

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL  
CONSERVATION  
DIVISION**

**CASE #: 14194**

**EXHIBIT**

**1**

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, CHAVES  
COUNTY, NEW MEXICO.

Case No. 14,194

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 1210.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 simply not responded to well proposals.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a non-standard oil spacing and proration unit (project area) comprised of the S/2N/2 of Section 9, Township 15 South, Range 31 East, NMPM, to form a non-standard 160-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 40-acre spacing, and pooling all mineral interests in the lower Abo/Wolfcamp formation underlying the non-standard unit. The unit is to be dedicated to the Intrepid 9 Fed. Com. Well No. 1H, a horizontal well to be drilled at a surface location 1980 feet from the north line and 330 feet from the west line, with a terminus 1980 feet from the north line and 375 feet from the east line, of Section 9. The well unit is non-standard because of the horizontal well, and applicant seeks to pool the non-standard well unit.

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

Clare Lundbeck Fraser  
133 East 64<sup>th</sup> Street  
New York, New York 10021

\_\_\_\_\_ 1.25 %

---

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. \_\_\_\_\_

Sigyn Lund 1052 Montgomery Road Altamonte Springs, Florida 32714	<u>1.25</u> %
Estate of Peter Shea	<u>6.405555</u> %
Edwina S. Millington	<u>6.405555</u> %
Edward L. Shea Trust	<u>6.405555</u> %
c/o John F. Walsh, Jr. Bryan Cave LLP 1290 Avenue of the Americas New York, New York 10104	

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted 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) The offset operators or lessees of the acreage surrounding the well unit are as follows:

- (i) E $\frac{1}{2}$  of Section 8.  
Kevin O. Butler & Associates, Inc.  
P.O. Box 1171  
Midland, Texas 79702
- (ii) N $\frac{1}{2}$ N $\frac{1}{2}$  and SW $\frac{1}{4}$  of Section 9.  
Kevin O. Butler & Associates, Inc.
- (iii) SE $\frac{1}{4}$  of Section 9.  
Abo Petroleum Corporation  
MYCO Industries, Inc.  
Yates Drilling Company  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210.
- (iv) W $\frac{1}{2}$  of Section 10.  
Chesapeake Exploration Limited Partnership  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

COG Operating, LLC  
Suite 1300  
550 West Texas  
Midland, Texas 79701

(h) 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 Chaves County.

(i) Overhead charges of \$ 6,500.00/month for a drilling well, and \$650.00/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. Cimarex Energy Co. 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 well.

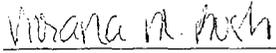
VERIFICATION

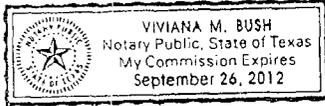
STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

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 15<sup>th</sup> day of October, 2008 by  
Hayden P. Tresner.

