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

APPLICATION OF CIMAREX ENERGY CO.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Case No. 14,368

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Case No. 14,370

**RESPONSE OF CIMAREX ENERGY CO.
IN OPPOSITION TO MOTIONS TO DISMISS**

Cimarex Energy Co. ("Cimarex") submits this response in opposition to the motions to dismiss filed by Fuel Products, Inc. ("Fuel"), Pear Resources ("Pear"), and Hyde Oil and Gas Corporation ("Hyde"). In support of its response, Cimarex states:

1. The Division has long required operators who seek to force pool interest owners into a well unit to propose the well by a letter together with an AFE.
2. Recently, by Order No. R-13155, entered on August 11, 2009, the Division added a requirement that an operator include a form of JOA with a proposal letter.
3. In these three cases, Cimarex seeks to force pool certain interest owners for purposes of drilling horizontal Bone Spring wells.
4. Fuel, Pear, and Hyde have filed their motions to dismiss, essentially stating that Cimarex has failed to seek their voluntary joinder in good faith. Cimarex asserts that it has negotiated in good faith and has submitted proper well proposals to Fuel, Pear, and Hyde.
5. Attached hereto as **Exhibit A** is the affidavit of Hayden P. Tresner, the landman for Cimarex in this prospect. This affidavit shows the following:
 - a. Cimarex has been in contact with Fuel, Pear, and Hyde since mid-June 2009 by e-mail, telephone, and in person. **Exhibit A-1.**

b. Cimarex submitted proposal letters, with AFE's to Fuel, Pear, and Hyde on July 17, 2009. **Exhibit A-2**. The proposal letters validly described the wells' locations and well units.

c. Cimarex subsequently submitted a JOA and farm out agreement to Fuel, Pear, and Hyde in August 2009. **Exhibit A-1**.

These documents show that Cimarex has, in good faith, negotiated with Fuel, Pear, and Hyde to obtain their voluntary joinder in the three wells before the pooling applications were filed.

6. The reliance of Fuel, Pear, and Hyde in Order No. R-13155 is misplaced, in the following respects:

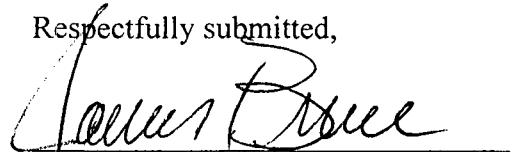
a. Order No. R-13155 involved a case where no well proposal was sent by the operator before the pooling applications were filed. In the present cases all parties received a well proposal before the applications were filed.

b. Prior to the entry of Order No. R-13155 there was no requirement to submit an operating agreement with a well proposal. The order should not be applied retroactively to Cimarex or other operators. In addition, a JOA has been submitted to all parties.

7. Cimarex has complied with Division requirements on well proposals required in force pooling proceedings. Thus, these cases should not be dismissed. Since the parties are in discussions, the cases should simply be continued to allow further discussions.

WHEREFORE, Cimarex requests that the motions filed by Fuel, Pear, and Hyde be denied.

Respectfully submitted,



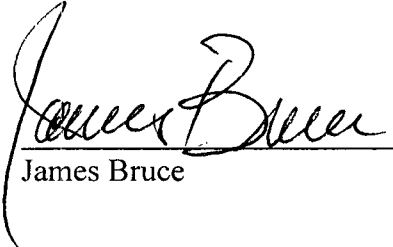
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Cimarex Energy Co.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was hand delivered the following counsel of record this 2nd day of September, 2009:

William F. Carr
Holland & Hart LLP
1 Guadalupe Plaza
Santa Fe, New Mexico 87501


James Bruce

**STATE OF NEW MEXICO
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AFFIDAVIT 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. ("Cimarex"), and have personal knowledge of the matters stated herein.
2. I originally contacted the working interest owners in June 2009 regarding this prospect. I have been in constant contact with the interest owners since that date. Since the day the proposal letters were mailed, I have had approximately five (5) phone conversations with each interest owner. My email correspondence with the interest owners is attached as **Exhibit 1**.
3. By letters dated July 17, 2009 I proposed the subject wells to the working interest owners in the subject well units. **Exhibit 2**.
4. On August 18, 2009 I e-mailed the interest owners a proposed operating agreement. On August 26, 2009 I e-mailed the interest owners a farm out proposal. This proposal was initially hand delivered to Allen Byars of Pear Resources at our first meeting on June 16, 2009 at Pear's office. The interest owners have informed me that they desire to see the results of the first well, and then decide how to participate in subsequent wells.
5. Cimarex is in the process of putting together its drilling program for late 2009 - early 2010, which covers approximately eight (8) wells. Thus, it needs to secure agreements from working interest owners so that it can drill its proposed wells on a predictable time frame and minimize well costs.

