

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

2009 SEP - 1 A 10: 06
RECEIVED OCCD

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

CASE NO. 14368

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

CASE NO. 14369

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

CASE NO. 14370

MOTION TO DISMISS

Hyde Oil and Gas Corporation (“Hyde Oil”) moves the Division to dismiss these applications on the grounds that Cimarex has (a) failed to properly propose these wells, and (b) failed to engage in good faith efforts to reach a voluntary agreement with the interest owners in the proposed spacing units prior to filing these applications. In support of this motion, Hyde Oil states:

1. Hyde Oil is the owner of uncommitted working interests in Section 34, T-19-S, R-34-E, the area that is the subject of these applications.
2. The Division, by long-standing practice, has required an applicant for compulsory pooling to first furnish all interest owners a formal well proposal at least thirty days prior to filing an application for pooling, and to then engage in good faith efforts to reach an agreement on the development of the acreage before invoking the pooling authority of the Division.

3. To foster informed, good faith discussion, the Division has traditionally required that the formal well proposal include, at the very least, the footage location of the proposed well, the formations or pools targeted by the proposed well, a proposed form of joint operating agreement, and an authorization for expenditures (AFE) setting forth the estimated costs.

4. The Division recently confirmed these long-standing requirements in its Order No. R-13155 issued on August 11, 2009.

5. In these cases, Cimarex proposed to Hyde Oil three horizontal wells in Section 34 by letters dated July 17, 2009. However, these well proposals were deficient because:

- a. The letters did not identify a footage location for either the surface or bottom hole location of the proposed wells; and
- b. The letters did not contain a proposed form of joint operating agreement for consideration.

See Attachments A1 (involving Case No. 14368), A2 (involving Case No. 14369) and A3 (involving Case No. 14370).

6. In mid July, Cimarex represented to Hyde Oil that it intended to schedule a face to face meeting to discuss and explain its development proposals in Section 34. However, no such meeting took place prior to or after Cimarex sent these well proposals. *See* Exhibit C (Affidavit of Blair Hamburg) at ¶¶ 1-4.

7. On August 13, 2009, less than thirty days after sending its deficient well proposal letters, Cimarex filed and sent certified letters providing notice of its pooling applications in these cases. *See* Attachments B1, B2 and B3.¹

¹ The certified letter for Case No. 14369 (Mallon 34 Well No. 19) was submitted under a cover letter dated July 28, 2009. However, all indications are that this letter was sent on August 13, 2009, with the certified letters for the Mallon 34 Well Nos. 18 and 20.

8. On August 17, 2009, Hyde Oil received the certified mailings. On that same date, Hyde Oil sent an email to Cimarex stating Hyde Oil was “confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's plans, therefore making it difficult for us to make a decision.” *See* Exhibit C at ¶¶ 6-7.

9. Cimarex has represented in its Applications to the Division that it “has in good faith sought to obtain the voluntary joinder of all other mineral interests” in each of the three proposed spacing units. However, no such good faith efforts have taken place prior to invoking the pooling authority of the Division. *See* Exhibit C at ¶ 8.

WHEREFORE, Hyde Oil respectfully requests that the Division dismiss these applications and require that Cimarex, (a) first furnish to the interest owners a proper well proposal for the development of the acreage comprising its proposed spacing units, and (b) thereafter attempt in good faith to reach a voluntary agreement with each of the interest owners prior to invoking the pooling authority of the Division.

Respectfully submitted,

Holland & Hart LLP



William F. Carr

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 8750-2208

(505) 988-4421

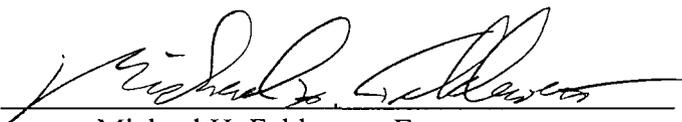
(505) 983-6043 Facsimile

**ATTORNEYS FOR
HYDE OIL AND GAS CORPORATION**

CERTIFICATE OF SERVICE

I hereby certify that on the morning of September 1, 2009, I caused to be hand-delivered a copy of the foregoing **MOTION TO DISMISS** to the following counsel of record:

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
(505) 982-2151
jamesbruc@aol.com


Michael H. Feldewert, Esq.

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,

ATTACHMENT

A1



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 P. Tresner".

