

**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
A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 14,154

VERIFIED STATEMENT OF CARL SPEIGHT

Carl Speight, 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 1210.A(1)(b), the following information is submitted in support of the application:
 - (a) No opposition to this application is expected because the working interest owners being pooled have simply not responded to well proposals.
 - (b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation underlying the E/2NE/4 of Section 23, Township 15 South, Range 37 East, NMPM, to form a non-standard 80-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 40-acre spacing, including the Denton-Wolfcamp Pool, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard unit. The unit will be dedicated to the Blanca 23 Fee Well No. 1, a horizontal well to be drilled at a surface location 2160 feet from the north line and 480 feet from the east line of Section 23, with a terminus 330 feet from the north line and 480 feet from the east line of Section 23. The well unit is non-standard because of the horizontal well.
 - (c) The parties being pooled, their interests in the well unit, and their last known addresses, are listed on Exhibit B. The E $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 23 is comprised of fee lands.
 - (d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit C.

Oil Conservation Division
Case No. _____
Exhibit No. _____

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

(f) The offset operators or lessees of all acreage surrounding the well unit are as follows:

(i) SE $\frac{1}{4}$ of Section 14.
Lynx Petroleum Co., Inc.

(ii) Section 13.
Cimarex Energy Co.

(iii) Section 24.
Cimarex Energy Co.

(iv) W $\frac{1}{2}$ NE $\frac{1}{4}$ and SE $\frac{1}{4}$ of Section 23.
Same as the interest owners in the proposed well unit. No additional notice was given to them regarding the non-standard unit portion of the application.

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

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. 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 Lea County.

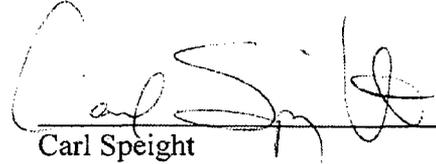
(i) Overhead charges of \$6000/month for a drilling well, and \$600/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

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

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Carl Speight, 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.