EXHIBIT

A

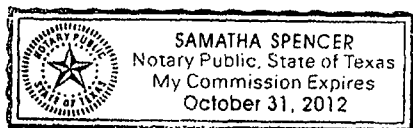
ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

SUBSCRIBED AND SWORN TO before me this 2 day of September, 2009 by
Hayden P. Tresner.

My Commission Expires: October 31, 2012

Samatha Spencer
Notary Public



From: Hayden Tresner
Sent: Wednesday, August 26, 2009 11:20 AM
To: 'pearresources'; vfmid@worldnet.att.net; vfmid@att.net
Subject: FO

Gentlemen:

Attached is our proposed FO. This form is identical to that executed by the other WI owners. However, I would need to revise the Exhibit "A" because some of your tract descriptions and associated depths would be a little different (and I'm working to get your depths limited to base of the Bone Spring formation). Please let me know what you decide to do and I'll get with the title atty. to finalize the exhibit.

Thank you,



Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

A-1
EXHIBIT _____

-----Original Message-----

From: Hayden Tresner

Sent: Tuesday, August 18, 2009 2:21 PM

To: blair hamburg; vfmid@worldnet.att.net; 'vfmid@att.net'; 'pearresources';
jgoodwin@moncrieffaxel.com

Subject: Proposed Mallon OA

Ladies and Gentlemen:

Attached is Cimarex's proposed OA for Section 34-19S-34E, Lea Co., New Mexico. I am still waiting on some decisions to be made about interests so additional work needs to be done to the Exhibit "A", which will, hopefully, be completed today. Please let me know what you think and I'll get my management to sign, and then distribute for your execution.

Regards,

Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

Hayden Tresner

From: Hayden Tresner
Sent: Friday, July 17, 2009 2:32 PM
To: 'pearresources'; vfmid@att.net
Subject: Mallon Proposals Section 34-19S-34E, Lea Co., New Mexico
Attachments: Well Proposal-Mallon 34 Federal Com No. 18.pdf; Well proposal-Mallon 34 Federal No. 19.pdf; Well proposal-Mallon 34 Federal No. 20.pdf

Gentlemen:

Please see attached well proposals for remaining locations in the captioned section.

Thank you,



Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
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(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

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Hayden Tresner

From: Hayden Tresner
Sent: Wednesday, July 01, 2009 4:44 PM
To: 'pearresources'; vfmid@att.net
Subject: FW:
Attachments: 20090701161133046.pdf

Gentlemen:

Please see attached. Also, I'm preparing the FO tomorrow. Are you interested in farming us in under all of Section 34 and 35? I've been able to locate the information to provide us answers to the questions we had about your interests in the previous wells that Mallon drilled and would be happy to discuss with you. Basically found the OA and a FO between Mallon and El Paso which the wells were drilled under. Please let me know what you decide so I can prepare the FO accordingly. Thank you.

Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
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-----Original Message-----

From: MidlandScanner@cimarex.com [mailto:MidlandScanner@cimarex.com]
Sent: Wednesday, July 01, 2009 3:12 PM
To: Hayden Tresner
Subject:

This E-mail was sent from "RNPA8FD59" (Aficio MP C3000).

Scan Date: 07.01.2009 16:11:32 (-0400)
Queries to: MidlandScanner@cimarex.com

Hayden Tresner

From: Hayden Tresner
Sent: Thursday, June 18, 2009 3:24 PM
To: Hayden Tresner; vfmid@att.net
Subject: RE: Mallon 34 Federal No. 16 (reentry)

My email below did not reach all intended recipients on the first try. Mr. Gahr, please see below.



Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
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htresner@cimarex.com

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From: Hayden Tresner
Sent: Thursday, June 18, 2009 3:17 PM
To: pearresources; vsmid@att.net
Subject: Mallon 34 Federal No. 16 (reentry)

Mr. Byars:

As we discussed, there are no documents in any of our well files that suggest your predecessor (El Paso) should have had the opportunity to non-consent the captioned well which was clearly drilled on land that is not part of the contract area covered by the only documented JOA in which El Paso and its successor to title are a party to. Therefore, Cimarex has applied to force pool the interest of Pear Resources in the spacing unit dedicated to our proposed reentry.

As you are aware, in addition to our proposed reentry, Cimarex has plans to drill as many as seven grassroots wells in the Bone Spring formation in Sections 34 and 35-19S-34E, Lea Co., New Mexico. According to our title research, Pear will have an interest in each of our proposed spacing units. I wanted to make you fully aware of the situation because you indicated that Pear had plans to divest its interest in the area. It's possible that Cimarex would be interested in buying your lease position but we obviously could not complete the acquisition before our scheduled spud date, so we must take the necessary steps to secure the interests of all non-committed WI interest owners in the spacing unit dedicated to our proposed reentry. However, our offer for a farmout of your interest still stands. Please let me know of any new developments on your end.

Thank you,



Hayden P. Tresner

Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Mariefeld, Ste. 600
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From: pearresources [mailto:pearresources@att.net]
Sent: Tuesday, June 16, 2009 12:52 PM
To: Hayden Tresner
Subject: Re: Mallon F/O

Here is the proper signature info.

— Original Message —

From: Hayden Tresner
To: Hayden Tresner ; pearresources@att.net
Sent: Tuesday, June 16, 2009 12:14 PM
Subject: RE: Mallon F/O

Mr. Byars

In what capacity will you execute the F/O? Thanks,

**Hayden P. Tresner**

Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Mariefeld, Ste. 600
Midland, Texas 79701
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(432) 571-7856 Direct
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htresner@cimarex.com

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From: Hayden Tresner
Sent: Tuesday, June 16, 2009 10:21 AM
To: pearresources@att.net
Subject: Mallon F/O

Allen:

I'm in the process of verifying the property descriptions for the above-referenced F/O. I should have it over to you shortly and will call to discuss after I send.

Thank you,



Hayden P. Tresner

Landman-Permian Basin Exploration

Cimarex Energy Co.

600 N. Marienfeld, Ste. 600

Midland, Texas 79701

(432) 571-7800 Phone

(432) 571-7856 Direct

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



July 17, 2009

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc.
Attn: Thomas M. Beall
P.O. Box 3098
Midland, Texas 79702

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al.
Attn: John Stroud
13727 Noel Road, Suite 500
Dallas, Texas 75240

Via: E-mail and U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources
Attn: Alan Byars/Jerry M. Gahr
P.O. Box 11044
Midland, Texas 79702

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4097

Providence Minerals, LLC
14860 Montfort Drive, Suite 209
Dallas, Texas 75254

Re: *Mallon 34 Federal Com No. 18*
S/2S/2 Section 34-T19S-34E
Lea County, New Mexico

Dear Working Interest Owners:

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 in the drilling of the well, please sign and return a copy of the AFE to the undersigned. 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,

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4066

Hyde Oil and Gas Corporation
Attn: Blair Hamburg
6300 Ridglea Place, Suite 1018
Fort Worth, Texas 76116

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4035

U.S. Trust, Bank of America
Attn: Janet M. Cunningham, CPL
P.O. Box 2546
Fort Worth, Texas 76113-2546

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4042

W.A. Moncrief, Jr. Trust
Attn: Monita Cebell
950 Commerce Street
Fort Worth, Texas 76102-5418

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4103

Michael J. Moncrief 2008 Trust A
Attn: Jerry Goodwin, CPA
777 Taylor Street, Suite 1030
Fort Worth, Texas 76102

A-2
EXHIBIT

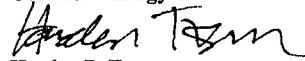


Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

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.

A handwritten signature in black ink, appearing to read "Hayden Tresner", is written over the printed name.