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	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	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment		\$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 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					Dry Hole Cost	After Casing Paint	Completed Well Cost							
Roads & Location Preparation / Restoration					DIDC.100	\$50,000	DICC.100	\$50,000						
Damages					DIDC.105	\$1,000	DICC.105	\$1,000						
Mud / Fluids Disposal Charges					DIDC.255	\$65,000	DICC.235	\$52,500	\$117,500					
Day Rate	39	DH Days	8	ACP Days @	12,000	Per Day	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000			
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$9,000		\$9,000						
Bits					DIDC.125	\$23,000	DICC.125	\$1,000	\$24,000					
Fuel	\$2.55	Per Gallon	700	Gallons Per Day	DIDC.135	\$90,000	DICC.130	\$12,000	\$102,000					
Water / Completion Fluids					DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700					
Mud & Additives					DIDC.145	\$39,000		\$39,000						
Surface Rentals					DIDC.150	\$61,000	DICC.140	\$84,000	\$145,000					
Downhole Rentals					DIDC.155	\$88,000	DICC.145	\$74,000	\$162,000					
Formation Evaluation (DST, Coring including evaluation, G&G Services)					DIDC.160			\$0						
Mud Logging					\$850	Days @	32	Per Day	DIDC.170	\$31,000	\$31,000			
Open Hole Logging					DIDC.180	\$15,000		\$15,000						
Cementing & Float Equipment					DIDC.185	\$15,000	DICC.155	\$50,000	\$65,000					
Tubular Inspections					DIDC.190	\$5,000	DICC.160	\$3,000	\$8,000					
Casing Crews					DIDC.195	\$10,000	DICC.165	\$15,000	\$25,000					
Extra Labor, Welding, Etc.					DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000					
Land Transportation (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000					
Supervision							Per Day	DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000		
Trailer House / Camp / Catering							Per Day	DIDC.280	\$23,000	DICC.255	\$4,000	\$27,000		
Other Misc Expenses					DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000					
Overhead						300	Per Day	DIDC.225	\$12,000	DICC.195	\$11,000	\$23,000		
Remedial Cementing					DIDC.231			DICC.215	\$0					
MOB/DEMOB					DIDC.240	\$60,000		\$60,000						
Directional Drilling Services						12	Days @	8,200	Per Day	DIDC.245	\$140,000	\$140,000		
Dock, Dispatcher, Crane					DIDC.250			DICC.230	\$0					
Marine & Air Transportation					DIDC.275			DICC.250	\$0					
Solids Control							Per Day	DIDC.260	\$88,000		\$88,000			
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$90,000		DICC.240	\$26,000	\$116,000				
Fishing & Sidetrack Operations					DIDC.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.260	\$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					DIDC.300	\$1,000		DICC.280	\$1,000					
Well Control Insurance						\$0.35	Per Foot	DIDC.285	\$5,000		\$5,000			
Contingency						5%	of Drilling Intangibles	DIDC.435	\$79,000	DICC.220	\$54,000	\$133,000		
Construction For Well Equipment								DWEA.110	\$20,000	\$20,000				
Construction For Lease Equipment								DWEA.110	\$0	\$0				
Construction For Sales P/L								DICC.265	\$0	\$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	DWER.150	\$0		\$0	
Conductor Pipe				DWER.130	\$0		\$0	
Water String				DWER.135	\$0		\$0	
Surface Casing	13-3/8"		\$0.00	DWER.140	\$0		\$0	
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWER.145	\$36,000		\$36,000	
Drilling Liner				DWER.145	\$0		\$0	
Drilling Liner				DWER.145	\$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						DWER.115	\$10,000	\$10,000
Liner Hanger, Isolation Packer						DWER.100	\$1,000	\$1,000
Packer, Nipples						DWEA.130	\$110,000	\$110,000
Pumping Unit, Engine						DWEA.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DWEA.105	\$48,000	\$48,000
Tangible - Lease Equipment								
N/C Lease Equipment						DWEA.115	\$0	\$0
Tanks, Tanks Steps, Stairs						DWEA.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DWEA.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DWEA.130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWEA.135	\$0	\$0
Pipeline to Sales						DWEA.140	\$0	\$0
Total Tangibles					\$36,000		\$800,775	\$836,775

P&A Costs				DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
Total Cost					\$1,845,200		\$1,801,775	\$3,646,975



