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

IN THE MATTER OF THE HEARINGS 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. 14,844

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

Case No. 14,845

VERIFIED STATEMENT OF HILARY CODER

Hilary Coder, being duly sworn upon her 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 applications filed herein:

(a) No opposition to the applications is expected because the mineral interest owners being pooled have responded to well proposals but have not yet executed an operating agreement.

(b) A plat outlining the spacing units being pooled is attached hereto as Exhibit A. Applicant seeks the following:

<u>Case No. 14844</u>: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NW/4NE/4 of Section 6, Township 19 South, Range 26 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the Illinois 6 Fee Well No. 1, to be drilled at an orthodox location.

<u>Case No. 14845</u>: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NE/4NE/4 of Section 6, Township 19 South, Range 26 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on

Oil Conservation Division
Case No.
Exhibit No.

40-acre spacing within that vertical extent. The unit will be dedicated to the Illinois 6 Fee Well No. 2, to be drilled at an orthodox location.

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

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

Case No. 14844: Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88201

Rodney Clifford address unknown

Stuart Wesley Perry address unknown

Mary Clifford address unknown

Case No. 14845 A.G. Aaneson address unknown

Hayward Olsen address unknown

Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88201

Rodney Clifford address unknown

Stuart Wesley Perry address unknown

Mary Clifford address unknown

18.3505937%

12.7097102%

12.7097102%

12.4300968%

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Rodney Clifford, Stuart Wesley Perry, and Mary Clifford are being pooled because there are no probates of their estates and, although Cimarex Energy Co. believes it has leased all of their heirs, there is nothing of record which confirms that belief.

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B. In addition, we have called and e-mailed the (locatable) parties being pooled.

(e) As to the unlocatable owners, we have examined the Eddy County records telephone records in the county of his last known address, and have conducted an internet search.

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

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

(h) Copies of the Authority for Expenditure for the proposed wells are 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.

(i) Overhead charges of \$4500.00/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.

(j) Applicant requests that Cimarex Energy Co. of Colorado be designated operator of the wells.

VERIFICATION

STATE OF TEXAS)) ss. COUNTY OF MIDLAND)

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

ilary Coder

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SUBSCRIBED AND SWORN TO before me this 35% day of June, 2012 by Hilary Coder.

My Commission Expires: 53

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& fierer Notary Public

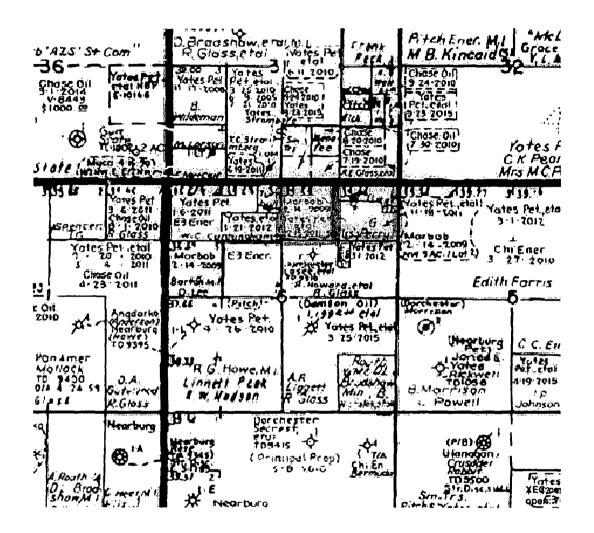
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Illinois – Section 6, T19S-R26E

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

CIMAR

March 20, 2012

Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7976

Yates Petroleum Corporation Abo Petroleum Corporation MYCO Industries, Inc. Attn: Chuck Moran 105 S 4^{tri} Street Artesia, New Mexico 88210

Re: <u>New Well Proposal - Illinois 6 Fee No.1</u> Township 19 South, Range 26 East, N.M.P.M. Section 6: NW/4NE/4 Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Illinois 6 Fee No. 1 Well at legal location in the NW/4NE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 330' FNL & 1650' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

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 Illinois 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. Failure to participate in the proposed well will results in Yates Petroleum Corporation and/or Abo Petroleum Corporation and/or MYCO Industries, Inc. being a non-consenting working interest owner in the Well under the Compulsory Pooling Order No. R-13490.

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Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

Hilary R. Coder Contract Landman

ELECTION TO PARTICIPATE Illinois 6 Fee No.1 Well

Elects <u>TO</u> participate in the proposed Illinois 6 Fee No.1 Well

Elects **NOT** to participate in the proposed **Illinois 6** Fee No.1 Well

Dated this _____ day of ______ , 2012.

Company: _____

Signature:

Printed Name: _____

If your election above is TO participate in the proposed Illinois 6 Fee No.1 Well, then:

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

Elects <u>NOT</u> 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

ELECTION TO PARTICIPATE Illinois 6 Fee No.1 Well

_____ Elects TO participate in the proposed Illinois 6 Fee No.1 Well

_____ Elects <u>NOT</u> to participate in the proposed Illinois 6 Fee No.1 Well

Dated this _____ day of ______, 2012.

Company:

Signature: _____

Printed Name: _____

If your election above is TO participate in the proposed Illinois 6 Fee No.1 Well, then:

_____ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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

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ELECTION TO PARTICIPATE Illinois 6 Fee No.1 Well

Elects <u>TO</u> participate in the proposed Illinois 6 Fee No.1 Well

_____ Elects <u>NOT</u> to participate in the proposed Illinois 6 Fee No.1 Well

Dated this _____ day of ______, 2012.