Hayden P. Tresner
Landman



Authorization For Expenditure

Company Entity: **Cimarex Energy Co.** Date Prepared: **July 16, 2009**

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal Com	18			

Location	County	State	Type Well		
S/25/2 Section 34-19S-34E	Lea	NM	Oil	x	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$1,151,000	\$1,151,000
Total Intangible Costs	\$1,659,200	\$1,151,000	\$2,810,200

Tangibles			
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment	\$36,000	\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

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

Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
-----------------	-------------	-------------	-------------

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 Aude Engineer - PB	Doug Park, Mgr. Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal Com

Well No.:

18

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.100	\$50,000	DICC.100		\$50,000
Damages	DICC.105	\$1,000	DICC.105		\$1,000
Mud / Fluids Disposal Charges	DICC.105	\$65,000	DICC.105	\$52,500	\$117,500
Day Rate 39:0H Days 8:ACP Days @ 12,000/Per Day	DICC.113	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$9,000			\$9,000
Bits	DICC.125	\$23,000	DICC.125	\$1,000	\$24,000
Fuel \$2.55/Per Gallon 700/Gallons Per Day	DICC.135	\$90,000	DICC.130	\$12,000	\$102,000
Water / Completion Fluids	DICC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives	DICC.145	\$39,000			\$39,000
Surface Rentals	DICC.150	\$61,000	DICC.140	\$84,000	\$145,000
Downhole Rentals	DICC.155	\$88,000	DICC.145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160				\$0
Mud Logging \$850/ Days @ 32/Per Day	DICC.170	\$31,000			\$31,000
Open Hole Logging	DICC.170	\$15,000			\$15,000
Cementing & Float Equipment	DICC.185	\$15,000	DICC.155	\$50,000	\$65,000
Tubular Inspections	DICC.180	\$5,000	DICC.160	\$3,000	\$8,000
Casing Crews	DICC.185	\$10,000	DICC.165	\$15,000	\$25,000
Extra Labor, Welding, Etc.	DICC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transportation (Trucking)	DICC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision	DICC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering	DICC.220	\$23,000	DICC.185	\$4,000	\$27,000
Other Misc Expenses	DICC.230	\$11,000	DICC.190	\$7,000	\$18,000
Overhead 300/Per Day	DICC.235	\$12,000	DICC.195	\$11,000	\$23,000
Remedial Cementing	DICC.231		DICC.215		\$0
MOB/DEMOB	DICC.240	\$60,000			\$60,000
Directional Drilling Services 12/ Days @ 8,200/Per Day	DICC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane	DICC.250		DICC.230		\$0
Marine & Air Transportation	DICC.275		DICC.250		\$0
Solids Control	DICC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$90,000	DICC.240	\$26,000	\$116,000
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245		\$0
Completion Rig 17/ Days @ 3,400/Per Day			DICC.115	\$70,000	\$70,000
Coil Tubing 1/ Days @ 33,000/Per Day			DICC.265	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$10,000	\$10,000
Stimulation			DICC.210	\$427,000	\$427,000
Legal / Regulatory / Curative	DICC.300	\$1,000	DICC.230		\$1,000
Well Control Insurance \$0.35/Per Foot	DICC.285	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DICC.435	\$79,000	DICC.220	\$54,000	\$133,000
Construction For Well Equipment			DWEA.120	\$20,000	\$20,000
Construction For Lease Equipment			DLEQ.130	\$0	\$0
Construction For Sales P/L			DICC.265		\$0
Total Intangible Cost		\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0		\$0
Conductor Pipe				DWEB.120	\$0		\$0
Water String				DWEB.125	\$0		\$0
Surface Casing	13-3/8"		\$0.00	DWEB.140	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEB.145	\$36,000		\$36,000
Drilling Liner				DWEB.145	\$0		\$0
Drilling Liner				DWEB.115	\$0		\$0
Production Casing or Liner	7"	11200.00	\$29.37	DWEA.100	\$329,000		\$329,000
Production Tie-Back	3 1/2"	5000.00		DWEA.100	\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03	DWEA.105	\$82,000		\$82,000
N/C Well Equipment				DWEA.115	\$20,000		\$20,000
Wellhead, Tree, Chokes				DWEB.115		DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEB.100		DWEA.125	\$1,000
Packer, Nipples						DWEA.130	\$110,000
Pumping Unit, Engine						DLEC.105	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$48,000
Tangible - Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEC.125	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$1,500
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
Total Tangibles					\$36,000	\$800,775	\$836,775

