

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 14,444

VERIFIED STATEMENT OF HAYDEN P. TRESNER

Hayden P. Tresner, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co., and have personal knowledge of the matters stated herein.
2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:
 - (a) No opposition to this application is expected because the mineral interest owners being pooled have simply not responded to well proposals or have not yet executed a farmout agreement.
 - (b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a 159.30-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of Lot 4, SE/4SW/4, and S/2SE/4 (the S/2S/2) of Section 19, Township 15 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests from the surface to the base of the Abo/Wolfcamp formation underlying the S/2S/2 of Section 19 to form a non-standard 159.30 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Hancock 19 State Com. Well No. 2, a horizontal well to be drilled at a surface location 375 feet from the south line and 375 feet from the east line, with a terminus 375 feet from the south line and 375 feet from the west line, of Section 19.
 - (c) The parties being pooled, their interests in the well unit, and their addresses, are as follows:

Oil Conservation Division
Case No. 1
Exhibit No. 1

Sigyn Lund 1.3125 %
1052 Montgomery Road
Altamonte Springs, Florida 32714

Trustees of the Estate Peter L. Shea 11.564 %
Trustees of the Peter L. Shea Trust
Edwina S. Brokaw Millington
c/o John Walsh
Bryan Cave, LLP
Suite 3501
290 Avenue of the Americas
New York, New York 10104

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B. In addition, I have called and e-mailed the interest owners several times regarding the well proposal.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owner in the well.

(f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting interest owner.

(g) The offset operators or lessees of the acreage surrounding the well unit are as follows:

(i) N½S½ of Section 19.
Cimarex Energy Co. of Colorado

(ii) S½ of Section 20.
Cimarex Energy Co. of Colorado

(iii) NW¼NW¼ of Section 29.
Kevin O. Butler & Associates, Inc.

(iv) N½N½ of Section 30.
Cimarex Energy Co. of Colorado

(v) NE¼NE¼ of Section 25 and SE¼SE¼ of Section 24.
Mack Energy Corporation
Cimarex Energy Co.

(vi) NE¼SE¼ of Section 24.
Marbob Energy Corporation

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

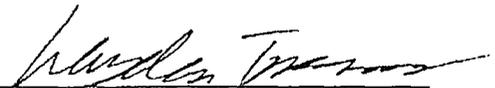
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under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

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

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

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


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 17th day of March, 2010 by Hayden P. Tresner.

My Commission Expires: 4-22-2013


Notary Public



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



November 17, 2009

Working Interest Owner Address List on Page 2

Re: New Well Proposal
Hancock 19 State Com #2
S/2S/2 Section 19-T15S-R31E
Chaves County, New Mexico

Dear Working Interest Owner:

Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the project described in the enclosed AFE. Enclosed is Cimarex' proposed form of Operating Agreement which covers the spacing or proration unit dedicated to the well. If you choose to participate in the well, please sign and return one (1) copy of the AFE to the undersigned at the above-letterhead address. Upon receipt of your signed AFE, I will forward a completed version of Exhibit "A" and a fully executed set of signature pages, to be incorporated into the enclosed Operating Agreement. I will also include a separate set of signature pages for you to sign in the presence of a Notary Public and return to the undersigned.

Alternatively, if you choose not to participate in the well, Cimarex hereby offers \$200 per net mineral acre for a two (2) year Term Assignment with 180-day continuous development and delivery of a 75% net revenue interest lease. Please contact me at your earliest convenience at (432) 571-7856 so that Cimarex can prepare accordingly. Thank you.

Sincerely,

Cimarex Energy Co.

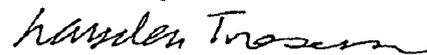

Hayden P. Tresner
Landman

EXHIBIT **B**

Page 2

Working Interest Owner Address List
New Well Proposal-Hancock 19 State Com # 2 Well



Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6749

Wayne A. Bissett
P.O. Box 2101
Midland, Texas 79702

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6763

Clare Lundbeck Fraser
133 E. 64th Street
New York, New York 10021

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6787

Don M. Kidwell
4208 Fairwood Drive
Midland, Texas 79707

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6800

Peter L. Shea and/or Estate/Trust of Peter L. Shea
Edwina S. Brokaw Millington
The Bank of New York and Peter L. Shea, Co-Trustees
of the Estate of Edward L. Shea and /or Trust
Bryan Cave, LLP
Attn: John Walsh
1290 Avenue of the Americas, Suite 3501
New York, New York 10104