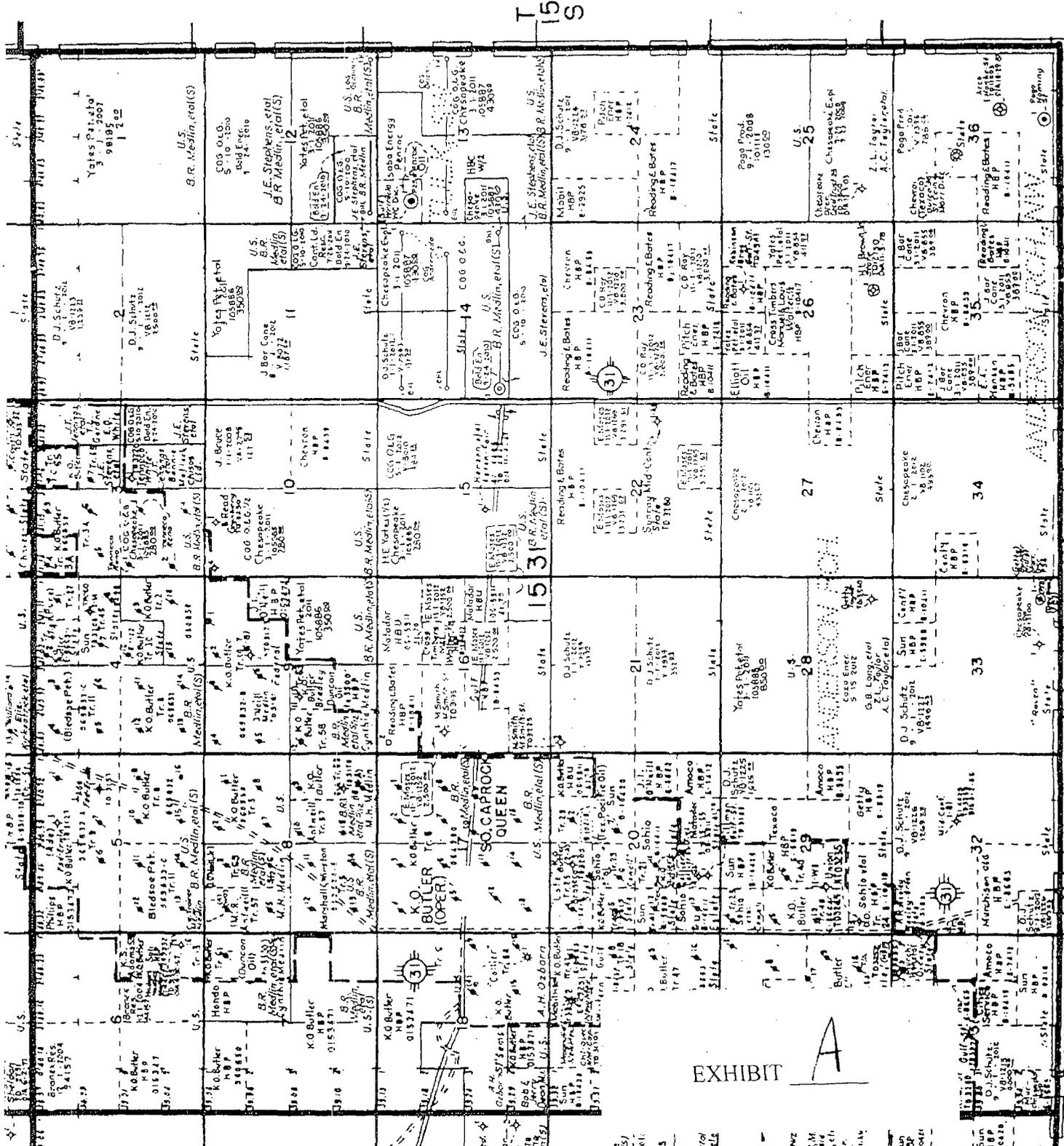
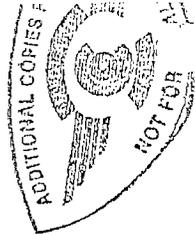
My Commission Expires: September 26, 2012   
Notary Public



ON ALL NON LIBRARY MAPS INCLUDING PZ MAPS AND WILL

THIS MAP IS DELIVERED TO (LICENSEE) WITH THE LICENSE TO USE AS LICENSEE DEEMS FIT ONLY FOR SOCIAL OR INTERNAL USE. BUT ALL LICENSEES PHOTO COPYING OF BLACK AND WHITE SHOTS EXCEEDING 11" X 17" IN SIZE, OR ANY OTHER REPRODUCTION BY ANY MEANS, WITHOUT THE WRITTEN PERMISSION OF THE MIDLAND MAP COMPANY, IS STRICTLY PROHIBITED. ANY REPRODUCTION OF THIS LICENSEE'S DATA OR INFORMATION FOR ANY PURPOSE, INCLUDING ANY TYPE OF REPRODUCTION, OR ANY TYPE OF TRANSMISSION, OR ANY TYPE OF COMMUNICATION, OR ANY TYPE OF PUBLICITY, OR TO ALLOW OTHERS TO USE OR REPRODUCE OR TO MAKE ANY TYPE OF COPY, IS RESERVED EXCLUSIVELY TO MIDLAND MAP COMPANY. ALL RIGHTS ARE RESERVED BY THE MIDLAND MAP COMPANY. COPIES OF THIS MAP, OTHER THAN PHOTOCOPIES, MUST BE PURCHASED AND A FEES APPEAR BELOW.

ANY VIOLATION OF THIS LICENSE OR THE EFFECTING THIS MAP SHALL BE PRESUMED AS AN INTENTIONAL RECKLESS VIOLATION, AND WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW. ANY VIOLATION OF THIS LICENSE OR THE EFFECTING THIS MAP SHALL BE PRESUMED AS AN INTENTIONAL RECKLESS VIOLATION, AND WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW. ANY VIOLATION OF THIS LICENSE OR THE EFFECTING THIS MAP SHALL BE PRESUMED AS AN INTENTIONAL RECKLESS VIOLATION, AND WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW.