P&A Costs	DICC.295	\$150,000	DICC.275	-\$150,000	\$0
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Total Cost		\$1,845,200		\$1,801,775	\$3,646,975
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Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800



July 17, 2009

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc.
Attn: Thomas M. Beall
P.O. Box 3098
Midland, Texas 79702

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al.
Attn: John Stroud
13727 Noel Road, Suite 500
Dallas, Texas 75240

Via: E-mail and U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources
Attn: Alan Byars/Jerry M. Gahr
P.O. Box 11044
Midland, Texas 79702

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4103

Michael J. Moncrief 2008 Trust A
Attn: Jerry Goodwin, CPA
777 Taylor Street, Suite 1030
Fort Worth, Texas 76102

Re: Mallon 34 Federal No. 19
S/2N/2 Section 34-T19S-34E
Lea County, New Mexico

Dear Working Interest Owners:

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 in the drilling of the well, please sign and return a copy of the AFE to the undersigned. 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,

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4066

Hyde Oil and Gas Corporation
Attn: Blair Hamburg
6300 Ridglea Place, Suite 1018
Fort Worth, Texas 76116

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4035

U.S. Trust, Bank of America
Attn: Janet M. Cunningham, CPL
P.O. Box 2546
Fort Worth, Texas 76113-2546

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4042

W.A. Moncrief, Jr. Trust
Attn: Monita Cebell
950 Commerce Street
Fort Worth, Texas 76102-5418



Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

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 July 16, 2009
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	19			

Location	County	State	Type Well
S/2N/2 Section 34-19S-34E	Lea	NM	Oil x Expl x Gas Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$1,151,000	\$1,151,000
Total Intangible Costs	\$1,659,200	\$1,151,000	\$2,810,200

Tangibles			
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment	\$36,000	\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975

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 Aulas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

19

Intangibles	Codes	Dry Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.130	\$50,000	DICC.130	\$50,000
Damages	DICC.135	\$1,000	DICC.135	\$1,000
Mud / Fluids Disposal Charges	DICC.235	\$65,000	DICC.235	\$117,500
Day Rate 39 DH Days 8 ACP Days @ 12,000 Per Day	DICC.135	\$468,000	DICC.135	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.130	\$9,000		\$9,000
Bits	DICC.125	\$23,000	DICC.125	\$24,000
Fuel \$2.55 Per Gallon 700 Gallons Per Day	DICC.135	\$90,000	DICC.135	\$102,000
Water / Completion Fluids	DICC.140	\$70,200	DICC.135	\$131,700
Mud & Additives	DICC.145	\$39,000		\$39,000
Surface Rentals	DICC.150	\$61,000	DICC.140	\$145,000
Downhole Rentals	DICC.135	\$88,000	DICC.145	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160			\$0
Mud Logging \$850 Days @ 32 Per Day	DICC.170	\$31,000		\$31,000
Open Hole Logging	DICC.180	\$15,000		\$15,000
Cementing & Float Equipment	DICC.185	\$15,000	DICC.155	\$65,000
Tubular Inspections	DICC.190	\$5,000	DICC.180	\$8,000
Casing Crews	DICC.195	\$10,000	DICC.165	\$25,000
Extra Labor, Welding, Etc.	DICC.200	\$31,000	DICC.170	\$36,000
Land Transportation (Trucking)	DICC.205	\$20,000	DICC.175	\$29,000
Supervision	DICC.210	\$59,000	DICC.180	\$85,000
Trailer House / Camp / Catering	DICC.215	\$23,000	DICC.185	\$27,000
Other Misc Expenses	DICC.220	\$11,000	DICC.190	\$18,000
Overhead 300 Per Day	DICC.225	\$12,000	DICC.195	\$23,000
Remedial Cementing	DICC.230		DICC.205	\$0
MOB/DEMOB	DICC.240	\$60,000		\$60,000
Directional Drilling Services 12 Days @ 8,200 Per Day	DICC.245	\$140,000		\$140,000
Dock, Dispatcher, Crane	DICC.250		DICC.230	\$0
Marine & Air Transportation	DICC.255		DICC.235	\$0
Solids Control	DICC.260	\$88,000		\$88,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$90,000	DICC.240	\$116,000
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245	\$0
Completion Rig 17 Days @ 3,400 Per Day	DICC.275		DICC.250	\$70,000
Coil Tubing 1 Days @ 33,000 Per Day	DICC.280		DICC.255	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys	DICC.285		DICC.260	\$10,000
Stimulation	DICC.290		DICC.265	\$427,000
Legal / Regulatory / Curative	DICC.300	\$1,000	DICC.280	\$1,000
Well Control Insurance \$0.35 Per Foot	DICC.305	\$5,000		\$5,000
Contingency 5% of Drilling Intangibles	DICC.435	\$79,000	DICC.320	\$133,000
Construction For Well Equipment			DWEA.110	\$20,000
Construction For Lease Equipment			DLEQ.110	\$0
Construction For Sales P/L			DICC.265	\$0
Total Intangible Cost		\$1,659,200	\$1,151,000	\$2,810,200