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6732

Mitchell Minerals, LLC
Attn: Victor Mitchell
P.O. Box 488
Henryetta, Oklahoma 74437

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6756

Douglas C. Koch
P.O. Box 540244
Houston, Texas 77254

Via: U.S. Certified Mail
Return Receipt No. 7007 0710 0003 0317 6770

Sigyn Lund
1052 Montgomery Road
Altamonte Springs, Florida 32714

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

December 30, 2009



Via: U.S. Certified Mail-Return No. 7009 0820 0001 1968 4111

Ms. Singer
P.O. Box 1883
Santa Fe, New Mexico 87504

Re: *Hancock 19 State Com No. 4*
Hancock 19 State Com No. 3
Valley Forge 20 State Com No. 2
T15S-R31E, Chaves County, New Mexico

Dear Ms. Singer:

As we recently discussed over the telephone, the heirs of your husband, Mr. Herman Singer, own a working interest in an oil and gas lease that Cimarex Energy Co. ("Cimarex") is preparing to drill three (3) oil wells on. As an owner of a working interest in the lease, you, and any other heirs to your husband's estate, have the option to participate in the wells.

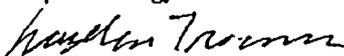
Cimarex proposes to drill the above-captioned wells according to the project described in the enclosed Authorization for Expenditure ("AFE"). If you would like to participate in the well(s), please sign, date and return a copy of the applicable AFE to the undersigned at the above-letter head address. Also enclosed is Cimarex' form of Operating Agreement. A separate operating agreement of identical form will cover the spacing or proration unit dedicated to each individual well proposed herein.

Alternatively, if you do not want to participate in the wells, Cimarex hereby offers \$200 per net mineral acre for a two (2) year term assignment of your working interest in the spacing or proration unit dedicated to each well. Cimarex' proposed form of term assignment is also enclosed for your review.

Please contact me at your earliest convenience at (432) 571-7856 so that Cimarex can prepare accordingly. Thank you.

Sincerely,

Cimarex Energy Co.


Hayden P. Tresner
Landman



Authorization For Expenditure

Company: Cimarex Energy Co.

Date Prepared: September 23, 2009

Well Name	SWR	Operator	SPC Name	Job Number	Drilling AFE No.
Permian	Hancock 19 State Com	2	Caprock		

Location	County	State	APC	Oil	Gas	Expl	Prod
SHL: 375 FSL & 375 FWL Section 19-T155-R31E	Chaves	NM		x		x	
BHL: 375 FSL & 375 FWL Section 19-T155-R31E							

Estimate Type	Estimated Cost	Completion	Formation	Estimated Depth
Original Estimate	○			
Revised Estimate	○	TBD	TBD	ABO
Supplemental Estimate	○			13,185'

Project Description: Drill and complete a Lower ABO horizontal well. TD Pilot hole at approx. 9075'. Kick off at approx. 8570' and drill to MD 13185'; TVD 8790'. 13 stages 4560' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,368,375		\$1,368,375
Completion Costs		\$1,192,125	\$1,192,125
Total Intangible Costs	\$1,368,375	\$1,192,125	\$2,560,500

Tangibles			
Well Equipment	\$183,000	\$82,462	\$1,065,462
Lease Equipment		\$97,000	\$97,000
Total Tangible Well Cost	\$183,000	\$979,462	\$1,162,462

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,701,375	\$2,021,587	\$3,722,962
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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.