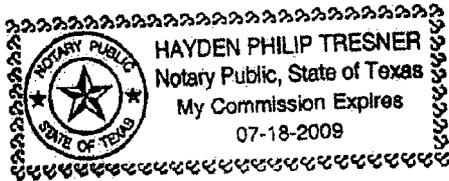
Carl Speight

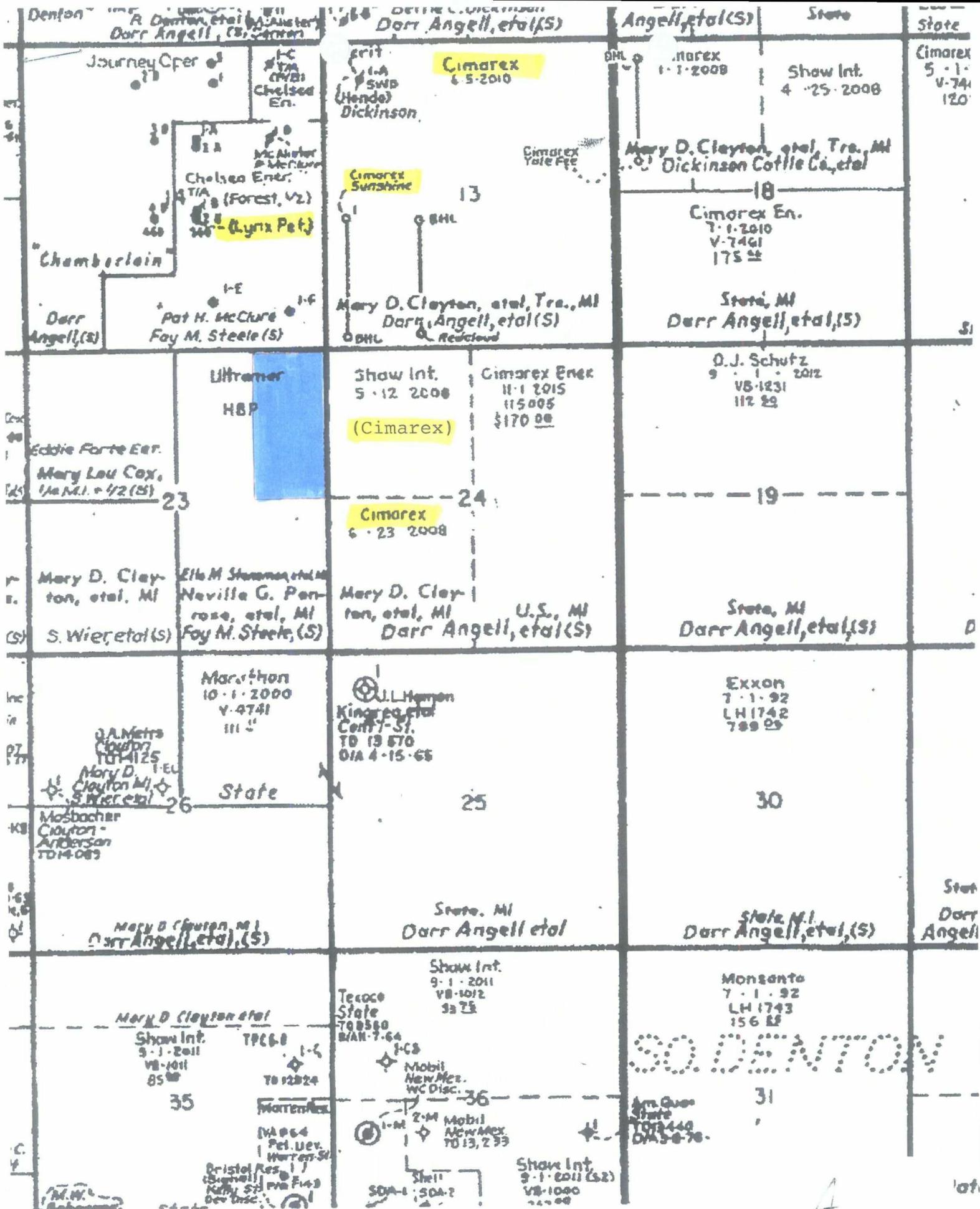
SUBSCRIBED AND SWORN TO before me this 16th day of August, 2008 by Carl Speight.

My Commission Expires: 7-18-2009



Notary Public





DISTRICT I
1826 K. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 3D - 025 - 38955	Pool Code 17290	Pool Name Denton; Wolfcamp Wildcat
Property Code 37183	Property Name BLANCA "23" FEE	Well Number 1
OCRID No. 215099	Operator Name CIMAREX ENERGY CO.	Elevation 3774'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	23	15 S	37 E		2160	NORTH	480	EAST	LEA

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	23	15 S	37 E		330	NORTH	480	EAST	LEA

Dedicated Acres 80	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>BOTTOM HOLE LOCATION Lat - N33°00'33.12" Long - W103°09'49.75" NMSPC - N 732876.910 E 899855.606 (NAD-83)</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Zeno Farris</i> 05-29-08 Signature Date</p> <p>Zeno Farris Printed Name</p>
		<p>SURFACE LOCATION Lat - N33°00'15.02" Long - W103°09'49.75" NMSPC - N 731047.3 E 899877.7 (NAD-83)</p>

Samson Resources Company
Two West 2nd Street, Suite 1800
Tulsa, OK 74103

25.0%

Chaparral Energy, L.L.C.
701 Cedar Lake Blvd.
Oklahoma City, OK 73114

25.0%

EXHIBIT

B



May 19, 2008

Samson Resources
Attn: Tom Land
200 N. Loraine, Suite #1010
Midland, Texas 79701

RE: **Blanca 23, Fee #1**
SHL: 2160' FNL, 480' FEL
BHL: 330' FNL, 480' FEL
E/2NE/4 Section 23, T15S, R37E
Lea County, NM

Gentlemen:

Cimarex Energy Co, proposes to drill the above described horizontal well to a total vertical depth of 9,800' and to a measured depth of 11,140' in order to test the Wolfcamp Formation. Enclosed you will find (2) two copies of an AFE covering the drilling, completion and equipping costs for the proposed well. A proposed Joint Operating Agreement shall be forwarded to you, under separate cover, as soon as possible.