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe	20 "	40.00	\$0.00	DWEA.130	\$0		\$0
Conductor Pipe				DWEA.135	\$0		\$0
Water String				DWEA.135	\$0		\$0
Surface Casing	13-3/8"		\$0.00	DWEA.140	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEA.145	\$36,000		\$36,000
Drilling Liner				DWEA.145	\$0		\$0
Drilling Liner				DWEA.145	\$0		\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWEA.109	\$329,000
Production Tie-Back	3 1/2"	5000.00				DWEA.109	\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWEA.105	\$82,000
N/C Well Equipment						DWEA.115	\$20,000
Wellhead, Tree, Chokes				DWEA.115		DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEA.103		DWEA.125	\$1,000
Packer, Nipples						DWEA.130	\$110,000
Pumping Unit, Engine						DLEQ.100	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$48,000
Tangible - Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$1,500
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
Total Tangibles					\$36,000	\$800,775	\$836,775
P&A Costs				DICC.265	\$150,000	DICC.275	-\$150,000
Total Cost					\$1,845,200	\$1,801,775	\$3,646,975

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



July 17, 2009

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc.
Attn: Thomas M. Beall
P.O. Box 3098
Midland, Texas 79702

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al.
Attn: John Stroud
13727 Noel Road, Suite 500
Dallas, Texas 75240

Via: E-mail and U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources
Attn: Alan Byars/Jerry M. Gahr
P.O. Box 11044
Midland, Texas 79702

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4103

Michael J. Moncrief 2008 Trust A
Attn: Jerry Goodwin, CPA
777 Taylor Street, Suite 1030
Fort Worth, Texas 76102

Re: Mallon 34 Federal No. 20
N/2N/2 Section 34-T19S-34E
Lea County, New Mexico

Dear Working Interest Owners:

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 in the drilling of the well, please sign and return a copy of the AFE to the undersigned. 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,

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4066

Hyde Oil and Gas Corporation
Attn: Blair Hamburg
6300 Ridglea Place, Suite 1018
Fort Worth, Texas 76116

Via: E-mail U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4035

U.S. Trust, Bank of America
Attn: Janet M. Cunningham, CPL
P.O. Box 2546
Fort Worth, Texas 76113-2546

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 4042

W.A. Moncrief, Jr. Trust
Attn: Monita Cebell
950 Commerce Street
Fort Worth, Texas 76102-5418

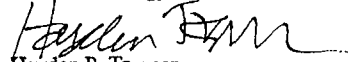


Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

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 Entity	Date Prepared
Cimarex Energy Co.	July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	20			

Location	County	State	Type Well
N/2N/2 Section 34-19S-34E	Lea	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"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$1,151,000	\$1,151,000
Total Intangible Costs	\$1,659,200	\$1,151,000	\$2,810,200

Tangibles			
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment	\$36,500	\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost			
	\$150,000	-\$150,000	\$0
Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975

Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEP5 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.
<input type="checkbox"/> 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