EDDY East LEA Southwest

D 31 E

EXHIBIT

A

Cimarex Energy Co.  
600 N. Maricfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800



August 21, 2008

Via Certified U.S. Mail-Return Receipt Requested No. 7004 1160 0000 4496 1322

Bryan Cave Law Firm  
245 Park Avenue  
New York, New York 10167-0034

Attn: Mr. John Walsh

Re: Cimarex Energy Co's.  
Intrepid 5 Fed Com No. 1-H  
Well proposal

Mr. Walsh:

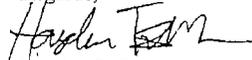
The public records of Chaves County, New Mexico indicate that the Estate of Peter L. Shea, Edward L. Shea Trust and Edwina S. Millington ("Shea") each own a leasehold interest under the N/2 of Section 9-T15S-R31E, N.M.P.M., Chaves County, New Mexico. Cimarex Energy Co. ("Cimarex") is also a leasehold owner under these lands and would like to form a 320-acre working interest unit comprised of the N/2 of this section and drill a horizontal well in the S/2N/2 to test the lower Abo formation.

Cimarex hereby proposes to drill the well to a vertical depth of approximately 9,250' from a surface location at approximately 1980' FNL and 330' FWL, then kick off up the wellbore and continue to drill an estimated 4,500' lateral leg to a proposed bottom hole location at approximately 1980' FNL and 375' FEL for a TVD of approximately 8640' and an approximate final MD of 13,225'.

Enclosed herewith are two (2) copies of Cimarex' AFE in the total amount of \$ 4,413,354 that set forth our estimated cost to drill and complete the well. If Shea would like to participate in this well, please sign and return a copy of the AFE to the undersigned at the above letterhead address. Cimarex' proposed form operating agreement will be delivered upon receipt of Shea's election to participate in the well. Alternatively, if Shea chooses not to participate, Cimarex would be interested in entering into a term assignment or farmout of Shea's leasehold interest in this proposed unit.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us. Thank you very much.

Regards,

  
Hayden P. Tresner  
Landman

EXHIBIT 

Cimarex Energy Co.  
400 N. Marienfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800



July 1, 2008

Via Certified U.S. Mail-Return Receipt Requested No. 7004 1160 0000 4496 1360

Sigyn Lund  
1052 Montgomery Road  
Altamonte Springs, Florida 32714

Re: Cimarex Energy Co.  
Well Proposal-Intrepid 9 Federal No: 1-H  
S/2N/2 Section 9-T15S-R31E  
Chaves County, New Mexico

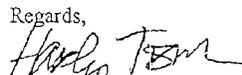
Ms. Lund:

The public records of Chaves County, New Mexico indicate that you own a leasehold interest under the N/2 of Section 9-T15S-R31E, Chaves County, New Mexico. Cimarex Energy Co. ("Cimarex") is also a leasehold owner under these lands and, is interested in developing the N/2 of Section 9 by forming a 320-acre unit and drilling an initial horizontal test well in the S/2N/2 of Section 9 to evaluate the lower Abo formation.

Accordingly, Cimarex hereby proposes drilling the captioned well to an approximate vertical depth of 9,250' at a surface location at approximately 1980' FNL and 330' FWL, then plugging back to a kick off depth of approximately 8,350' and drilling an estimated 4,500' lateral leg to a proposed bottom hole location at approximately 1980' FNL and 375' FEL, for an approximate final measured depth of 13,225'.

We are enclosing herewith are two (2) copies of our AFE in the total amount of \$ 4,413,354 setting forth our estimated cost to drill and complete the captioned well. If you wish to participate in this project, please indicate your concurrence and approval by signing the AFE and returning a copy to the undersigned at the above letterhead address. Alternatively, if you choose not to participate, Cimarex would be interested in entering into a mutually acceptable Term Assignment or Farmout of your leasehold interest in this unit.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us. Thank you very much.

Regards,  
  
Hayden P. Tresner  
Landman

July 2002  
two years  
use Mail or  
national mail.  
in Certified  
ited to prot  
ing and att  
to postage  
receive a fe  
ertified M  
the ad  
e malpie  
se prese  
the Ce  
ing an  
on ma

POSTAL  
nder. Plea  
lin

Cimarex Energy Co.  
800 N. Marionfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800



July 1, 2008

Via Certified U.S. Mail-Return Receipt Requested No. 7004 1160 0000 4496 1148

Clare Lundbeck Fraser  
133 E. 64<sup>th</sup> Street  
New York, New York 10021

Re: Cimarex Energy Co.  
**Well Proposal-Intrepid 9 Federal No. 1-H**  
S/2N/2 Section 9-T15S-R31E  
Chaves County, New Mexico

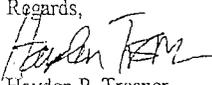
Ms. Fraser:

The public records of Chaves County, New Mexico indicate that you own a leasehold interest under the N/2 of Section 9-T15S-R31E, Chaves County, New Mexico. Cimarex Energy Co. ("Cimarex") is also a leasehold owner under these lands and, is interested in developing the N/2 of Section 9 by forming a 320-acre unit and drilling an initial horizontal test well in the S/2N/2 of Section 9 to evaluate the Lower Abo Formation.

