

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

CASE NO. 14361

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, LEA COUNTY,
NEW MEXICO.**

Case No. 14,361

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 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 simply not responded to well proposals or have not yet executed an operating agreement.

(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) in the Bone Spring formation comprised of the N/2S/2 of Section 34, Township 19 South, Range 34 East, NMPM, to form a non-standard 160-acre oil spacing and proration unit (project area), and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit is to be dedicated to the Mallon 34 Fed. Well No. 16, a horizontal well to be re-entered and drilled at a surface location 1980 feet from the south line and 660 feet from the west line, with a terminus 1980 feet from the south line and 330 feet from the east line, of Section 34.

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

Pear Resources
P.O. Box 11044
Midland, Texas 79702

3.125%

Oil Conservation Division
Case No. _____
Exhibit No. 1

Fuel Products, Inc. P.O. Box 3098 Midland, Texas 79702	3.125%
Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116	25.000%
Merit Management Partners I, L.P. Merit Energy Partners III, L.P. Merit Energy Partners D-III, L.P. c/o Merit Energy Partners GP, LLC, general partner Suite 500 13727 Noel Road Dallas, Texas 75240	18.750%

(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) SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 33.
Read & Stevens, Inc.
- (ii) SE $\frac{1}{4}$ NE $\frac{1}{4}$ and NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 33.
Cimarex Energy Co. of Colorado
- (iii) S $\frac{1}{2}$ N $\frac{1}{2}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, and S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 34.
Parties being pooled
- (iv) SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34.
Providence Minerals LLC
- (v) SW $\frac{1}{4}$ NW $\frac{1}{4}$ and W $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 35.
Parties being pooled

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The re-entry, drilling, and completion costs set forth therein are fair and reasonable, and are comparable to those of other horizontal wells of this depth drilled in this area of Lea County.


(i) Overhead charges of \$7000/month for a drilling well, and \$700/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

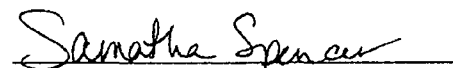
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

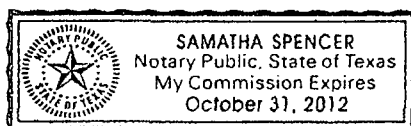
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 20 day of August, 2009 by
Hayden P. Tresner.

My Commission Expires: October 31, 2012


Notary Public



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-32818		Pool Code 50461	Pool Name Quail Ridge; Bone Spring, South
Property Code	Property Name Mallon 34 Federal		Well Number 016
OGRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO		Elevation 3678' GL

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	34	19S	34E		1980	South	660	West	Lea

11 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
D	36	19S	32E		1980	South	330	East	Lea

Dedicated Acres 160	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>16</p>	<p>17 OPERATOR CERTIFICATION</p> <p><i>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 undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this 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.</i></p> <p><u>Zeno Farris</u> 2/3/2009 Signature Date</p> <p>Zeno Farris Printed Name</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey Signature and Seal of Professional Surveyor</p>
	<p>Certificate Number</p>

EXHIBIT

A

Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800
FAX 432.571.7832



June 10, 2009

Via Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3625

Pear Resources
P.O. Box 11044
Midland, Texas 79702

Via Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3656

Fuel Products, Inc.
P.O. Box 3098
Midland, Texas 79702

Via Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3649

MGT Partners I, L.P., et al
12737 Noel Road, Suite 500
Dallas, Texas 75240

Re: *Mallon 34 Federal #16 (reentry)
N/2S/2 of Section 16-T19S-34E
Lea County, New Mexico*

Dear Working Interest Owners:

Cimarex Energy Co. ("Cimarex"), on behalf of its wholly owned subsidiary Magnum Hunter Production, Inc., proposes to drill the above-captioned well in accordance with the project described in the enclosed AFE. If you choose to participate, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. I will send our proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate, Cimarex would be interested in acquiring a farmout of your leasehold interests in the spacing unit dedicated to the well.

Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

CIMAREX ENERGY CO.

