

**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. 14,371

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 owner being pooled has simply not responded to well proposals or has not yet executed a farmout 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 Abo/Wolfcamp formation comprised of the S/2N/2 of Section 20, Township 15 South, Range 31 East, NMPM, to form a non-standard 160.00-acre oil spacing and proration unit (project area), and pooling all mineral interests in the Abo/Wolfcamp formation underlying the non-standard unit. The unit is to be dedicated to the Valley Forge 20 State Com. Well No. 3, a horizontal well to be drilled at a surface location 1980 feet from the north line and 375 feet from the east line, with a terminus 1980 feet from the north line and 375 feet from the west line, of Section 20. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Cimarex Energy Co. of Colorado as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

(c) The party being pooled, its interest in the well unit, and its address, are as follows:

Oil Conservation Division
Case No. 1
Exhibit No. 1

Anadarko Petroleum Corporation
P.O. Box 1330
The Woodlands, Texas 77251

50 %

(d) A copy of the proposal letter sent to the uncommitted mineral interest owner is attached hereto as Exhibit B. In addition, I have called and e-mailed Anadarko several times regarding the well proposal.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owner 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) N½N½ of Section 21.
Mack Energy Corporation
- (ii) S½N½ of Section 21.
Mack Energy Corporation
- (iii) N½S½ of Section 21.
Mack Energy Corporation
- (iv) N½S½ of Section 20.
Cimarex Energy Co. of Colorado
- (v) N½S½ of Section 19.
Cimarex Energy Co. of Colorado
- (vi) S½N½ of Section 19.
Cimarex Energy Co. of Colorado
- (vii) NE¼NE¼ of Section 19.
Kevin O. Butler & Associates, Inc.
- (iv) N½N½ of Section 20.
Cimarex Energy Co. of Colorado

(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 horizontal wells of this depth drilled in this area of Chaves County.

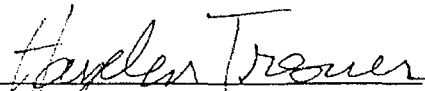
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

(j) Applicant requests that Cimarex Energy Co. of Colorado be designated operator of the well.

VERIFICATION

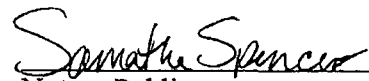
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

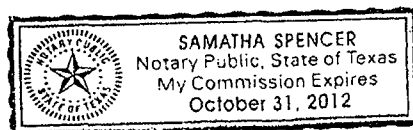
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 1 day of September, 2009 by
Hayden P. Tresner.