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	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	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	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment		\$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 re-drilling 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				Dry Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration				DIDC.100		\$50,000
Damages				DIDC.105		\$1,000
Mud / Fluids Disposal Charges				DIDC.255		\$65,000
Day Rate	39	DH Days	8	ACP Days @	12,000	Per Day
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				DIDC.120		\$9,000
Bits				DIDC.125		\$23,000
Fuel	\$2.55	Per Gallon	700	Gallons Per Day		
Water / Completion Fluids				DIDC.140		\$70,200
Mud & Additives				DIDC.145		\$39,000
Surface Rentals				DIDC.150		\$61,000
Downhole Rentals				DIDC.155		\$88,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				DIDC.160		\$0
Mud Logging	\$850	Days @	32	Per Day		
Open Hole Logging				DIDC.180		\$15,000
Cementing & Float Equipment				DIDC.185		\$15,000
Tubular Inspections				DIDC.190		\$5,000
Casing Crews				DIDC.195		\$10,000
Extra Labor, Welding, Etc.				DIDC.200		\$31,000
Land Transportation (Trucking)				DIDC.205		\$20,000
Supervision				DIDC.210		\$59,000
Trailer House / Camp / Catering				DIDC.280		\$23,000
Other Misc Expenses				DIDC.220		\$11,000
Overhead			300	Per Day		
Remedial Cementing				DIDC.231		\$0
MOB/DEMOB				DIDC.240		\$60,000
Directional Drilling Services	12	Days @	8,200	Per Day		
Dock, Dispatcher, Crane				DIDC.250		\$0
Marine & Air Transportation				DIDC.275		\$0
Solids Control				DIDC.260		\$88,000
Well Control Equip (Snubbing Svcs.)				DIDC.265		\$90,000
Fishing & Sidetrack Operations				DIDC.270		\$0
Completion Rig	17	Days @	3,400	Per Day		
Coil Tubing	1	Days @	33,000	Per Day		
Completion Logging, Perforating, WL Units, WL Surveys						\$0
Stimulation						\$0
Legal / Regulatory / Curative				DIDC.300		\$1,000
Well Control Insurance	\$0.35	Per Foot		DIDC.285		\$5,000
Contingency	5%	of Drilling Intangibles		DIDC.435		\$79,000
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	DWEB.150		\$0	\$0
Conductor Pipe				DWFB.130		\$0	\$0
Water String				DWEB.135		\$0	\$0
Surface Casing	13-3/8"		\$0.00	DWFB.140		\$0	\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB.145		\$36,000	\$36,000
Drilling Liner				DWEB.145		\$0	\$0
Drilling Liner				DWER.145		\$0	\$0
Production Casing or Liner	7"	11200.00	\$29.37				
Production Tie-Back	3 1/2"	5000.00					
Tubing	2 7/8"	10200.00	\$8.03				
N/C Well Equipment							
Wellhead, Tree, Chokes				DWFB.115		\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWEB.100		\$1,000	\$1,000
Packer, Nipples							
Pumping Unit, Engine							
Lift Equipment (BHP, Rods, Anchors)							
Tangible - Lease Equipment							
N/C Lease Equipment							
Tanks, Tanks Steps, Stairs							
Battery (Heater Treater, Separator, Gas Treating Equipment)							
Flow Lines (Line Pipe from wellhead to central facility)							
Offshore Production Structure for Facilities							
Pipeline to Sales							
Total Tangibles						\$36,000	\$800,775
							\$836,775

P&A Costs				DIDC.295		\$150,000	DICC.275	-\$150,000	\$0
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. 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

ATTACHMENT

A2



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", 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	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	Formations	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	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	Dry Hole Cost	After Casing Point	Completed Well Cost
	\$150,000	-\$150,000	\$0

Total Well Cost	Dry Hole Cost	After Casing Point	Completed 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 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.:

19

Intangibles				Code	Dry Hole Cost	Code	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration				DIDC.100	\$50,000	DICC.100		\$50,000
Damages				DIDC.105	\$1,000	DICC.105		\$1,000
Mud / Fluids Disposal Charges				DIDC.115	\$65,000	DICC.115	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				DIDC.120	\$9,000			\$9,000
Bits				DIDC.125	\$23,000	DICC.125	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		DIDC.135	\$90,000	DICC.130	\$12,000	\$102,000
Water / Completion Fluids			Per Day	DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives				DIDC.145	\$39,000			\$39,000
Surface Rentals			Per Day	DIDC.150	\$61,000	DICC.140	\$84,000	\$145,000
Downhole Rentals				DIDC.155	\$88,000	DICC.145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				DIDC.160				\$0
Mud Logging	\$850 Days @	32 Per Day		DIDC.170	\$31,000			\$31,000
Open Hole Logging				DIDC.180	\$15,000			\$15,000
Cementing & Float Equipment				DIDC.185	\$15,000	DICC.155	\$50,000	\$65,000
Tubular Inspections				DIDC.190	\$5,000	DICC.160	\$3,000	\$8,000
Casing Crews				DIDC.195	\$10,000	DICC.165	\$15,000	\$25,000
Extra Labor, Welding, Etc.				DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transportation (Trucking)				DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision			Per Day	DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering			Per Day	DIDC.220	\$23,000	DICC.255	\$4,000	\$27,000
Other Misc Expenses				DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead		300 Per Day		DIDC.225	\$12,000	DICC.195	\$11,000	\$23,000
Remedial Cementing				DIDC.231		DICC.215		\$0
MOB/DEMOB				DIDC.240	\$60,000			\$60,000
Directional Drilling Services	12 Days @	8,200 Per Day		DIDC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane				DIDC.250		DICC.230		\$0
Marine & Air Transportation				DIDC.275		DICC.250		\$0
Solids Control			Per Day	DIDC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)				DIDC.265	\$90,000	DICC.240	\$26,000	\$116,000
Fishing & Sidetrack Operations				DIDC.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.260	\$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				DIDC.300	\$1,000	DICC.280		\$1,000
Well Control Insurance	\$0.35 Per Foot			DIDC.285	\$5,000			\$5,000
Contingency	5% of Drilling Intangibles			DIDC.435	\$79,000	DICC.220	\$54,000	\$133,000
Construction For Well Equipment						DWFA.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	DWFB.150	\$0			\$0
Conductor Pipe				DWFB.130	\$0			\$0
Water String				DWFB.135	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DWFB.140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB.145	\$36,000			\$36,000
Drilling Liner				DWFB.145	\$0			\$0
Drilling Liner				DWFB.145	\$0			\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWFA.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			DWFA.105	\$82,000	\$82,000
N/C Well Equipment						DWFA.115	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWFB.115		DWFA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWFB.100		DWFA.125	\$1,000	\$1,000
Packer, Nipples						DWFA.130	\$110,000	\$110,000
Pumping Unit, Engine						DLEQ.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$48,000	\$48,000
Tangible - Lease Equipment								
N/C Lease Equipment						DLEQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWFA.135	\$0	\$0
Pipeline to Sales						DWFA.140	\$0	\$0
Total Tangibles					\$36,000		\$800,775	\$836,775