Accordingly, Cimarex hereby proposes drilling the captioned well to an approximate vertical depth of 9,250' at a surface location of approximately 1980' FNL and 330' FWL, then plugging back to a kick off depth of approximately 8,350' and drilling an estimated 4,500' lateral leg to a proposed bottom hole location of approximately 1980' FNL and 375' FEL, for an approximate final measured depth of 13,225'.

We are enclosing herewith two (2) copies of our AFE in the total amount of \$ 4,413,354 setting forth our estimated costs to drill and complete the captioned well. If you wish to participate in this project, please indicate your concurrence and approval by signing the AFE and returning a copy to the undersigned at the above letterhead address. Alternatively, if you choose not to participate, Cimarex would be interested in entering into a mutually acceptable Term Assignment or Farmout of your leasehold interest in this unit.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us. Thank you very much.

Regards,  
  
Hayden P. Tresner  
Landman

Class Mail  
International Mail  
with Certified Mail  
requested to complete and affix postage to receive your Certified Mail  
To the addressee  
mark the mail  
id, please print name on the postage and meter making available or

POSTAL SERVICE

Sender: Please



**AUTHORIZATION FOR EXPENDITURE**

COMPANY ENTITY <b>Cimarex Energy Co.</b>					DATE PREPARED <b>May 16, 2008</b>
REGION <b>Permian</b>	WELL NAME <b>Intrepid 9 Fed</b>	WELL NO. <b>1</b>	PROSPECT OR FIELD NAME <b>High Lonesome</b>	PROPERTY NUMBER <b>309742-004.01</b>	DRILLING AFE NO. <b>257223</b>
LOCATION <b>Sec. 9, T15S-R31E Horizontal</b>			COUNTY <b>Eddy</b>	STATE <b>New Mexico</b>	TYPE WELL OIL <input checked="" type="checkbox"/> EXPL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> PROD <input type="checkbox"/>
ORIGINAL ESTIMATE	<input checked="" type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION <b>Lower Abo</b>	EST. TD <b>13,225'</b>
REVISED ESTIMATE	<input type="checkbox"/>				
SUPPLEMENTAL ESTIMATE	<input type="checkbox"/>				

**PROJECT DESCRIPTION:**

Drill and complete a Lower Abo horizontal well. Pilot 9250 TVD 8640'/MD 13225 (4500 VS)

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	\$2,372,080		\$2,372,080
Intangible Completion Costs		1,110,165	1,110,165
<b>TOTAL INTANGIBLE COSTS</b>	<b>2,372,080</b>	<b>1,110,165</b>	<b>3,482,245</b>
<u>TANGIBLES</u>			
Well Equipment	160,700	695,409	856,109
Lease Equipment		75,000	75,000
<b>TOTAL TANGIBLE WELL COST</b>	<b>160,700</b>	<b>770,409</b>	<b>931,109</b>
PLUG AND ABANDON COST	150,000	(150,000)	
<b>TOTAL WELL COST:</b>	<b>\$2,682,780</b>	<b>\$1,730,574</b>	<b>\$4,413,354</b>

**Comments on Well Costs:**

- 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.

207.06

**CIMAREX ENERGY CO. APPROVAL**

PREPARED BY Mark Audas Drilling/Completions Engineer - PB	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Permian Region	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
---	--	--