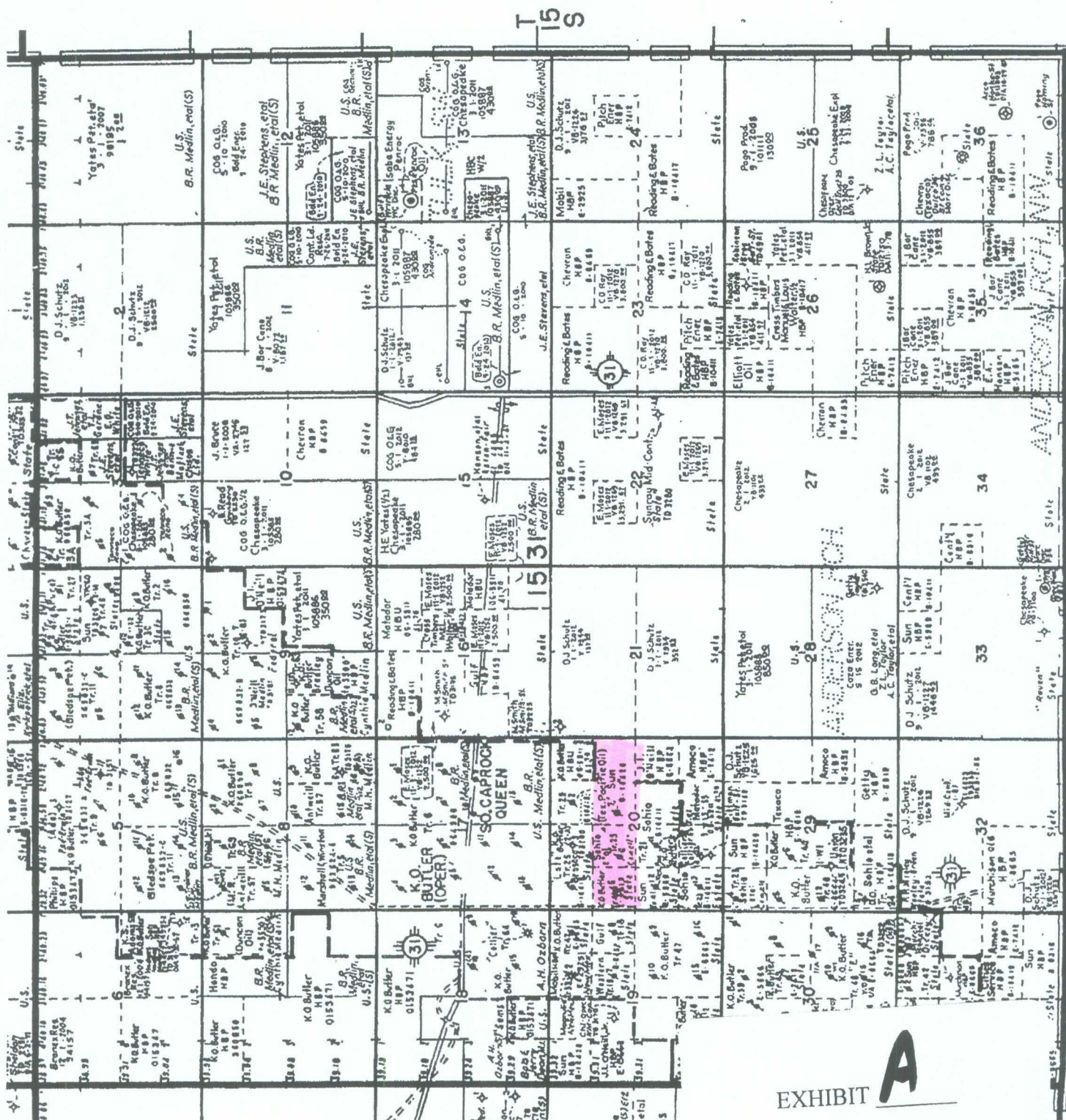
My Commission Expires: October 31, 2012


Notary Public



[illegible]

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 BECAUSE OF THE ACTUAL HARM OF ANY SUCH VIOLATION, THE PROOF OF LOSS, AND THE ADEQUACY OF OBTAINING AN ADEQUATE REMEDY AS REQUIRED BY THE FEDERAL GOVERNMENT. BUS & CODE #2 718, AUTOMATICALLY CARRIES WITH IT A LIQUIDATED DEDUCTIBLE OF AT LEAST \$10,000 PER VIOLATION.



EXHIBIT

EDDY. Fast LEA. Southwest

0123

DISTRICT I
1626 N. French Dr., Hobbs, NM 88240

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

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

DISTRICT IV
1820 E. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised October 12, 2005

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-005-29101	Pool Code 97722	Pool Name Abc Wildcat <i>Abc-Wildcat</i>
Property Code 37761	Property Name VALLEY FORGE "20" STATE COM	Well Number 3
OCRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 4420'

Surface Location

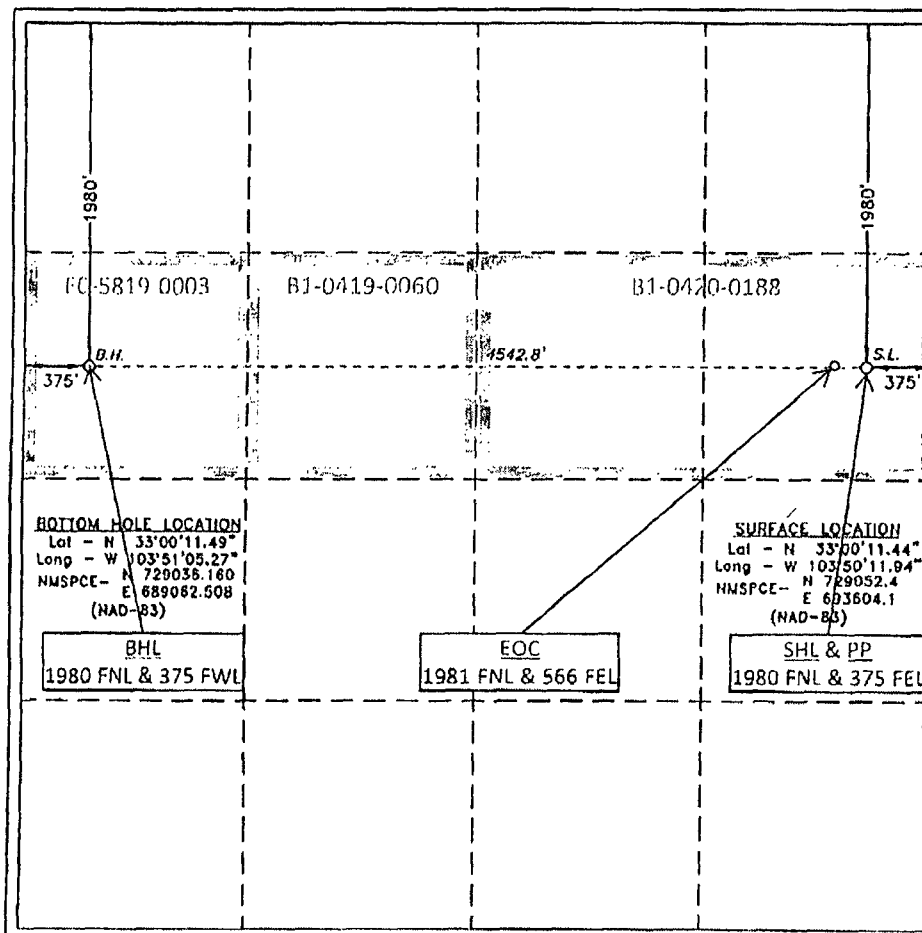
UL or lot No.	Section	Township	Range	lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
H	20	15 S	31 E		1980	NORTH	375	EAST	CHAVES