P&A Costs				DIDC.285	\$150,000	DICC.125	-\$150,000	\$0
Total Cost					\$1,845,200		\$1,801,775	\$3,646,975



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	19			

Location	County	State	Type Well			
S/2N/2 Section 34-19S-34E	Lea	NM	Oil	<input checked="" type="checkbox"/>	Expl	<input checked="" type="checkbox"/>
			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		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

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

19

Intangibles				Dry Hole Cost	After Casing Point	Completed Well Cost	
Roads & Location Preparation / Restoration				DIDC.100	\$50,000	DICC.100	\$50,000
Damages				DIDC.105	\$1,000	DICC.105	\$1,000
Mud / Fluids Disposal Charges				DIDC.255	\$65,000	DICC.235	\$52,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	DIDC.115	\$468,000	DICC.120	\$96,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				DIDC.120	\$9,000		\$9,000
Bits				DIDC.125	\$23,000	DICC.125	\$1,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		DIDC.135	\$90,000	DICC.130	\$12,000
Water / Completion Fluids				DIDC.140	\$70,200	DICC.135	\$61,500
Mud & Additives				DIDC.145	\$39,000		\$39,000
Surface Rentals				DIDC.150	\$61,000	DICC.140	\$84,000
Downhole Rentals				DIDC.155	\$88,000	DICC.145	\$74,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				DIDC.160			\$0
Mud Logging				DIDC.170	\$31,000		\$31,000
Open Hole Logging				DIDC.180	\$15,000		\$15,000
Cementing & Float Equipment				DIDC.185	\$15,000	DICC.155	\$50,000
Tubular Inspections				DIDC.190	\$5,000	DICC.160	\$3,000
Casing Crews				DIDC.195	\$10,000	DICC.165	\$15,000
Extra Labor, Welding, Etc.				DIDC.200	\$31,000	DICC.170	\$5,000
Land Transportation (Trucking)				DIDC.205	\$20,000	DICC.175	\$9,000
Supervision				DIDC.210	\$59,000	DICC.180	\$26,000
Trailer House / Camp / Catering				DIDC.280	\$23,000	DICC.255	\$4,000
Other Misc Expenses				DIDC.220	\$11,000	DICC.190	\$7,000
Overhead				DIDC.225	\$12,000	DICC.195	\$11,000
Remedial Cementing				DIDC.231		DICC.215	\$0
MOB/DEMOB				DIDC.240	\$60,000		\$60,000
Directional Drilling Services				DIDC.245	\$140,000		\$140,000
Dock, Dispatcher, Crane				DIDC.250		DICC.230	\$0
Marine & Air Transportation				DIDC.275		DICC.250	\$0
Solids Control				DIDC.260	\$88,000		\$88,000
Well Control Equip (Snubbing Svcs.)				DIDC.265	\$90,000	DICC.240	\$26,000
Fishing & Sidetrack Operations				DIDC.270	\$0	DICC.245	\$0
Completion Rig						DICC.115	\$70,000
Coil Tubing						DICC.260	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys						DICC.200	\$10,000
Stimulation						DICC.210	\$427,000
Legal / Regulatory / Curative				DIDC.300	\$1,000	DICC.280	\$1,000
Well Control Insurance				DIDC.285	\$5,000		\$5,000
Contingency				DIDC.435	\$79,000	DICC.220	\$54,000
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

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0		\$0
Conductor Pipe				DWFR.130	\$0		\$0
Water String				DWFR.135	\$0		\$0
Surface Casing	13-3/8"		\$0.00	DWFR.140	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFR.145	\$36,000		\$36,000
Drilling Liner				DWEB.145	\$0		\$0
Drilling Liner				DWEB.145	\$0		\$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				DWFR.115		DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEB.100		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

P&A Costs	DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
Total Cost		\$1,845,200		\$1,801,775	\$3,646,975

07/20/09

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

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

CERTIFIED MAIL

7007 0710 0003 0317 4066



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



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", 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/2S/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. ID
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).

