

**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. OF
COLORADO FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

Case No. 14,900

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. ("Cimarex"), and have personal knowledge of the matters stated herein.
2. Cimarex Energy Co. of Colorado is a wholly owned subsidiary of Cimarex Energy Co.
3. 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 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 an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the following acreage in Township 19 South, Range 25 East, N.M.P.M.
 - (i) The NE/4SW/4 of Section 1 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 Louisiana 1 Fee Well No. 1, to be drilled at an orthodox location;
 - (ii) The NW/4SE/4 of Section 1 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 Louisiana 1 Fee Well No. 2, to be drilled at an orthodox location;

Oil Conservation Division
Case No. _____
Exhibit No. 1

(iii) The SE/4SW/4 of Section 1 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 Louisiana 1 Fee Well No. 5, to be drilled at an orthodox location; and

(iv) The SW/4SE/4 of Section 1 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 Louisiana 1 Fee Well No. 6, 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 are the heirs, devisees, or successors to:

John Hook
Sarah Hook

(d) Cimarex believes that it has leased the successors to the above persons or entities. However, New Mexico probates have not been conducted on the estates of John Hook and Sarah Hook, and their successors have refused to execute affidavits of heirship on the decedents. Therefore, Cimarex desires to force pool the unknown heirs of the decedents.

(e) Cimarex has made a good faith effort to locate all interest owners in the well.

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

(g) Copies of the Authority for Expenditure for the proposed wells are attached hereto as Exhibits B-1, B-2, B-3, and B-4. 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.

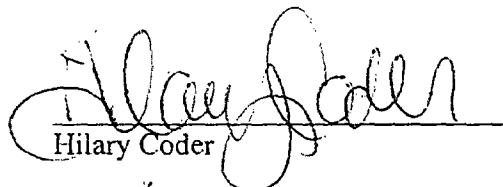
(h) Overhead charges of \$4500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

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

VERIFICATION

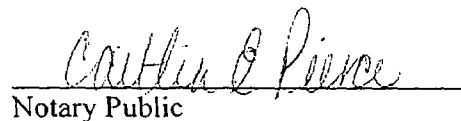
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

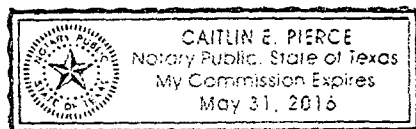
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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


Hilary Coder

SUBSCRIBED AND SWORN TO before me this 17th day of October, 2012 by Hilary Coder.

My Commission Expires: 5/31/2016


Notary Public





A



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared February 8, 2012
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Louisiana 1 Fee	1	Paddock Extension West (EDDY)		

Location	County	State	Type Well
	Eddy	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl Measured Depth
Original Estimate	<input checked="" type="radio"/>		Penasco Draw San	3,000'
Revised Estimate	<input type="radio"/>		Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate	<input type="radio"/>		Associated Pool	3,000'

Project Description
Drill and complete a 3000' Blinbry/Paddock vertical well

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,646,000	\$1,646,000
Total Intangible Costs	\$427,000	\$1,646,000	\$2,073,000

Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
Total Tangible Well Cost	\$31,000	\$224,000	\$255,000

Plug and Abandon Cost			
	\$30,000	-\$30,000	\$0
Total Well Cost	\$488,000	\$1,840,000	\$2,328,000

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 your 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
Steve Heitzman	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date

EXHIBIT

B-1

10/18/2012 5:21 AM



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared February 8, 2012
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Louisiana 1 Fee	2	Paddock Extension West (EDDY)		

Location	County	State	Type Well
	Eddy	NM	Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Expl <input checked="" type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl. Measured Depth
Original Estimate	<input checked="" type="radio"/>		Penasco Draw San	3,000'
Revised Estimate	<input type="radio"/>		Andres-Yeso	Ttl. Vertical Depth
Supplemental Estimate	<input type="radio"/>		Associated Pool	3,000'

Project Description
Drill and complete a 3000' Blinberry/Paddock vertical well. Install tank battery.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,847,000	\$1,847,000
Total Intangible Costs	\$427,000	\$1,847,000	\$2,274,000

Tangibles			
Well Equipment	\$31,000	\$704,000	\$735,000
Lease Equipment		\$463,800	\$463,800
Total Tangible Well Cost	\$31,000	\$667,800	\$698,800

Plug and Abandon Cost			
	\$30,000	-\$30,000	\$0

Total Well Cost			
	\$488,000	\$2,484,800	\$2,972,800

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.

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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 your 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.

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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
Steve Heitzman	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared February 8, 2012
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Louisiana 1 Fee	5	Paddock Extension West (EDDY)		

Location	County	State	Type Well
	Eddy	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl Measured Depth
Original Estimate <input checked="" type="radio"/>			Penasco Draw San	3,000'
Revised Estimate <input type="radio"/>			Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate <input type="radio"/>			Associated Pool	3,000'

Project Description
Drill and complete a 3000' Blinbry/Paddock vertical well

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,646,000	\$1,646,000
Total Intangible Costs	\$427,000	\$1,646,000	\$2,073,000

Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
Total Tangible Well Cost	\$31,000	\$224,000	\$255,000

Plug and Abandon Cost	\$30,000	\$30,000	\$0
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Total Well Cost	\$488,000	\$1,840,000	\$2,328,000
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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.

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Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Steve Heitzman	Doug Park	Roger Alexander

Joint Interest Approval

Company	By



Authorization For Expenditure

Company Entity: **Cimarex Energy Co.** Date Prepared: **February 8, 2012**

Region: **Permian** Well Name: **Louisiana 1 Fee** Well No.: **6** Prospect or Field Name: **Paddock Extension West (EDDY)** Property Number: Drilling AFE No.:

Location: **Eddy** County: **Eddy** State: **NM** Type Well: **Oil** ☒ **Expl** ☒ **Gas** ☐ **Prod**

Estimate Type: **Original Estimate** ☒ **Revised Estimate** ☐ **Supplemental Estimate** ☐ Est. Start Date: Est. Comp. Date: Formation: **Penasco Draw San Andres-Yeso Associated Pool** Ttl Measured Depth: **3,000'** Ttl Vertical Depth: **3,000'**

Project Description: **Drill and complete a 3000' Blinbry/Paddock vertical well**

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,646,000	\$1,646,000
Total Intangible Costs	\$427,000	\$1,646,000	\$2,073,000

Tangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
Total Tangible Well Cost	\$31,000	\$224,000	\$255,000

Plug and Abandon Cost	Dry Hole Cost	After Casing Point	Completed Well Cost
	\$30,000	\$30,000	\$0
Total Well Cost	\$488,000	\$1,840,000	\$2,328,000

Comments on Well Costs: **1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.**

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Cimarex Energy Co. Approval

Prepared by: **Steve Heitzman** Drilling and Completion Manager: **Doug Park** Regional Manager: **Roger Alexander**

Joint Interest Approval

Company: By: Date:

EXHIBIT

B-4

10/18/2012 5:22 AM