

**PAUL BACA PROFESSIONAL COURT REPORTERS**

**OIL CONSERVATION  
EXHIBITS**

**CASE #: 14264**

**EXHIBITS**  
**1-5**

**500 FOURTH STREET, NW, SUITE 105, ALBUQUERQUE, NEW MEXICO 87102**

**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, COMPULSORY POOLING, AND AN UNORTHODOX  
OIL WELL LOCATION, LEA COUNTY, NEW MEXICO.**

**Case No. 14,264**

**VERIFIED STATEMENT OF CODY ELLIOTT**

Cody Elliott, 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 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 are deceased or not locatable.

(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 (Denton-Wolfcamp Pool) underlying Lot 4 and the SW $\frac{1}{4}$ NW $\frac{1}{4}$  (the W $\frac{1}{2}$ NW $\frac{1}{4}$ ) of Section 6, Township 15 South, Range 38 East, N.M.P.M., Lea County, New Mexico. The unit is dedicated to the Harvard 6 Fee Well No. 2, a horizontal well drilled at a surface location 430 feet from the north and west lines of Section 6, with a terminus 2595 feet from the north line and 441 feet from the west line, of Section 6. The well unit is non-standard because of the horizontal well.

(c) The parties being pooled are listed on Exhibit B. The W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 6 is a fee tract with common, undivided mineral ownership throughout the well unit.

(d) Because the mineral interest owners are not locatable, proposal letters were not sent to the uncommitted owners.

Oil Conservation Division  
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Exhibit No. 1

(e) In an attempt to find the mineral interest owners, Cimarex Energy Co. examined the Lea County records, telephone directories and records in the counties of the last known residences of the out-of-state owners, and internet directories.

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

(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 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 Lea County.

(i) Overhead charges of \$6500/month for a drilling well, and \$650/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.

3. The terminus of the well was originally permitted at an orthodox location 2310 feet from the north line and 430 feet from the west line of Section 6. During drilling the wellbore inadvertently extended a greater distance than planned, resulting in the unorthodox location.

The acreage affected by the unorthodox location is as follows:

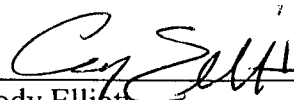
(a) NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 6: Mineral ownership in the NW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 6 is the same as in the W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 6. Therefore notice was not given to the mineral interest owners. In addition, the operator of the W $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 6 is Cimarex Energy Co.

(b) SE $\frac{1}{4}$  of Section 1, Township 15 South, Range 37 East, N.M.P.M.: The operator of the SE $\frac{1}{4}$  of Section 1 is Americo Energy Resources LLC.

VERIFICATION

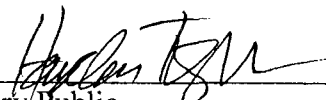
STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF MIDLAND         )

Cody Elliott, 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.

  
\_\_\_\_\_  
Cody Elliott

SUBSCRIBED AND SWORN TO before me this 19<sup>th</sup> day of January, 2009 by  
Cody Elliott.

My Commission Expires: 7-18-2009

  
\_\_\_\_\_  
Notary Public

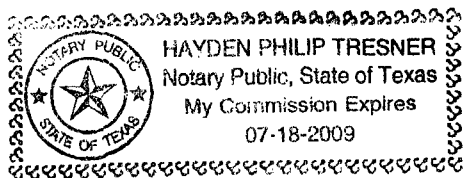




EXHIBIT "A"

Marie A. Gass  
address unknown

Annie or Byron Abell  
address unknown

Zilpha S. Todd  
address unknown

Al McInnis  
address unknown

Marrion E. and Fred A. Dushane  
address unknown

John W. or Jennie E. Rheinhardt  
address unknown

Natalie Swan Baron Abbot  
address unknown

Jason P. and Mary E. Phelps  
address unknown

Joshua F. and Ruth E. Cockey  
address unknown

Elizabeth Northrup  
address unknown

Aubrey Eugene Edwards, Deceased  
address unknown

A.W. Hasselburg  
address unknown

Sophie B. Schenck, Deceased  
address unknown  
(Probable heir is Henrietta Schenck,  
whom we previously force pooled)

Nannie Allen Edwards, Deceased  
(Probable heir that is unleased is  
Aubrey Eugene Edwards)

Willie Frances Lilley, Deceased  
(Probable heirs are Gayle Fulton  
Lilley & Frank Lilley, whom we  
previously force pooled)

Elizabeth Fulton, Deceased  
(Probable heir that we haven't force  
pooled is Willie Frances Lilley and  
the probable heir that we have force  
pooled is Virginia Fulton Gaussa)



## PROJECT COST ESTIMATE

LEASE NAME: Harvard 6 Fee

WELL NO.:

2

INTANGIBLES					Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION					DICC 100	\$100,000	DICC 100	\$2,000	\$102,000
DAMAGES					DICC 105	\$4,000	DICC 105		\$4,000
MUD/FLUIDS DISPOSAL CHARGES					DICC 255	\$20,000	DICC 235	\$5,000	\$25,000
DAY RATE 43 DH DAYS 5 ACP DAYS @ PER DAY					DICC 115	\$700,000	DICC 120	\$77,000	\$777,000
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)					DICC 120	\$8,000			\$8,000
BITS					DICC 125	\$80,000	DICC 125	\$1,000	\$81,000
FUEL \$2.50 PER GALLON					DICC 135	\$86,000	DICC 130	\$1,000	\$87,000
WATER / COMPLETION FLUIDS					DICC 140	\$30,100	DICC 135	\$15,000	\$45,100
MUD & ADDITIVES					DICC 145	\$60,200			\$60,200
SURFACE RENTALS					DICC 150	\$89,000	DICC 140	\$30,000	\$119,000
HOV/HOLE RENTALS					DICC 155	\$97,000	DICC 145	\$20,000	\$117,000
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)					DICC 160				
MUD LOGGING 30 DAYS @ \$900 PER DAY					DICC 170	\$34,000			\$34,000
OPEN HOLE LOGGING					DICC 180	\$85,000			\$85,000
CEMENTING & FLOAT EQUIPMENT					DICC 185	\$75,000	DICC 155	\$30,000	\$105,000
TUBULAR INSPECTIONS					DICC 190	\$2,000	DICC 160	\$2,000	\$4,000
CASING CREWS					DICC 195	\$19,000	DICC 165	\$18,000	\$37,000
EXTRA LABOR, WELDING, ETC.					DICC 200	\$25,800	DICC 170	\$5,000	\$30,800
LAND TRANSPORTATION (Trucking)					DICC 205	\$30,100	DICC 175	\$4,000	\$34,100
SUPERVISION					DICC 210	\$47,000	DICC 180	\$12,000	\$59,000
TRAILER HOUSE/CAMP/CATERING					DICC 280	\$22,000	DICC 255	\$3,000	\$25,000
OTHER MISC EXPENSES					DICC 220	\$5,000	DICC 190	\$5,000	\$10,000
OVERHEAD					DICC 225	\$13,000	DICC 195	\$2,400	\$15,400
REMEDIAL CEMENTING					DICC 231		DICC 215		
MOB/DEMOB					DICC 240	\$110,000			\$110,000
DIRECTIONAL DRILLING SERVICES 16 DAYS @ 10500 PER DAY					DICC 245	\$168,000			\$168,000
BOOK DISPATCHER, CRANE					DICC 250		DICC 230		
MARINE & AIR TRANSPORTATION					DICC 275		DICC 250		
SOLIDS CONTROL					DICC 280	\$112,000			\$112,000
WELL CONTROL EQUIP (Snubbing services)					DICC 265	\$42,000	DICC 240	\$21,000	\$63,000
FISHING & SIDE TRACK OPERATIONS					DICC 270	\$75,000	DICC 245		\$75,000
COMPLETION RIG 8 DAYS @ 4400 PER DAY							DICC 115	\$35,200	\$35,200
COM TUBING 1 DAYS @ 38000 PER DAY							DICC 260	\$38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS							DICC 200	\$25,000	\$25,000
STIMULATION							DICC 210	\$180,000	\$180,000
LEGAL/REGULATORY/CURATIVE					DICC 300	\$3,000	DICC 280		\$3,000
WELL CONTROL INSURANCE \$0.35 PER FOOT					DICC 285	\$3,000			\$3,000
CONTINGENCY 5% OF DRILLING INTANGIBLES					DICC 435	\$107,000	DICC 220	\$27,000	\$134,000
CONSTRUCTION FOR WELL EQUIPMENT							DWEA 110	\$1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT							DLEQ 110	\$39,000	\$39,000
CONSTRUCTION FOR SALES P/L							DICC 265		
TOTAL INTANGIBLE COST						\$2,262,200		\$598,600	\$2,860,800
TANGIBLE - WELL EQUIPMENT									
CASING	SIZE	FEET	\$/FOOT						
DRIVE PIPE	20"	40	100.00	DWEB 150	4,000				\$4,000
CONDUCTOR PIPE				DWEB 130					
WATER STRING				DWEB 135					
SURFACE CASING	13-3/8"	600	42.00	DWEB 140	25,000				\$25,000
INTERMEDIATE CASING	8-5/8"	4,560	20.00	DWEB 145	91,000				\$91,000
DRILLING LINER	7"			DWEB 145					
DRILLING LINER				DWEB 145					
PRODUCTION CASING OR LINER	5 1/2"	9,825	17.76			DWEA 100	174,000		\$174,000
PRODUCTION TIE-BACK						DWEA 100			
TUBING	2 7/8"	11,232	6.00			DWEA 105	67,000		\$67,000
NIC WELL EQUIPMENT						DWEA 115	\$9,000		\$9,000
WELLHEAD, TREE, CHOKES				DWEB 115	30,000	DWEA 120	\$20,000		\$50,000
LINER HANGER, ISOLATION PACKER				DWEB 100		DWEA 125			
PACKER, NIPPLES						DWEA 130	\$70,000		\$70,000
PUMPING UNIT, ENGINE						DLEQ 100	\$90,000		\$90,000
LIFT EQUIPMENT (BHP, Rods, Anchors)						DLEQ 105	\$19,000		\$19,000
TANGIBLE - LEASE EQUIPMENT									
NIC LEASE EQUIPMENT						DLEQ 115	\$44,000		\$44,000
TANKS, TANKS STEPS, STAIRS						DLEQ 120	\$21,000		\$21,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)						DLEQ 125	\$18,000		\$18,000
FLOW LINES (Line Pipe from wellhead to central facility)						DLEQ 130	\$1,000		\$1,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES						DWEA 135			
PIPELINES TO SALES						DWEA 140			
TOTAL TANGIBLES						\$150,000		\$533,000	\$683,000
PSA COSTS					DICC 295	150,000	DICC 275	(150,000)	
TOTAL COST						\$2,552,200		\$981,600	\$3,533,800

EXHIBIT