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Lease Equipment		\$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
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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 re-drilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
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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 Com

Well No.:

18

Intangibles				Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration				ENR 100	\$50,000	ENR 100		\$50,000
Damages				ENR 105	\$1,000	ENR 105		\$1,000
Mud / Fluids Disposal Charges				ENR 110	\$65,000	ENR 110	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	ENR 117	\$468,000	ENR 117	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				ENR 127	\$9,000			\$9,000
Bits				ENR 129	\$23,000	ENR 129	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		ENR 135	\$90,000	ENR 135	\$12,000	\$102,000
Water / Completion Fluids				ENR 140	\$70,200	ENR 140	\$61,500	\$131,700
Mud & Additives				ENR 145	\$39,000			\$39,000
Surface Rentals				ENR 150	\$61,000	ENR 150	\$84,000	\$145,000
Downhole Rentals				ENR 155	\$88,000	ENR 155	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				ENR 160				\$0
Mud Logging				ENR 165	\$31,000			\$31,000
	\$850 Days @	32 Per Day		ENR 170	\$15,000			\$15,000
Open Hole Logging				ENR 180	\$15,000			\$15,000
Cementing & Float Equipment				ENR 185	\$15,000	ENR 185	\$50,000	\$65,000
Tubular Inspections				ENR 190	\$5,000	ENR 190	\$3,000	\$8,000
Casing Crews				ENR 195	\$10,000	ENR 195	\$15,000	\$25,000
Extra Labor, Welding, Etc.				ENR 200	\$31,000	ENR 200	\$5,000	\$36,000
Land Transportation (Trucking)				ENR 205	\$20,000	ENR 205	\$9,000	\$29,000
Supervision				ENR 210	\$59,000	ENR 210	\$26,000	\$85,000
Trailer House / Camp / Catering				ENR 215	\$23,000	ENR 215	\$4,000	\$27,000
Other Misc Expenses				ENR 220	\$11,000	ENR 220	\$7,000	\$18,000
Overhead				ENR 225	\$12,000	ENR 225	\$11,000	\$23,000
Remedial Cementing				ENR 230		ENR 230		\$0
MOB/DEMOB				ENR 240	\$60,000			\$60,000
Directional Drilling Services				ENR 245	\$140,000			\$140,000
	12 Days @	8,200 Per Day		ENR 250				\$0
Dock, Dispatcher, Crane				ENR 255		ENR 255		\$0
Marine & Air Transportation				ENR 260		ENR 260		\$0
Solids Control				ENR 265	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)				ENR 270	\$90,000	ENR 270	\$26,000	\$116,000
Fishing & Sidetrack Operations				ENR 275	\$0	ENR 275		\$0
Completion Rig				ENR 280		ENR 280	\$70,000	\$70,000
	17 Days @	3,400 Per Day		ENR 285				\$0
Coil Tubing				ENR 290		ENR 290	\$33,000	\$33,000
	1 Days @	33,000 Per Day		ENR 295				\$0
Completion Logging, Perforating, WL Units, WL Surveys				ENR 300		ENR 300	\$10,000	\$10,000
Stimulation				ENR 305		ENR 305	\$427,000	\$427,000
Legal / Regulatory / Curative				ENR 310	\$1,000	ENR 310		\$1,000
Well Control Insurance				ENR 315	\$5,000			\$5,000
	\$0.35 Per Foot			ENR 320	\$79,000	ENR 320	\$54,000	\$133,000
Contingency				ENR 325	\$79,000	ENR 325	\$54,000	\$133,000
Construction For Well Equipment				ENR 330		ENR 330	\$20,000	\$20,000
Construction For Lease Equipment				ENR 335		ENR 335	\$0	\$0
Construction For Sales P/L				ENR 340		ENR 340		\$0
Total Intangible Cost					\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment				Codes	Cost	Codes	Cost	Codes	Cost
Casing	Size	Feet	S / Foot						
Drive Pipe	20 "	40.00	\$0.00	ENR 100	\$0				\$0
Conductor Pipe				ENR 105	\$0				\$0
Water String				ENR 110	\$0				\$0
Surface Casing	13-3/8"		\$0.00	ENR 115	\$0				\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	ENR 120	\$36,000				\$36,000
Drilling Liner				ENR 125	\$0				\$0
Drilling Liner				ENR 130	\$0				\$0
Production Casing or Liner	7"	11200.00	\$29.37	ENR 135		ENR 135	\$329,000		\$329,000
Production Tie-Back	3 1/2"	5000.00		ENR 140		ENR 140	\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03	ENR 145		ENR 145	\$82,000		\$82,000
N/C Well Equipment				ENR 150		ENR 150	\$20,000		\$20,000
Wellhead, Tree, Chokes				ENR 155		ENR 155	\$10,000		\$10,000
Liner Hanger, Isolation Packer				ENR 160		ENR 160	\$1,000		\$1,000
Packer, Nipples				ENR 165		ENR 165	\$110,000		\$110,000
Pumping Unit, Engine				ENR 170		ENR 170	\$98,000		\$98,000
Lift Equipment (BHP, Rods, Anchors)				ENR 175		ENR 175	\$48,000		\$48,000