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
E	20	15 S	31 E		1980	NORTH	375	WEST	CHAVES

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160		P	

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



OPERATOR CERTIFICATION

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.

Zeno Fanni 7/27/2009
Signature Date

Zeno Farris
Printed Name

SURVEYOR CERTIFICATION

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.

Date Surveyed _____
 Signature _____
 Professional Surveyor
 7077
 Certificate No. Gary L. Jones 7977

BASIN SURVEYS

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

June 17, 2009



Via: e-mail and U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3724

Anadarko Petroleum Corporation
P.O. Box 1330
Houston, Texas 77251-1330

Attn: David Ward

Re: Valley Forge 20 State Com No. 3H
S/2N/2 Section 20-T15S-31E
Chaves County, New Mexico

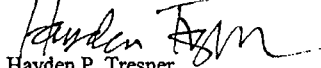
Dear David:

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 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 



Authorization For Expenditure

Company Entity: **Cimarex Energy Co.** Date Prepared: **May 17, 2009**

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Valley Forge 20 State Com	3H	Lower Abo Horizontal Trend		

Location	County	State	Type Well
S/2N/2 Section 20-155-31E	Chaves	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	Est. TD
Original Estimate <input checked="" type="radio"/>			Abo	13,000'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a Lower ABO horizontal well. Pilot hole 9250' horiz TVD 8800'/MD 13000' (4500' VS)

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,562,625		\$1,562,625
Completion Costs		\$955,250	\$955,250
Total Intangible Costs	\$1,562,625	\$955,250	\$2,517,875

Tangibles			
Well Equipment	\$211,000	\$731,576	\$942,576
Lease Equipment		\$139,000	\$139,000
Total Tangible Well Cost	\$211,000	\$870,576	\$1,081,576

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

Total Well Cost			
	\$1,923,625	\$1,675,826	\$3,599,451

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 - PD	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date