We invite you to participate in this well by executing and returning to myself, at the letterhead address one (1) executed copy of the AFE. According to our records, Samson has an 25.0% interest in the E/2NE/4.

Should you have any questions, please contact myself at 432.571.7845. Thank you for your consideration.

Sincerely,

Carl Speight
Landman

EXHIBIT 

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front, if space permits.

1. Article Addressed to:

Samson Resources
 Attn: Tom Land
 200 N. Loraine, Suite # 1010
 Midland, Texas 79701

2. Article Number

(Transfer from service label)

7007 0710 0003 0314 4830

S Form 3811, February 2004

Domestic Return Receipt

102555-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *Joan Mamed* Agent
 B. Received by (Printed Name) *Joan Mamed* Addressee
 C. Date of Delivery *5-2-08*
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail
 Registered
 Insured Mail
 Express Mail
 Return Receipt for Merchandise
 C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes No

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only, No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com
OFFICIAL USE



Postage \$
 Certified Fee
 Return Receipt Fee (Endorsement Required)
 Restricted Delivery Fee (Endorsement Required)

Total Postage

Sent to

Street, Apt. No.
 or PO Box No.
 City, State, Zip

Samson Resources
 Attn: Tom Land
 200 N. Loraine, Suite # 1010
 Midland, Texas 79701

PS Form 3800, August 2005 See Reverse for Instructions

2007 0710 0003 0314 4830



May 19, 2008

Chaparral Energy, LLC
Attn: Sandy Ellis
701 Cedar Lake Blvd.
Oklahoma City, OK 73114

RE: Blanca 23, Fee #1
SHL: 2160' FNL, 480' FEL
BHL: 330' FNL, 480' FEL
E/2NE/4 Section 23, T15S, R37E
Lea County, NM

Gentlemen:

Cimarex Energy Co, proposes to drill the above described horizontal well to a total vertical depth of 9,800' and to a measured depth of 11,140' in order to test the Wolfcamp Formation. Enclosed you will find (2) two copies of an AFE covering the drilling, completion and equipping costs for the proposed well. A proposed Joint Operating Agreement shall be forwarded to you, under separate cover, as soon as possible.

We invite you to participate in this well by executing and returning to myself, at the letterhead address one (1) executed copy of the AFE. According to our records, Chaparral has an 25.0% interest in the E/2NE/4.

Should you have any questions, please contact myself at 432.571.7845. Thank you for your consideration.

Sincerely,

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chaparral Energy, LLC
 Attn: Sandy Ellis
 701 Cedar Lake Blvd.
 Oklahoma City, OK 73114

2. Article Number

(Transfer from service label) 7007 0710 0003 0314 4847

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-F-540

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 X *[Signature]* Addressee

B. Received by (Printed Name) *RYAN GINTIS*
 C. Date of Delivery *5/23/08*

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:



3. Service Type Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
 (Domestic Mail Only - No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL MAIL

Postage \$ _____
 Certified Fee _____
 Return Receipt Fee (Endorsement Required) _____
 Restricted Delivery Fee (Endorsement Required) _____

Total Postage _____

Sent to
 Street, Apt. No. or PO Box No.
 City, State, Zip

Chaparral Energy, LLC
 Attn: Sandy Ellis
 701 Cedar Lake Blvd.
 Oklahoma City, OK 73114

PS Form 3800, August 2006

2007 0720 0000 0720 2002



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.				DATE PREPARED May 5, 2008	
REGION Permian	WELL NAME Blanca 23 Fee	WELL NO. 1	PROSPECT OR FIELD NAME Denton East	PROPERTY NUMBER 309501-035.01	DRILLING AFE NO. 258094
LOCATION SHL 2160' FNL & 480' FEL BHL 330' FNL & 480' FEL Sec 23, T15S, R37E			COUNTY Lea	STATE New Mexico	OIL TYPE WELL <input checked="" type="checkbox"/> EXPL <input checked="" type="checkbox"/>
ORIGINAL ESTIMATE <input checked="" type="checkbox"/>	REVISED ESTIMATE <input type="checkbox"/>	SUPPLEMENTAL ESTIMATE <input type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION Wolfcamp
				EST. TO 9800'	TVD 11,140'

PROJECT DESCRIPTION:
Drill and complete a horizontal (1880') wolfcamp well.