Tangible - Lease Equipment				Codes	Cost	Codes	Cost	Codes	Cost
N/C Lease Equipment				ENR 180		ENR 180	\$0		\$0
Tanks, Tanks Steps, Stairs				ENR 185		ENR 185	\$20,000		\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				ENR 190		ENR 190	\$15,000		\$15,000
Flow Lines (Line Pipe from wellhead to central facility)				ENR 195		ENR 195	\$1,500		\$1,500
Offshore Production Structure for Facilities				ENR 200		ENR 200			\$0
Pipeline to Sales				ENR 205		ENR 205			\$0
Total Tangibles					\$36,000		\$800,775		\$836,775

P&A Costs				ENR 210	\$150,000	ENR 210	-\$150,000		\$0
Total Cost					\$1,845,200		\$1,801,775		\$3,646,975



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/2S/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	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$36,000	\$764,275	\$800,275
Lease Equipment		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

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



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				DMC 100	\$50,000	DMC 100		\$50,000
Damages				DMC 105	\$1,000	DMC 105		\$1,000
Mud / Fluids Disposal Charges				DMC 115	\$65,000	DMC 115	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	DMC 115	\$468,000	DMC 120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				DMC 120	\$9,000			\$9,000
Bits				DMC 125	\$23,000	DMC 125	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		DMC 135	\$90,000	DMC 130	\$12,000	\$102,000
Water / Completion Fluids				DMC 140	\$70,200	DMC 135	\$61,500	\$131,700
Mud & Additives				DMC 145	\$39,000			\$39,000
Surface Rentals				DMC 150	\$61,000	DMC 140	\$84,000	\$145,000
Downhole Rentals				DMC 155	\$88,000	DMC 145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				DMC 160				\$0
Mud Logging				DMC 170	\$31,000			\$31,000
Open Hole Logging				DMC 180	\$15,000			\$15,000
Cementing & Float Equipment				DMC 185	\$15,000	DMC 155	\$50,000	\$65,000
Tubular Inspections				DMC 190	\$5,000	DMC 160	\$3,000	\$8,000
Casing Crews				DMC 195	\$10,000	DMC 165	\$15,000	\$25,000
Extra Labor, Welding, Etc.				DMC 200	\$31,000	DMC 170	\$5,000	\$36,000
Land Transportation (Trucking)				DMC 205	\$20,000	DMC 175	\$9,000	\$29,000
Supervision				DMC 210	\$59,000	DMC 180	\$26,000	\$85,000
Trailer House / Camp / Catering				DMC 280	\$23,000	DMC 185	\$4,000	\$27,000
Other Misc Expenses				DMC 290	\$11,000	DMC 190	\$7,000	\$18,000
Overhead				DMC 225	\$12,000	DMC 195	\$11,000	\$23,000
Remedial Cementing				DMC 235		DMC 215		\$0
MOB/DEMOB				DMC 240	\$60,000			\$60,000
Directional Drilling Services				DMC 245	\$140,000			\$140,000
Dock, Dispatcher, Crane				DMC 250		DMC 220		\$0
Marine & Air Transportation				DMC 275		DMC 250		\$0
Solids Control				DMC 260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)				DMC 265	\$90,000	DMC 240	\$26,000	\$116,000
Fishing & Sidetrack Operations				DMC 270	\$0	DMC 245		\$0
Completion Rig						DMC 215	\$70,000	\$70,000
Coil Tubing						DMC 260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys						DMC 200	\$10,000	\$10,000
Stimulation						DMC 210	\$427,000	\$427,000
Legal / Regulatory / Curative				DMC 300	\$1,000	DMC 280		\$1,000
Well Control Insurance				DMC 285	\$5,000			\$5,000
Contingency				DMC 415	\$79,000	DMC 290	\$54,000	\$133,000
Construction For Well Equipment						DWFA 110	\$20,000	\$20,000
Construction For Lease Equipment						DMC 110	\$0	\$0
Construction For Sales P/L						DMC 265		\$0
Total Intangible Cost					\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment				Codes	Cost	Codes	Cost	Codes	Cost
Casing	Size	Feet	S / Foot						
Drive Pipe	20 "	40.00	\$0.00	DWFB 110	\$0				\$0
Conductor Pipe				DWFB 130	\$0				\$0
Water String				DWFB 135	\$0				\$0
Surface Casing	13-3/8"		\$0.00	DWFB 140	\$0				\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB 145	\$36,000				\$36,000
Drilling Liner				DWFB 145	\$0				\$0
Drilling Liner				DWFB 145	\$0				\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWFA 100	\$329,000		\$329,000
Production Tie-Back	3 1/2"	5000.00				DWFA 100	\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWFA 105	\$82,000		\$82,000
N/C Well Equipment						DWFA 115	\$20,000		\$20,000
Wellhead, Tree, Chokes				DWFB 115		DWFA 120	\$10,000		\$10,000
Liner Hanger, Isolation Packer				DWFB 100		DWFA 125	\$1,000		\$1,000
Packer, Nipples						DWFA 130	\$110,000		\$110,000
Pumping Unit, Engine						DMC 100	\$98,000		\$98,000
Lift Equipment (BHP, Rods, Anchors)						DMC 105	\$48,000		\$48,000