EXHIBIT

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6/17/2009 1:07 PM



Project Cost Estimate

Lease Name: Valley Forge 20 State Com

Well No.: 3H

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.100	\$50,000	DICC.100	\$3,000	\$53,000
Damages	DICC.105	\$6,000	DICC.105		\$6,000
Mud / Fluids Disposal Charges	DICC.115	\$65,000	DICC.115	\$50,000	\$115,000
Day Rate 35 DH Days 8 ACP Days @ Per Day	DICC.115	\$570,000	DICC.115	\$96,000	\$666,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$14,000			\$14,000
Bits	DICC.125	\$18,750	DICC.125	\$1,000	\$19,750
Fuel \$2.10 Per Gallon Gallons Per Day	DICC.135	\$39,000	DICC.135	\$13,000	\$52,000
Water / Completion Fluids	DICC.140	\$45,000	DICC.140	\$61,250	\$106,250
Mud & Additives	DICC.145	\$69,875			\$69,875
Surface Rentals	DICC.150	\$53,000	DICC.150	\$124,000	\$177,000
Downhole Rentals	DICC.155	\$50,000	DICC.155	\$14,000	\$64,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160				\$0
Mud Logging \$850 Days @ 30 Per Day	DICC.170	\$30,000			\$30,000
Open Hole Logging	DICC.180	\$20,000			\$20,000
Cementing & Float Equipment	DICC.185	\$17,000	DICC.185	\$20,000	\$37,000
Tubular Inspections	DICC.190	\$5,000	DICC.190	\$3,000	\$8,000
Casing Crews	DICC.195	\$16,000	DICC.195	\$16,000	\$32,000
Extra Labor, Welding, Etc.	DICC.200	\$28,000	DICC.200	\$5,000	\$33,000
Land Transportation (Trucking)	DICC.205	\$21,000	DICC.205	\$4,000	\$25,000
Supervision	DICC.210	\$49,000	DICC.210	\$19,000	\$68,000
Trailer House / Camp / Catering 400 Per Day	DICC.220	\$21,000	DICC.220	\$4,000	\$25,000
Other Misc Expenses	DICC.225	\$2,000	DICC.225	\$7,000	\$9,000
Overhead 300 Per Day	DICC.235	\$13,000	DICC.235	\$3,000	\$16,000
Remedial Cementing	DICC.240				\$0
MOB/DEMOB	DICC.245				\$0
Directional Drilling Services 15 Days @ 8,200 Per Day	DICC.255	\$152,000			\$152,000
Dock, Dispatcher, Crane	DICC.260		DICC.260		\$0
Marine & Air Transportation	DICC.270		DICC.270		\$0
Solids Control	DICC.280	\$80,000			\$80,000
Well Control Equip (Snubbing Svcs.)	DICC.285	\$42,000	DICC.285	\$11,000	\$53,000
Fishing & Sidetrack Operations	DICC.290	\$0	DICC.290		\$0
Completion Rig 7 Days @ 3,400 Per Day	DICC.300		DICC.300	\$36,000	\$36,000
Coil Tubing 1 Days @ 25,000 Per Day	DICC.310		DICC.310	\$25,000	\$25,000
Completion Logging, Perforating, WL Units, WL Surveys	DICC.320		DICC.320	\$8,000	\$8,000
Stimulation	DICC.330		DICC.330	\$300,000	\$300,000
Legal / Regulatory / Curative	DICC.340	\$7,000	DICC.340		\$7,000
Well Control Insurance \$0.35 Per Foot	DICC.350	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DICC.360	\$74,000	DICC.360	\$41,000	\$115,000
Construction For Well Equipment	DICC.370		DICC.370	\$1,000	\$1,000
Construction For Lease Equipment	DICC.380		DICC.380	\$90,000	\$90,000
Construction For Sales P/L	DICC.390		DICC.390		\$0
Total Intangible Cost		\$1,562,625		\$955,250	\$2,517,875

Tangible - Well Equipment					
	Size	Feet	\$ / Foot		
Casing	20 "	40.00	\$0.00	DWES.100	\$0
Drive Pipe				DWES.110	\$0
Conductor Pipe				DWES.120	\$0
Water String				DWES.130	\$0
Surface Casing	13-3/8"	340.00	\$62.37	DWES.140	\$21,000
Intermediate Casing	9 5/8"	3950.00	\$48.20	DWES.150	\$190,000
Drilling Liner				DWES.160	\$0
Drilling Liner				DWES.170	\$0
Production Casing or Liner	7"	8500.00	\$29.37	DWES.180	\$252,000
Production Tie-Back	4 1/2"	4600.00	\$12.11	DWES.190	\$48,576
Tubing	2 7/8"	8400.00	\$9.53	DWES.200	\$80,000
N/C Well Equipment				DWES.210	\$50,000
Wellhead, Tree, Chokes				DWES.220	\$10,000
Liner Hanger, Isolation Packer				DWES.230	\$145,000
Packer, Nipples				DWES.240	\$1,000
Pumping Unit, Engine				DWES.250	\$98,000
Lift Equipment (BHP, Rods, Anchors)				DWES.260	\$47,000
Tangible - Lease Equipment					
N/C Lease Equipment				DWEL.100	\$44,000
Tanks, Tanks Steps, Stairs				DWEL.110	\$40,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DWEL.120	\$25,000
Flow Lines (Line Pipe from wellhead to central facility)				DWEL.130	\$30,000
Offshore Production Structure for Facilities				DWEL.140	\$0
Pipeline to Sales				DWEL.150	\$0
Total Tangibles				\$211,000	\$870,576

P&A Costs	DICC.395	\$150,000	DICC.395	\$150,000	\$0
Total Cost		\$1,923,625		\$1,675,826	\$3,599,451