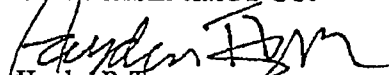

Hayden P. Tresner
Landman

EXHIBIT **B**

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



July 1, 2009

Via: E-mail and U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3960

Pear Resources
P.O. Box 11044
Midland, Texas 79702

Via: U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3977

Fuel Products, Inc.
P.O. Box 3098
Midland, Texas 79702

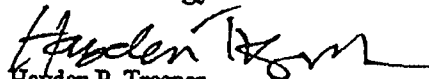
Re: *Mallon 34 Federal #16 (reentry)
N/2S/2 of Section 34-19S-34E
Lea County, New Mexico*

Dear Working Interest Owners:

I incorrectly described the Section in which the above-captioned well is located in my proposal dated June 10, 2009. Please be advised that the well is located in Section 34-19S-34E, Lea County, New Mexico, not Section 16 as previously described. Thank you.

Sincerely,

Cimarex Energy Co.


Hayden P. Tresner
Landman

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



July 1, 2009

Via: Federal Express (overnight delivery)

MGT Partners I, L.P.
Merit Energy Partners III, L.P.
Merit Energy Partners D-III, L.P.
13727 Noel Road, Suite 500
Dallas, Texas 75240

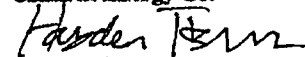
Re: *Mallon 34 Federal #16 (reentry)*
N/2S/2 of Section 34-19S-34E
Lea County, New Mexico

Dear Working Interest Owner:

In the event that you did not receive my previous proposal dated June 10, 2009, Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the project described in the enclosed AFE. If you choose to participate, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate, Cimarex would be interested in acquiring a farmout of your leasehold interest in the spacing unit dedicated to the well. Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.


Hayden P. Tresner
Landman



Authorization For Expenditure

Company Entry: **Cimarex Energy Co.** Date Prepared: **January 23, 2009**

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mailton 34 Federal	16		909617-200.01	259016

Location	County	State	Type Well
N/2S/2 Section 34-19S-34E	Lea	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	Est. TD
Original Estimate	<input checked="" type="radio"/>			15,150'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Reenter wellbore, deepen, drill lateral section, and complete with open hole packers 7 stages (4290 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,122,000		\$1,122,000
Completion Costs		\$1,005,000	\$1,005,000
Total Intangible Costs	\$1,122,000	\$1,005,000	\$2,127,000

Tangibles			
Well Equipment	\$0	\$441,621	\$441,621
Lease Equipment		\$36,500	\$36,500
Total Tangible Well Cost	\$0	\$478,121	\$478,121

Plug and Abandon Cost			
	\$150,000	-\$150,000	\$0

Total Well Cost			
	\$1,272,000	\$1,333,121	\$2,605,121

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.

Cimarex Energy Co. Approval

Prepared By	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date

EXHIBIT

7/1/2009 3:52 PM



Project Cost Estimate

Lease Name: Mallon 94 Federal

Well No.:

16

Intangibles	Code	Dry Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC100	\$50,000	DICC100	\$50,000
Damages	DIDC105	\$1,000	DICC105	\$1,000
Mud / Fluids Disposal Charges	DIDC295	\$20,000	DICC295	\$72,500
Day Rate 20/DH Days 6/ACP Days @ 11,500/Per Day	DIDC115	\$242,000	DICC120	\$69,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC120	\$9,000		\$9,000
Bits	DIDC125	\$23,000	DICC125	\$24,000
Fuel \$1.80/Per Gallon 700 Gallons Per Day	DIDC135	\$26,000	DICC130	\$32,000
Water / Completion Fluids	DIDC140	\$36,000	DICC135	\$97,500
Mud & Additives	DIDC145	\$27,000		\$27,000
Surface Rentals	DIDC150	\$49,000	DICC140	\$133,000
Downhole Rentals	DIDC155	\$75,000	DICC145	\$99,000
Formation Evaluation (DST, Coring Including evaluation, G&G Services)	DIDC160			\$0
Mud Logging \$850/ Days @ 18/Per Day	DIDC170	\$19,000		\$19,000
Open Hole Logging	DIDC180			\$0
Cementing & Float Equipment	DIDC185		DICC155	\$0
Tubular Inspections	DIDC190		DICC160	\$3,000
Casing Crews	DIDC195		DICC165	\$12,000
Extra Labor, Welding, Etc.	DIDC200	\$16,000	DICC170	\$21,000
Land Transportation (Trucking)	DIDC205	\$10,000	DICC175	\$19,000
Supervision 1,600/Per Day	DIDC210	\$32,000	DICC180	\$55,000
Trailer House / Camp / Catering 400/Per Day	DIDC220	\$8,000	DICC185	\$12,000
Other Misc Expenses	DIDC225	\$13,000	DICC190	\$18,000
Overhead 900/Per Day	DIDC235	\$6,000	DICC195	\$17,000
Remedial Cementing	DIDC240	\$18,000	DICC205	\$18,000
MOB/DEMOB	DIDC245	\$45,000		\$45,000
Directional Drilling Services 18/ Days @ 11,350/Per Day	DIDC245	\$226,000		\$226,000
Dock, Dispatcher, Crane	DIDC250		DICC230	\$0
Marine & Air Transportation	DIDC255		DICC250	\$0
Solids Control	DIDC260	\$70,000		\$70,000
Well Control Equip (Snubbing Svcs.)	DIDC265	\$44,000	DICC240	\$70,000
Fishing & Sidetrack Operations	DIDC270	\$0	DICC245	\$0
Completion Rig 17/ Days @ 3,400/Per Day			DICC215	\$70,000
Coil Tubing 1/ Days @ 33,000/Per Day			DICC260	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC270	\$10,000
Stimulation			DICC210	\$427,000
Legal / Regulatory / Curative	DIDC280	\$1,000	DICC280	\$1,000
Well Control Insurance \$0.35/Per Foot	DIDC285	\$5,000		\$5,000
Contingency 5%/of Drilling Intangibles	DIDC435	\$53,000	DICC230	\$100,000
Construction For Well Equipment			DWEA110	\$20,000
Construction For Lease Equipment			DLEQ110	\$0
Construction For Sales P/L			DICC265	\$0
Total Intangible Cost		\$1,122,000	\$1,005,000	\$2,127,000

Tangible - Well Equipment	Size	Feet	\$ / Foot	Code	Cost	Code	Cost
Casing				DWFB150	\$0		\$0
Drive Pipe 20"		40.00	\$0.00	DWFB150	\$0		\$0
Conductor Pipe				DWFB110	\$0		\$0
Water String				DWFB115	\$0		\$0
Surface Casing 15-3/8"			\$0.00	DWFB140	\$0		\$0
Intermediate Casing 8-5/8"			\$0.00	DWFB145	\$0		\$0
Drilling Liner				DWFB145	\$0		\$0
Drilling Liner				DWFB145	\$0		\$0
Production Casing or Liner 5-1/2"			\$0.00	DWFB145	\$0		\$0
Production Tie-Back 3 1/2"		5000.00		DWFB145	\$0		\$0
Tubing 2 7/8"		8000.00	\$10.37	DWFB145	\$0		\$0
N/C Well Equipment				DWFA100	\$0		\$0
Wellhead, Tree, Chokes				DWFA100	\$71,621		\$71,621
Liner Hanger, Isolation Packer				DWFA105	\$83,000		\$83,000
Packer, Nipples				DWFA115	\$20,000		\$20,000
Pumping Unit, Engine				DWFA120	\$145,000		\$145,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ100	\$85,000		\$85,000
Tangible - Lease Equipment				DLEQ105	\$26,000		\$26,000
N/C Lease Equipment				DLEQ115	\$0		\$0
Tanks, Tanks Steps, Stairs				DLEQ120	\$20,000		\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ125	\$15,000		\$15,000
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ130	\$1,500		\$1,500
Offshore Production Structure for Facilities				DWFA135	\$0		\$0
Pipeline to Sales				DWFA140	\$0		\$0
Total Tangibles					\$0	\$478,121	\$478,121

P&A Costs	DIDC295	\$150,000	DICC275	-\$150,000	\$0
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Total Cost		\$1,172,000		\$1,333,121	\$2,505,121
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