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	\$1,901,200		\$1,901,200
Intangible Completion Costs		598,600	598,600
TOTAL INTANGIBLE COSTS	1,901,200	598,600	2,499,800
<u>TANGIBLES</u>			
Well Equipment	156,000	497,000	653,000
Lease Equipment		84,000	84,000
TOTAL TANGIBLE WELL COST	156,000	581,000	737,000
PLUG AND ABANDON COST	150,000	(150,000)	
TOTAL WELL COST:	\$2,207,200	\$1,029,600	\$3,236,800

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.

_____ 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.

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.

100.13

CIMAREX ENERGY CO. APPROVAL

PREPARED BY Mark Audas, Sr. Drilling/Completion Engineer Permian Basin	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
--	--	--

JOINT INTEREST APPROVAL

COMPANY	BY	DATE
---------	----	------

8/6/2008 9:28 AM

D
EXHIBIT



PROJECT COST ESTIMATE

LEASE NAME: Blanca 23 Fee

WELL NO.:

1

INTANGIBLES	Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$100,000	DICC.100	\$2,000	\$102,000
DAMAGES	DIDC.105	\$4,000	DICC.105		\$4,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	\$20,000	DICC.235	\$5,000	\$25,000
DAY RATE 33 DH DAYS 5 ACP DAYS @ PER DAY	DIDC.115	\$522,000	DICC.120	\$77,000	\$599,000
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$8,000			\$8,000
BITS	DIDC.125	\$80,000	DICC.125	\$1,000	\$81,000
FUEL \$3.20 PER GALLON	DIDC.135	\$84,000	DICC.130	\$1,000	\$85,000
WATER / COMPLETION FLUIDS	DIDC.140	\$23,100	DICC.135	\$15,000	\$38,100
MUD & ADDITIVES	DIDC.145	\$46,200			\$46,200
SURFACE RENTALS	DIDC.155	\$74,000	DICC.140	\$30,000	\$104,000
DOWNHOLE RENTALS	DIDC.155	\$91,000	DICC.145	\$20,000	\$111,000
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	DIDC.160				
MUD LOGGING 30 DAYS @ \$900 PER DAY	DIDC.170	\$34,000			\$34,000
OPEN HOLE LOGGING	DIDC.180	\$50,000			\$50,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	\$75,000	DICC.155	\$30,000	\$105,000
TUBULAR INSPECTIONS	DIDC.190	\$2,000	DICC.160	\$2,000	\$4,000
CASING CREWS	DIDC.195	\$19,000	DICC.165	\$18,000	\$37,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	\$19,800	DICC.170	\$5,000	\$24,800
LAND TRANSPORTATION (Trucking)	DIDC.205	\$23,100	DICC.175	\$4,000	\$27,100
SUPERVISION	DIDC.210	\$36,000	DICC.180	\$12,000	\$48,000
TRAILER HOUSE/CAMP/CATERING	DIDC.280	\$17,000	DICC.255	\$3,000	\$20,000
OTHER MISC EXPENSES	DIDC.220	\$5,000	DICC.190	\$5,000	\$10,000
OVERHEAD	DIDC.225	\$10,000	DICC.195	\$2,400	\$12,400
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	\$110,000			\$110,000
DIRECTIONAL DRILLING SERVICES 14 DAYS @ 11000 PER DAY	DIDC.245	\$154,000			\$154,000
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.280	\$86,000			\$86,000
WELL CONTROL EQUIP (Shubbling services)	DIDC.265	\$36,000	DICC.240	\$21,000	\$57,000
FISHING & SIDETRACK OPERATIONS	DIDC.270	\$75,000	DICC.245		\$75,000
COMPLETION RIG 8 DAYS @ 4400 PER DAY			DICC.115	\$35,200	\$35,200
COIL TUBING 1 DAYS @ 38000 PER DAY			DICC.280	\$38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.290	\$25,000	\$25,000
STIMULATION			DICC.210	\$180,000	\$180,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	\$3,000	DICC.280		\$3,000
WELL CONTROL INSURANCE \$0.35 PER FOOT	DIDC.285	\$3,000			\$3,000
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	\$91,000	DICC.220	\$27,000	\$118,000
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110	\$1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	\$39,000	\$39,000
CONSTRUCTION FOR SALES PL			DICC.285		
TOTAL INTANGIBLE COST		\$1,901,200		\$598,600	\$2,499,800
TANGIBLE - WELL EQUIPMENT					
CASING	SIZE	FEET	\$/FOOT		
DRIVE PIPE	20"	40	100.00	DWEB.150	\$4,000
CONDUCTOR PIPE				DWEB.130	
WATER STRING				DWEB.135	
SURFACE CASING	13-3/8"	800	43.89	DWEB.140	\$26,000
INTERMEDIATE CASING	8-5/8"	4,450	21.50	DWEB.145	\$96,000
DRILLING LINER	7"			DWEB.145	
DRILLING LINER				DWEB.145	
PRODUCTION CASING OR LINER	5 1/2"	9,800	20.00	DWEA.100	\$196,000
PRODUCTION TIE-BACK				DWEA.100	
TUBING	2 7/8"	11,100	7.00	DWEA.105	\$78,000
N/C WELL EQUIPMENT				DWEA.115	\$9,000
WELLHEAD, TREE, CHOKES				DWEB.115	\$30,000
LINER HANGER, ISOLATION PACKER				DWEB.100	
PACKER, NIPPLES				DWEA.130	\$85,000
PUMPING UNIT, ENGINE				DLEQ.100	\$90,000
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.105	\$19,000
TANGIBLE - LEASE EQUIPMENT					
N/C LEASE EQUIPMENT				DLEQ.115	\$44,000
TANKS, TANKS STEPS, STAIRS				DLEQ.120	\$21,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$18,000
FLOW LINES (Line Pipe from wellhead to central facility)				DLEQ.130	\$1,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES				DWEA.135	
PIPELINES TO SALES				DWEA.140	
TOTAL TANGIBLES			\$156,000	\$681,000	\$737,000
P&A COSTS	DIDC.205	150,000	DICC.275	(150,000)	
TOTAL COST		\$2,207,200		\$1,029,600	\$3,236,800