Company: _____

Signature: _____

Printed Name: _____

If your election above is TO participate in the proposed Illinois 6 Fee No.1 Well, then:

Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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

Company: _____

Page 5

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701 PHONE 432,571,7800

CIMARI

March 20, 2012

Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7976

Yates Petroleum Corporation Abo Petroleum Corporation MYCO Industries, Inc. Attn: Chuck Moran 105 S 4th Street Artesia, New Mexico 88210

Re: <u>New Well Proposal - Illinois 6 Fee No.2</u> Township 19 South, Range 26 East, N.M.P.M. Section 6: NE/4NE/4 Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Illinois 6 Fee No. 2 Well at legal location in the NE/4NE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 330' FNL & 330' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

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 Illinois 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. Failure to participate in the proposed well will results in Yates Petroleum Corporation and/or Abo Petroleum Corporation and/or MYCO Industries, Inc. being a non-consenting working interest owner in the Well under the Compulsory Pooling Order No. R-13490.

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

Hilary R. Coder Contract Landman

ELECTION TO PARTICIPATE Illinois 6 Fee No.2 Well

_____ Elects <u>TO</u> participate in the proposed Illinois 6 Fee No.2 Well

_____ Elects <u>NOT</u> to participate in the proposed Illinois 6 Fee No.2 Well

Dated this _____ day of ______ , 2012.

Company: _____

Signature: _____

Printed Name: _____

If your election above is TO participate in the proposed Illinois 6 Fee No.2 Well, then:

____ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

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Elects <u>NOT</u> 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

ELECTION TO PARTICIPATE Illinois 6 Fee No.2 Well

_____ Elects TO participate in the proposed Illinois 6 Fee No.2 Well

Elects NOT to participate in the proposed Illinois 6 Fee No.2 Well

Dated this _____ day of ______, 2012.

Company: _____

Signature:

Printed Name: _____

If your election above is TO participate in the proposed Illinois 6 Fee No.2 Well, then:

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

Elects <u>NOT</u> 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

ELECTION TO PARTICIPATE Illinois 6 Fee No.2 Well

_____ Elects TO participate in the proposed Illinois 6 Fee No.2 Well

_____ Elects <u>NOT</u> to participate in the proposed Illinois 6 Fee No.2 Well

Dated this _____ day of ______ , 2012.

Company: _____

Signature: _____

Printed Name: _____

If your election above is TO participate in the proposed Illinois 6 Fee No.2 Well, then:

_____ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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



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Cimarex Energy Co.					Date Prepared Februa	ry 8, 2012
Region Permian	∭ि Well Name™ कर्म Illinois 6 Fee	Well No.	Prospect of Field Names Paddock Extension West (EDDY)	Property Number	Drilling	AFE No.
i			County	State		e Well
location		and an and and a	Eddy	NM	Oil x	Expl X
	- <u></u>				Gas	Prod
stimate Type	en an an a construction and a second secon	Low T. Aller	st.Start Date	t. Comp Date	Formation	. Ttl Measured Dept
Original Estimate Revised Estimate	0	-			Penasco Draw San Andres-Yeso	3,000'
Supplemental Estimat					Associated Pool	3,000'
ntangibles Drilling Costs Completion Costs			Dry Hole Cost \$427,000	After Casing P)	npleted Well Cost \$427,000 \$1,646,000
fotal Intangible Costs			\$427,000	\$1,646,000	<u> </u>	\$2,073,000
Tangibles					······································	
Vell Equipment			\$31,000 \$31,000	\$204,000 \$20,000		\$235,000 \$20,000
ease Equipment Total Tangible Well C	ost		\$31,000	\$224,000		\$255,000
					1	
Plug and Abandon Co	ost		\$30,000	-\$30,000	<u> </u>	\$0
otal Well Cost	· · · · · · · · · · · · · · · · ·		\$488,000	\$1,840,000	0	\$2,328,000
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EXHIBIT

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Authorization For Expenditure

limarex Energy Co.				}			Date Prepared Februa	ary 8, 2012
Region	• Well Name 🖄	J Am	-Well No.	Prospect or Field I	Vame i I	Property Number	Drillin	e AFE No.
Permian	Illinois 6 Fee		2	Paddock Extension We				
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cation				County	n an tha and the second se Second second	State State	Oil R	
				Eddy		NM	Gos	Expl X Prod
timate Type			1990 also to	st Start Date	States Fee	Comp Date	Formation	Ttl Measured Dep
riginal Estimate	Q	2		St.Start Oale agains and		Comp Date , Co. 201	Penasco Draw San	
evised Estimate	0						Andres-Yeso Associated Pool	Ttl Vertical Depti 3,000'
ipplemental Estimate	¥						ASSOCIATED FUOL	
oject Description (1999) ill and complete a 3000' l								
angibles	·			Dry Hole Cos	t	After Casing P	Point Cor	npleted Well Cost
illing Costs	·····			\$427,000				\$427,000
mpletion Casts				É433.000		\$1,646,00	and share to \$ \$1,175, and as more a share where \$1,575, a strength	\$1,646,000 \$2,073,000
tal Intangible Costs				\$427,000		\$1,645,00	-	72,013,000
ngibles					·····		······································	
ell Equipment ose Equipment			*****	\$31,000 }	(III)	\$204,000 \$20,000		\$235,000 \$20,000
tal Tangible Well Cost				\$31,000	AAA KAKA	\$224,000		\$255,000
and Abandon Cost				\$30,000		-\$30,000		\$0
ig and Abandon Cost					·		<i>ii</i>	
tal Well Cost				\$488,000		\$1,840,00	0	\$2,328,000
	e equipment is p	oriced by		d CEPS guidelines using t		Price Multiplier.		
/ell Control Insurance		Salver a	COPAS and	d CEPS guidelines using t	he Historic	a a y a z i a z d i a z		
ell Control Insurance	below, you, as a	a non-op	COPAS and	d CEPS guidelines using t	he Historic	vered by Operator's v	well control insurance	procured by Operato
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