Basin Exploration

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From: Hayden Tresner
Sent: Friday, May 13, 2011 1:19 PM
To: 'Stuart Dirks'
Subject: RE: Phone Call from Hayden Tresner Cimarex
Attachments: image001.jpg; image002.jpg

Stuart,

My ownership reports indicates that Pitch Energy Corporation owns 25% MI in our Alaska lease. I sent the proposals to Dean Chumbley's attention.



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Hayden Tresner

From: Hayden Tresner
Sent: Wednesday, May 18, 2011 8:55 AM
To: Hayden Tresner; 'Stuart Dirks'
Subject: RE: Phone Call from Hayden Tresner Cimarex
Attachments: image001.jpg; image002.jpg

Stuart,

Is COG/Pitch going to participate in the Alaska and Texas Wells? We've got lease obligations to satisfy and will be getting started on these very soon. Please let me know so I can prepare accordingly. Thank you.



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To: Stuart Dirks
Sent: Wed May 04 10:36:41 2011
Subject: Phone Call from Hayden Tresner Cimarex

Stuart,

Please call Hayden @571-7856 in regards to the Alaska wells and the Texas Proposals (he e-mailed to Dean Chumbley) and copied you.

Thanks,

Robyn

COG OPERATING LLC

Robyn Cummins
Land Coordinator
550 W. Texas Avenue, Suite 100
Midland, Texas 79701
432-218-2324 phone
432-686-3000 fax



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Hayden Tresner

From: Hayden Tresner
Sent: Wednesday, May 25, 2011 3:02 PM
To: 'Stuart Dirks'
Subject: Proposals
Attachments: image001.jpg

Stuart,

Just left you a voice mail-have you made a decision on our Texas and Alaska well proposals? Please call me. Thanks,



Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

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Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared February 25, 2011
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Texas 32 Fee	2	Paddock Extension-West		

Location	County	State	Type Well			
Sec. 32-185-26E	Eddy	NM	Oil	X	Expl	X
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp Date	Formation	TII Measured Depth
Original Estimate			Glorieta/Yeso	3,000'
Revised Estimate				TII Vertical Depth
Supplemental Estimate				3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$443,600	\$933,500	\$1,377,100
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier

Well Control Insurance
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market you share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold

I elect to take my gas in kind
 I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Ryan Draxton	Doug Park	Regar Alexander

Joint Interest Approval

Company	By	Date

EXHIBIT



Project Cost Estimate

Lease Name: Texas 32 Fee

Well No.: 2

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	D10C 100	\$30,000	D10C 100	\$3,500	\$33,500
Damages	D10C 105	\$4,000	D10C 105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	D10C 255	\$30,000	D10C 255	\$13,000	\$43,000
Day Rate	5 DH Days @ 2 ACP Days @ 13,500 Per Day	D10C 115	D10C 120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc)	D10C 129	\$12,000			\$12,000
Bits	D10C 125	\$15,000	D10C 125	\$0	\$15,000
Fuel	\$2.80 Per Gallon 800 Gallons Per Day	D10C 133	D10C 130	\$4,000	\$15,000
Water / Completion Fluids	1,900 Per Day	D10C 140	D10C 135	\$63,000	\$73,000
Mud & Additives		D10C 145			\$12,500
Surface Rentals	1,000 Per Day	D10C 150	D10C 140	\$40,000	\$45,000
Downhole Rentals		D10C 155	D10C 145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)		D10C 160			\$0
Mud Logging	\$2 Days @ 1,200 Per Day	D10C 170			\$4,500
Open Hole Logging		D10C 180			\$20,000
Cementing & Plug Equipment		D10C 125	D10C 155	\$20,000	\$35,000
Tubular Inspections		D10C 190	D10C 160	\$1,000	\$3,000
Casing Crews		D10C 195	D10C 165	\$5,000	\$10,000
Extra Labor, Welding, Etc		D10C 200	D10C 170	\$10,000	\$13,000
Land Transportation (Trucking)		D10C 205	D10C 175	\$5,000	\$8,000
Supervision	Per Day	D10C 210	D10C 180	\$12,000	\$24,000
Trailer House / Camp / Catering	700 Per Day	D10C 280	D10C 255	\$1,000	\$5,000
Other Misc Expenses		D10C 220	D10C 190	\$2,000	\$4,000
Overhead	300 Per Day	D10C 225	D10C 195	\$2,000	\$4,000
Remedial Cementing		D10C 231	D10C 215	\$0	\$0
MOB/DEMOB		D10C 240			\$45,000
Directional Drilling Services	0 Days @ 8,000 Per Day	D10C 245			\$0
Dock, Dispatcher, Crane		D10C 250	D10C 230	\$0	\$0
Marine & Air Transportation		D10C 275	D10C 250	\$0	\$0
Solids Control	3,000 Per Day	D10C 260			\$15,000
Well Control Equip (Snubbing Svcs)		D10C 265	D10C 240	\$3,500	\$15,500
Fishing & Sidetrack Operations		D10C 270	D10C 245	\$0	\$0
Completion Rig	3 Days @ 3,500 Per Day		D10C 115	\$10,500	\$10,500
Coil Tubing	Days @ Per Day		D10C 260	\$0	\$0
Completion Logging, Perforating, WL UNITS, WL Surveys			D10C 290	\$10,000	\$10,000
Simulation			D10C 210	\$258,000	\$258,000
Legal / Regulatory / Curative		D10C 300	D10C 280	\$0	\$10,000
Well Control Insurance	\$0.35 Per Foot	D10C 285			\$1,000
Contingency	5% of Drilling Intangibles	D10C 435	D10C 220	\$26,000	\$44,000
Construction For Well Equipment			D10C 110	\$6,500	\$6,500
Construction For Lease Equipment			D10C 110	\$52,500	\$52,500
Construction For Sales P/L			D10C 265	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment					
Equipment	Size	Feet	\$ / Foot	Codes	Cost
Casing					
Drive Pipe	20"	40.00	\$100.00	DWFB 150	\$0
Conductor Pipe	0"	0.00	\$0.00	DWFB 130	\$0
Water String	0"	0.00	\$0.00	DWFB 135	\$0
Surface Casing	8 5/8"	950.00	\$22.18	DWFB 140	\$21,000
Intermediate Casing	0"	0.00	\$0.00	DWFB 145	\$0
Drilling Liner	0"	0.00	\$0.00	DWFB 145	\$0
Drilling Liner	0"	0.00	\$0.00	DWFB 145	\$0
Production Casing or Liner	5 1/2"	3000.00	\$19.93	DWFA 100	\$60,000
Production Tie-Back	0"	0.00	\$0.00	DWFA 100	\$0
Tubing	2 7/8"	2300.00	\$6.83	DWFA 105	\$16,000
N/C Well Equipment					
Wellhead, Tree, Chokes				DWFA 115	\$6,500
Liner Hanger, Isolation Packer				DWFA 120	\$15,000
Packer, Nipples				DWFA 125	\$0
Pumping Unit, Engine				DWFA 130	\$0
Lift Equipment (BHP, Rods, Anchors)				DLEQ 100	\$125,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ 105	\$62,500
Tangible - Lease Equipment					
N/C Lease Equipment					
Tanks, Tanks Steps, Stairs				DLEQ 115	\$21,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ 120	\$13,500
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ 125	\$29,500
Offshore Production Structure for Facilities				DLEQ 130	\$5,500
Pipeline to Sales				DWEA 135	\$0
Pipeline to Sales				DWEA 140	\$0
Total Tangibles					\$26,000

P&M Costs	D10C 295	\$30,000	D10C 275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100