Tangible - Lease Equipment				Codes	Cost	Codes	Cost	Codes	Cost
N/C Lease Equipment						DMC 115	\$0		\$0
Tanks, Tanks Steps, Stairs						DMC 120	\$20,000		\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DMC 125	\$15,000		\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DMC 130	\$1,500		\$1,500
Offshore Production Structure for Facilities						DWFA 135			\$0
Pipeline to Sales						DWFA 140			\$0
Total Tangibles					\$36,000		\$800,775		\$836,775

P&A Costs				DMC 205	\$150,000	DMC 125	-\$150,000		\$0
Total Cost					\$1,845,200		\$1,801,775		\$3,646,975

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

August 13, 2009

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

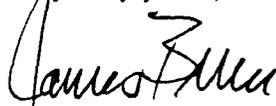
Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,



James Bruce

Attorney for Cimarex Energy Co.

ATTACHMENT
B1

EXHIBIT A

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

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

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

Lee Wiley Moncrief Trust
c/o U.S. Trust, Bank of America
Attention: Janet Cunningham, CPL
P.O. Box 2546
Fort Worth, Texas 76113

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

W.A. Moncrief, Jr. Trust
Attention: Monica Cebell
950 Commerce Street
Fort Worth, Texas 76102

MGT Partners I, L.P., *et al.*
Suite 500
13727 Noel Road
Dallas, Texas 75240

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. _____

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, and has the right to re-enter or drill a well thereon.
2. Applicant proposes to drill the Mallon 34 Fed. Well No. 20 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the NW $\frac{1}{4}$ NW $\frac{1}{4}$, and a terminus at an orthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, of Section 34.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

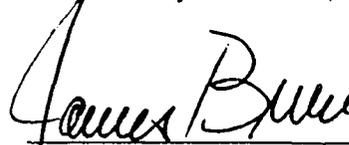
Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the N½N½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N½N½ of Section 34;
- B. Pooling all mineral interests in the N½N½ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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

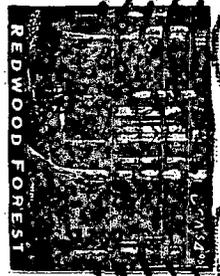
Attorney for Cimarex Energy Co.

CERTIFIED MAIL

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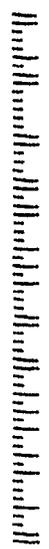
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Hyde Oil and Gas Corporation
Attention: Blair Hamburg
Suite 1018
6300 Ridglea Place
Fort Worth, Texas 76116

Given to [unclear]

76116+577A



08/17/09

FILE
7/28/09

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

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(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

July 28, 2009

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the S½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

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Very truly yours,


James Bruce

Attorney for Cimarex Energy Co.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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FOR APPROVAL OF A NON-STANDARD
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Case No. _____

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1. Applicant is an interest owner in the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, and has the right to re-enter or drill a well thereon.
2. Applicant proposes to drill the Mallon 34 Fed. Well No. 19 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SE $\frac{1}{4}$ NE $\frac{1}{4}$, and a terminus at an orthodox location in the SW $\frac{1}{4}$ NW $\frac{1}{4}$, of Section 34.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34;
- B. Pooling all mineral interests in the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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

Attorney for Cimarex Energy Co.

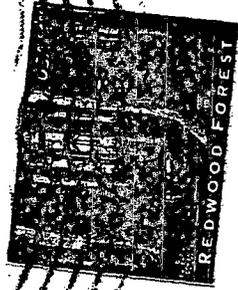
James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

CERTIFIED MAIL™



7008 3230 0000 2324 8886

UQUEHOUE NM 871



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

Handwritten signature

76116+5772



10/1/09

P 0135. H 019
S/2 S/2

JAMES BRUCE
ATTORNEY AT LAW

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jamesbruc@aol.com

August 13, 2009

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

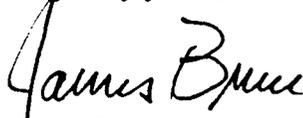
Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,


James Bruce

Attorney for Cimarex Energy Co.

