

**BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT**

**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. 14368

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

CASE NO. 14369

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

CASE NO. 14370

AFFIDAVIT OF TOM BEALL

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

I, Tom Beall, being first duly sworn on oath, states as follows:

1. My name is Tom Beall. I reside in Midland, Texas. I am the President of Fuel Products, Inc. ("Fuel Products") and I am familiar with the status of the lands in

Section 34, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico. I am an engineer with over 30 years experience in the Permian Basin.

2. In each of the above-referenced case, Cimarex Energy Co. seeks an order creating a 160-acre non-standard spacing and proration unit in the Bone Spring formation comprised of four standard 40-acre spacing units Cimarex Energy Co. and the compulsory pooling of all interests in these non-standard units/horizontal well project areas.

3. Fuel Products is the owner of the working interest in each of the 160-acre non-spacing units (project areas) that Cimarex is proposing to create and pool in each of these cases.

4. By letter dated July 17, 2009, received by Fuel Products, Inc. on July 21, 2009, Cimarex proposed these wells and provided an AFE's for each well which identified the proposed non-standard spacing units for the wells but did not identify the location of the horizontal wellbores on the spacing units.

5. Fuel Products had requested a Joint Operating Agreement and Farmout proposal on a well that Cimarex was proposing in the N/2S/2 of Section 34 and understood that a separate JOA would be proposed for each well in Section 34. On August 18, 2009 Cimarex e-mailed a Joint Operating Agreement covering all of Section 34. Cimarex advised that "additional work needs to be done to the Exhibit A" – the ownership schedule in the section. To date no other agreement or revisions thereto have been provided to Fuel Products.

6. By letter dated, August 13, 2009, received on August 21, 2009, Fuel Products received letters and copies of Cimarex's Applications for orders creating and

compulsory pooling the subject non-standard oil spacing units. The applications have been set for hearing on September 3, 2009.

7. Serious discussions for the development of these lands did not commence until Fuel Products met with Cimarex on Tuesday, August 25, 2009 and advised Mr. Tresner that it would oppose these applications.

8. Cimarex has advised Fuel Products, Inc. that it is planning to drill these horizontal wells in the first quarter of 2010.

9. Cimarex has not provided a complete Joint operating agreement for the wells it is proposing in Section 34 and did not give Fuel Products, Inc. a reasonable opportunity to reach a voluntary agreement for the development of the non-standard units Cimarex is proposing to pool.

FURTHER AFFIANT SAYETH NOT.



SUBSCRIBED AND SWORN before me on this ____ day of September, 2009.

Notary Public

My Commission Expires:

DISTRICT I
1026 N. French Dr., Hobbs, NM 88240

DISTRICT II
1801 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 and Natural Resources Department

Form C-102
Revised October 12, 2005

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-005-29.02	Pool Code 97722	Pool Name Abc Wildcat Abc - Wolfcamp
Property Code 37761	Property Name VALLEY FORGE "20" STATE COM	Well Number 4
OGRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 4427'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	20	15 S	31 E		375	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
D	20	15 S	31 E		375	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

<p>BOTTOM HOLE LOCATION Lat - N 33°00'27.37" Long - W 103°51'08.27" NMSPCE - N 730840.700 E 689055.351 (NAD-83)</p> <p>BHL 375 FNL & 375 FWL</p> <p>EOC 376 FNL & 571 FEL</p> <p>SURFACE LOCATION Lat - N 33°00'27.32" Long - W 103°50'11.93" NMSPCE - N 730857.0 E 693597.8 (NAD-83)</p> <p>SHL & PP 375 FNL & 375 FEL</p>			<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Zeno Farris</i> 7/27/2009 Signature Date</p> <p>Zeno Farris Printed Name</p>
<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p><i>GARY L. JONES</i> Date Surveyed Signature & Seal of Professional Surveyor</p> <p>Certificate No. Gary L. Jones 7977</p> <p>DASIN SURVEYS</p>			

----- Forwarded Message -----

From: Hayden Tresner <htresner@cimarex.com>

To: blair hamburg <hogbhh@sbcglobal.net>

Sent: Monday, August 17, 2009 5:28:49 PM

Subject: FW:

Blair:

In regard to our telephone conversation today, and also in response to your email of this date, attached is our proposal for the reentry of the Mallon 34 Federal #16 Well, which will be the first of three additional wells that we will possibly drill in Section 34. Therefore, we propose to form a working interest unit that consists of all of Section 34. We welcome Hyde to participate, and enter into an operating agreement naming Cimarex as operator. However, in the event that you wish to farm-out a portion of your interest, we request that the any farmout covers that portion of your interest in both Sections 34 and 35, as we have plans to propose four more wells in Section 35 later this week. Because ownership is not common throughout both sections, we will need to have two separate operating agreements-one covering all of Section 34 and the other covering all of Section 35.

Thus far we have everyone but Hyde committed to either farm-out their interest in both sections, or participate in the reentry by entering into an operating agreement covering all of Section 34. Obviously, once your interest is under contract, we will retract our proposals for the grassroots wells in Section 34, which will be proposed at a later date (after the results of the reentry have been evaluated) under the operating agreement.

The proposed Farmout Agreement that you received from us is identical to the one the Moncriefs executed. Hyde and Moncrief both farmed-out their interests to our predecessors in title (Mallon Oil Co., et al.) when they drilled the Delaware wells in Sections 34 and 35, and consequently, we earned down to 100' below the TD of each well. So now we are basically going back and farming-out the deeper rights i.e. below the depths earned under the previous farmout agreements, and the Exhibit "A" has been prepared accordingly.

I apologize for any confusion that we have caused, but hopefully this email will help to clarify the situation. And please let me know if there's any additional information that you need.

P.S. I am going to inform our regulatory attorney that I did not propose the reentry to you and ask him to continue the hearing. I understand that the hearing is set for this Thursday, but hopefully we will have your interest committed before then.

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

This email (and attachments if any) is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this email is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email and destroy all copies of the email (and attachments if any).

64 1