DRILLING PROGNOSIS

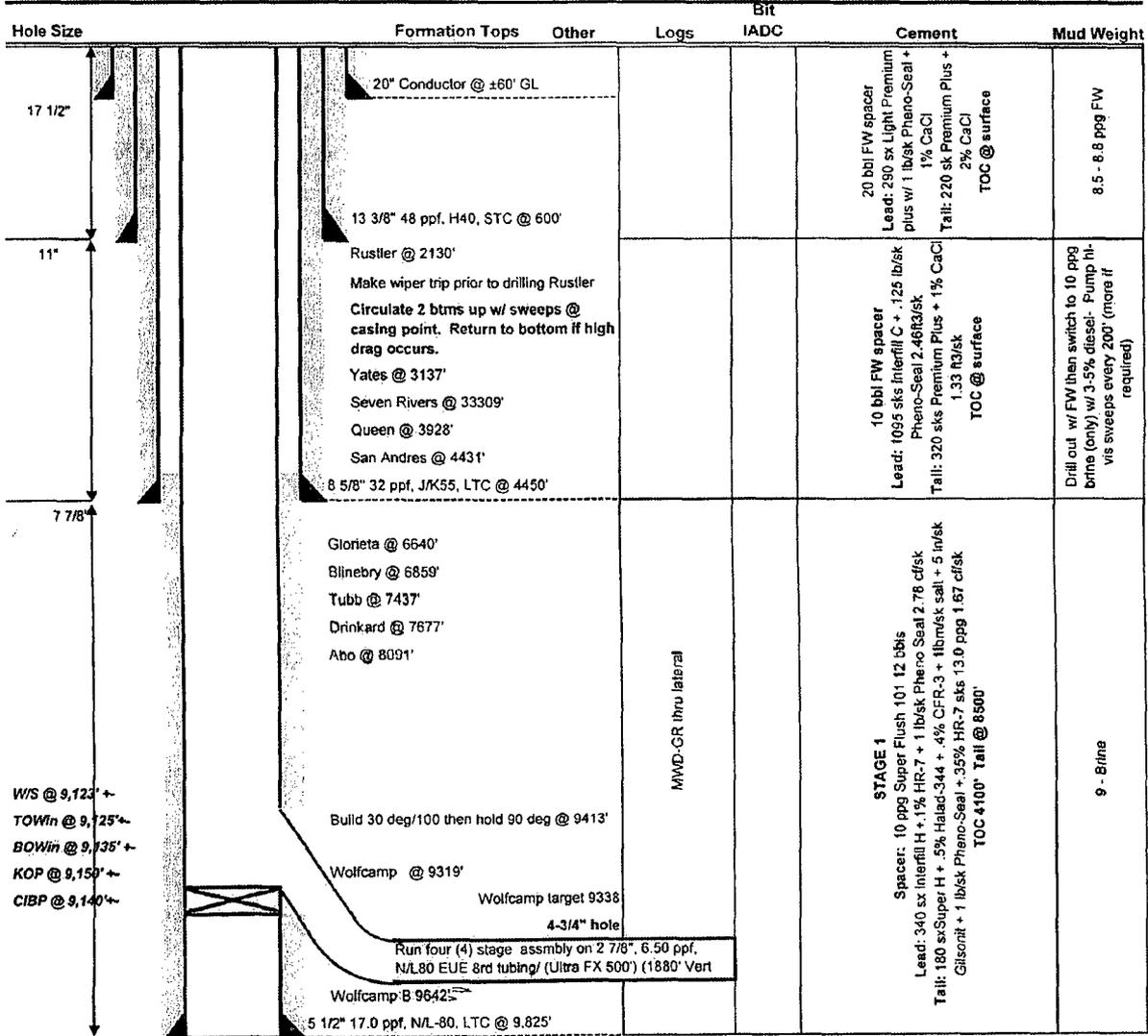
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Well: Blanca 23 Fee #1
 Location: Sec 23, T15S-R37E
 County, State: Lea, NM
 Surface Location: 2160' FNL & 480' FEL
 Bottomhole Loc: 330' FNL & 480' FEL
 E-Mail:
 Wellhead:

Co. Well ID:
 AFE No.:
 API No.:
 Lse Serial #
 Field: Star/Denton
 Objective: Wolfcamp
 TVD/MD: 9800' MD Vertical / 11,140' TVD Horizontal 9338'
 Cementing:
 Mud: MI
 Motors:
 OH Logs: No E-Logs; MWD-GR thru lateral
 Rig:
 Offset Well:

Sec A: 11" 5M BY 13 5/8" SOW
 Sec B: 7 1/16" 5M BY 11" 5M

Xmas Tree
 Tubing: 2-7/8" 6.5ppf L/N80
 Superintendent: Jim Evans
 Engineer: Mark Audas



NOTES:

NU rotating head on 13-3/8". Install wellhead on 8-5/8", NU BOP (5M) w/ rotating head and test BOP to 5M w/ test unit. Test casing.
 Cement volumes for surface csg include a 100% excess in the open hole section. If drilling conditions deem necessary, fluid caliper hole and adjust volumes.
 Cement volumes for intermediate csg include a 70% excess in the open hole section. If drilling conditions deem necessary, fluid caliper hole and adjust volumes.
 Cement volumes for production csg include a 25% excess in the open hole section. Adjust volumes after caliper + 25% excess.

ALL INVOICES ARE TO SHOW CIMAREX ENERGY AS OPERATOR AND USE CIMAREX ACCOUNTING CODES.