ATTACHMENT
B3

EXHIBIT A

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

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

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

Lee Wiley Moncrief Trust
c/o U.S. Trust, Bank of America
Attention: Janet Cunningham, CPL
P.O. Box 2546
Fort Worth, Texas 76113

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

W.A. Moncrief, Jr. Trust
Attention: Monica Cebell
950 Commerce Street
Fort Worth, Texas 76102

MGT Partners I, L.P., *et al.*
Suite 500
13727 Noel Road
Dallas, Texas 75240

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

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. _____

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34, and has the right to re-enter or drill a well thereon.
2. Applicant proposes to drill the Mallon 34 Fed. Well No. 18 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SW $\frac{1}{4}$ SW $\frac{1}{4}$, and a terminus at an orthodox location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$, of Section 34.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ S $\frac{1}{2}$ of Section 34 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the S½S½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S½S½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½S½ of Section 34;
- B. Pooling all mineral interests in the S½S½ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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

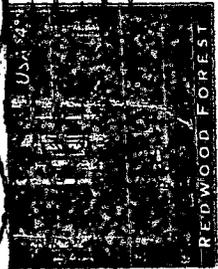
Attorney for Cimarex Energy Co.

CEMIFIED MAIL™

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504



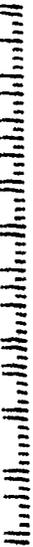
7006 3230 0000 2324 9043



08/17

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

08/13
08/13



76116+577A

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

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14361**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14368**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14369**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14370**

AFFIDAVIT OF BLAIR HAMBURG

Blair Hamburg being of lawful age and first duly sworn, declares and states as follows:

1. I am the President of Hyde Oil and Gas Corporation and submit this affidavit based on my personal knowledge.

2. In early July of 2009, Hayden Tresner of Cimarex called me to discuss whether Hyde Oil and Gas Corporation was willing to farmout all of our acreage in Sections 33 and 34 of Township 19 South, Range 34 East in Lea County, New Mexico. I informed him that Hyde Oil did not want to farmout such a large block of acreage but

would consider a farmout or other agreement on a well by well basis. Mr. Tresner expressed a desire to meet at our offices the following Monday to discuss an initial well, which he noted would be the Mallon 34 No. 16 well in the N/2 S/2 of Section 34.

3. During a second conversation, Mr. Tresner informed me that his trip had been cancelled, that he would be meeting with management the following afternoon, and that he would send me an email after his meeting.

4. No email was received from Mr. Tresner following this meeting nor did Cimarex arrange any meeting with Hyde Oil to discuss its development plans.

5. Subsequent to these conversations with Mr. Tresner, Hyde Oil received letters dated July 17, 2009 containing AFEs for the Mallon 34 Well Nos. 18, 19 and 20. On August 3, 2009, Hyde Oil received a certified mailing from Cimarex's attorney concerning an application to pool for the Mallon 34 Well No. 16 and noting that a hearing was scheduled before the Oil Conservation Division for August 20, 2009.

6. On August 17, 2009, Hyde Oil and Gas received a second certified mailing from Cimarex's attorney that included applications for pooling for the Mallon 34 Well Nos. 18, 19 and 20 and noting that a hearing was schedule before the Division for September 3, 2009.

7. On August 17th, I sent an email to Mr. Tresner stating the Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's plans, therefore making it difficult for us to make a decision." Mr. Tresner called by telephone and apologized for not providing a well proposal for the Mallon Well No. 16.

He stated that he would extend the pooling hearing if need be and get a well proposal to Hyde Oil. Mr. Tresner followed up our conversation with the attached August 17th email, sent after business hours, providing for the first time an AFE for the Mallon Well No. 16 and indicating the pooling hearing for this well would be continued.

8. On August 26th, Mr. Tresner called to inform me that Cimarex was proceeding with multiple pooling applications to avoid any down time after the drilling of the initial well, that Cimarex desired a farmout covering both Sections 34 and 35, and that if an agreement could not be worked out, Hyde Oil will be locked into a non-consent position for the proposed wells.

9. On August 27th I telephoned Mr. Will Jones at the Division and informed him about my lack of familiarity with pooling proceedings in New Mexico and my concerns about the actions taken by Cimarex. Mr. Jones suggested I contact and obtain counsel, which I did on Friday, August 28th.

FURTHER AFFIANT SAYETH NAUGHT

Blair Hamburg

The foregoing instrument was subscribed and sworn to before me this ___ day of August, 2009 by Blair Hamburg.

Witness my hand and official seal.

Notary Public

My commission expires:

He stated that he would extend the pooling hearing if need be and get a well proposal to Hyde Oil. Mr. Tresner followed up our conversation with the attached August 17th email, sent after business hours, providing for the first time an AFE for the Mallon Well No. 16 and indicating the pooling hearing for this well would be continued.

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FURTHER AFFIANT SAYETH NAUGHT

Blair Hamburg
Blair Hamburg

The foregoing instrument was subscribed and sworn to before me this 31 day of August, 2009 by Blair Hamburg.

Witness my hand and official seal.

Marsha K. Singleton
Notary Public