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

20

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.100	\$50,000	DICC.100		\$50,000
Damages	DICC.105	\$1,000	DICC.105		\$1,000
Mud / Fluids Disposal Charges	DICC.235	\$65,000	DICC.235	\$52,500	\$117,500
Day Rate 39 DH Days 8 ACP Days @ 12,000 Per Day	DICC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$9,000			\$9,000
Bits	DICC.125	\$23,000	DICC.125	\$1,000	\$24,000
Fuel \$2.55 Per Gallon 700 Gallons Per Day	DICC.135	\$90,000	DICC.130	\$12,000	\$102,000
Water / Completion Fluids Per Day	DICC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives	DICC.145	\$39,000			\$39,000
Surface Rentals Per Day	DICC.150	\$61,000	DICC.140	\$84,000	\$145,000
Downhole Rentals	DICC.155	\$88,000	DICC.145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160				\$0
Mud Logging \$850 Days @ 32 Per Day	DICC.170	\$31,000			\$31,000
Open Hole Logging	DICC.180	\$15,000			\$15,000
Cementing & Float Equipment	DICC.185	\$15,000	DICC.155	\$50,000	\$65,000
Tubular Inspections	DICC.190	\$5,000	DICC.160	\$3,000	\$8,000
Casing Crews	DICC.195	\$10,000	DICC.165	\$15,000	\$25,000
Extra Labor, Welding, Etc.	DICC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transportation (Trucking)	DICC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision Per Day	DICC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering Per Day	DICC.280	\$23,000	DICC.185	\$4,000	\$27,000
Other Misc Expenses	DICC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead 300 Per Day	DICC.125	\$12,000	DICC.185	\$11,000	\$23,000
Remedial Cementing	DICC.231		DICC.215		\$0
MOB/DEMOB	DICC.240	\$60,000			\$60,000
Directional Drilling Services 12 Days @ 8,200 Per Day	DICC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane	DICC.250		DICC.230		\$0
Marine & Air Transportation	DICC.275		DICC.250		\$0
Solids Control Per Day	DICC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$90,000	DICC.240	\$26,000	\$116,000
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245		\$0
Completion Rig 17 Days @ 3,400 Per Day			DICC.215	\$70,000	\$70,000
Coil Tubing 1 Days @ 33,000 Per Day			DICC.260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.290	\$10,000	\$10,000
Stimulation			DICC.210	\$427,000	\$427,000
Legal / Regulatory / Curative	DICC.300	\$1,000	DICC.280		\$1,000
Well Control Insurance \$0.35 Per Foot	DICC.265	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DICC.435	\$79,000	DICC.230	\$54,000	\$133,000
Construction For Well Equipment			DWEA.110	\$20,000	\$20,000
Construction For Lease Equipment			DLEQ.110	\$0	\$0
Construction For Sales P/L			DICC.265		\$0
Total Intangible Cost		\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment					
Casing	Size	Feet	\$ / Foot		
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0
Conductor Pipe				DWEB.130	\$0
Water String				DWEB.125	\$0
Surface Casing	13-3/8"		\$0.00	DWEB.140	\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEB.145	\$36,000
Drilling Liner				DWEB.145	\$0
Drilling Liner				DWEB.145	\$0
Production Casing or Liner	7"	11200.00	\$29.37	DWEA.100	\$329,000
Production Tie-Back	3 1/2"	5000.00		DWEA.100	\$66,275
Tubing	2 7/8"	10200.00	\$8.03	DWEA.105	\$82,000
N/C Well Equipment				DWEA.115	\$20,000
Wellhead, Tree, Chokes				DWEB.115	\$10,000
Liner Hanger, Isolation Packer				DWEB.100	\$1,000
Packer, Nipples				DWEA.130	\$110,000
Pumping Unit, Engine				DLEQ.100	\$98,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.105	\$48,000
Tangible - Lease Equipment					
N/C Lease Equipment				DLEQ.115	\$0
Tanks, Tanks Steps, Stairs				DLEQ.120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130	\$1,500
Offshore Production Structure for Facilities				DWEA.175	\$0
Pipeline to Sales				DWEA.140	\$0
Total Tangibles				\$36,000	\$800,775
Total				\$1,845,200	\$3,646,975
P&A Costs				DICC.295	\$150,000
				DICC.275	-\$150,000
Total Cost					\$3,646,975