**JOINT INTEREST APPROVAL**

COMPANY	BY	DATE

10/14/2008 7:47 PM

EXHIBIT



PROJECT COST ESTIMATE

LEASE NAME: Intrepid 9 Fed

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	\$3,000	\$103,000
DAMAGES	DIDC.105	6,000	DICC.105		\$6,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	25,000	DICC.235	27,000	\$52,000
DAY RATE 39 DH DAYS 6 ACP DAYS @ 17000 PER DAY	DIDC.115	663,000	DICC.120	102,000	\$765,000
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	16,000			\$16,000
BITS	DIDC.125	85,000	DICC.125	1,000	\$86,000
FUEL \$4.00 PER GALLON 1200 Gals/Day	DIDC.135	187,200	DICC.130	7,000	\$194,200
WATER / COMPLETION FLUIDS	DIDC.140	62,400	DICC.135	40,000	\$102,400
MUD & ADDITIVES	DIDC.145	65,000			\$65,000
SURFACE RENTALS	DIDC.150	58,500	DICC.140	93,600	\$152,100
DOWNHOLE RENTALS	DIDC.155	53,000	DICC.145	39,600	\$92,600
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	DIDC.160				
MUD LOGGING 35 DAYS @ \$1,000 PER DAY	DIDC.170	42,000			\$42,000
OPEN HOLE LOGGING	DIDC.180	100,000			\$100,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	65,000	DICC.155	30,000	\$95,000
TUBULAR INSPECTIONS	DIDC.190	5,000	DICC.160	6,000	\$11,000
CASING CREWS	DIDC.195	20,000	DICC.165	17,000	\$37,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	19,500	DICC.170	5,000	\$24,500
LAND TRANSPORTATION (Trucking)	DIDC.205	23,400	DICC.175	4,400	\$27,800
SUPERVISION	DIDC.210	65,600	DICC.180	28,800	\$94,400
TRAILER HOUSE/CAMP/CATERING	DIDC.280	19,500	DICC.255	4,000	\$23,500
OTHER MISC EXPENSES	DIDC.220	11,700	DICC.190	1,000	\$12,700
OVERHEAD	DIDC.225	11,700	DICC.195	5,100	\$16,800
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	85,000			\$85,000
DIRECTIONAL DRILLING SERVICES 17 DAYS @ 12000 PER DAY	DIDC.245	222,000			\$222,000
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.260	151,600			\$151,600
WELL CONTROL EQUIP (Snubbing services)	DIDC.265	15,000	DICC.240	13,200	\$28,200
FISHING & SIDETRACK OPERATIONS	DIDC.270	75,000	DICC.245		\$75,000
COMPLETION RIG 11 DAYS @ 4600 PER DAY			DICC.115	50,600	\$50,600
COIL TUBING 1 DAYS @ 38000 PER DAY			DICC.260	38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.200	5,000	\$5,000
STIMULATION			DICC.210	500,000	\$500,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	5,000	DICC.280		\$5,000
WELL CONTROL INSURANCE \$0.35 PER FOOT	DIDC.285	4,596			\$4,596
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	109,385	DICC.220	52,865	\$162,250
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110	1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	35,000	\$35,000
CONSTRUCTION FOR SALES PL			DICC.265		
<b>TOTAL INTANGIBLE COST</b>		<b>\$2,372,080</b>		<b>\$1,110,165</b>	<b>\$3,482,245</b>
<b>TANGIBLE - WELL EQUIPMENT</b>					
<b>CASING</b>	SIZE	FEET	\$/FOOT		
DRIVE PIPE				DWEB.150	
CONDUCTOR PIPE	20"	70	95.00	DWEB.130	4,000
WATER STRING				DWEB.135	
SURFACE CASING	13 3/8"	340	45.00	DWEB.140	15,300
INTERMEDIATE CASING	9 5/8"	3,950	32.00	DWEB.145	126,400
DRILLING LINER				DWEB.145	
DRILLING LINER				DWEB.145	
PRODUCTION CASING OR LINER	7"	9,250	29.80	DWEA.100	275,650
PRODUCTION TIE-BACK	4 1/2"	4,800	12.83	DWEA.100	61,584
TUBING	2 7/8"	8,700	7.00	DWEA.105	60,900
N/C WELL EQUIPMENT				DWEA.115	6,000
WELLHEAD, TREE, CHOKES				DWEB.115	15,000
LINER HANGER, ISOLATION PACKER				DWEB.100	
PACKER, NIPPLES				DWEA.125	130,000
PUMPING UNIT, ENGINE				DWEA.130	
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.100	98,000
				DLEQ.105	28,275
<b>TANGIBLE - LEASE EQUIPMENT</b>					
N/C LEASE EQUIPMENT				DLEQ.115	44,000
TANKS, TANKS STEPS, STAIRS				DLEQ.120	17,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	13,000
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	
<b>TOTAL TANGIBLES</b>		<b>\$160,700</b>		<b>\$770,409</b>	<b>\$931,109</b>
P&A COSTS	DIDC.295	150,000	DICC.275	(150,000)	
<b>TOTAL COST</b>		<b>\$2,682,780</b>		<b>\$1,730,574</b>	<b>\$4,413,354</b>