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

Operator	Working Interest Owner

EXHIBIT **C**



Project Cost Estimate

Lease Name: Hancock 19 State Com

Well No.: 2

Intangibles	Code	Qty	Unit Price	Code	Qty	Unit Price	Code	Qty	Unit Price
Roads & Location Preparation / Restoration	D10C160		\$35,000	D10C160		\$3,000			\$38,000
Damages	D10C165		\$6,000	D10C165					\$6,000
Mud / Fluids Disposal Charges	D10C165		\$65,000	D10C165		\$50,000			\$115,000
Day Rate	D10C115	35 OH Days	7 ACP Days @	Per Day	D10C115	\$550,000	D10C115	\$84,000	\$634,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D10C120		\$14,000						\$14,000
Bits	D10C125		\$18,750	D10C125		\$1,000			\$19,750
Fuel	D10C125	\$0.00 Per Gallon		Gallons Per Day	D10C125	\$0	D10C125	\$0	\$0
Water / Completion Fluids	D10C140		\$30,625	Per Day	D10C145		\$111,125		\$141,750
Mud & Additives	D10C145		\$63,000	Per Day	D10C145		\$83,000		\$146,000
Surface Rentals	D10C150		\$31,000	Per Day	D10C150		\$14,000		\$45,000
Downhole Rentals	D10C155		\$36,000	Per Day	D10C155		\$14,000		\$50,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D10C156								\$0
Mud Logging	D10C170	\$850 Days @	30 Per Day		D10C170	\$30,000			\$30,000
Open Hole Logging	D10C170		\$30,000						\$30,000
Cementing & Float Equipment	D10C185		\$40,000		D10C185		\$17,000		\$57,000
Tubular Inspections	D10C190		\$5,000		D10C190		\$3,000		\$8,000
Casing Crews	D10C195		\$16,000		D10C195		\$10,000		\$26,000
Extra Labor, Welding, Etc.	D10C200		\$14,000		D10C200		\$5,000		\$19,000
Land Transportation (Trucking)	D10C205		\$21,000		D10C205		\$4,000		\$25,000
Supervision	D10C210		\$49,000	Per Day	D10C210		\$18,000		\$67,000
Trailer House / Camp / Catering	D10C230	400 Per Day	\$21,000	Per Day	D10C235		\$4,000		\$25,000
Other Misc Expenses	D10C235		\$2,000		D10C235		\$7,000		\$9,000
Overhead	D10C235	300 Per Day	\$13,000	Per Day	D10C235		\$3,000		\$16,000
Remedial Cementing	D10C235				D10C235				\$0
MOB/DEMOb	D10C240								\$0
Directional Drilling Services	D10C245	14 Days @	7,800 Per Day		D10C245		\$137,000		\$137,000
Dock, Dispatcher, Crane	D10C250				D10C250				\$0
Marine & Air Transportation	D10C255				D10C255				\$0
Soil's Control	D10C260		\$52,000	Per Day	D10C260				\$52,000
Well Control Equip (Snubbing Svcs.)	D10C265		\$12,000		D10C265		\$11,000		\$23,000
Fishing & Sidetrack Operations	D10C270		\$0		D10C270				\$0
Completion Rig	D10C115	7 Days @	3,400 Per Day		D10C115		\$36,000		\$36,000
Coll Tubing	D10C280	1 Days @	25,000 Per Day		D10C280		\$25,000		\$25,000
Completion Logging, Perforating, WL Units, WL Surveys	D10C290				D10C290		\$8,000		\$8,000
Simulation	D10C295				D10C295		\$585,000		\$585,000
Legal / Regulatory / Curative	D10C300		\$7,000		D10C300				\$7,000
Well Control Insurance	D10C305	\$0.35 Per Foot			D10C305		\$5,000		\$5,000
Contingency	D10C435	5% of Drilling Intangibles			D10C435		\$65,000		\$119,000
Construction For Well Equipment	D10E110				D10E110		\$1,000		\$1,000
Construction For Lease Equipment	D10E115				D10E115		\$55,000		\$55,000
Construction For Sales P/L	D10E255				D10E255				\$0
Total Intangible Cost							\$1,368,375	\$1,192,125	\$2,560,500

Intangibles	Code	Qty	Unit Price	Code	Qty	Unit Price	Code	Qty	Unit Price
Casing	D10E110			D10E110					\$0
Drive Pipe	D10E120	20 "	40.00	\$0.00	D10E120				\$0
Conductor Pipe	D10E130				D10E130				\$0
Water String	D10E135				D10E135				\$0
Surface Casing	D10E140	13-3/8"	340.00	\$48.26	D10E140		\$16,000		\$16,000
Intermediate Casing	D10E145	9 5/8"	3950.00	\$42.21	D10E145		\$167,000		\$167,000
Drilling Liner	D10E150				D10E150				\$0
Drilling Liner	D10E155				D10E155				\$0
Production Casing or Liner	D10E160	7"	8500.00	\$29.37	D10E160		\$257,000		\$257,000
Production Tie-Back	D10E165	4 1/2"	4600.00	\$15.97	D10E165		\$75,462		\$75,462
Tubing	D10E170	2 7/8"	8400.00	\$9.53	D10E170		\$80,000		\$80,000
N/C Well Equipment	D10E175				D10E175		\$72,500		\$72,500
Wellhead, Tree, Chokes	D10E180				D10E180		\$10,000		\$10,000
Liner Hanger, Isolation Packer	D10E200				D10E200		\$196,000		\$196,000
Packer, Nipples	D10E135				D10E135		\$1,000		\$1,000
Pumping Unit, Engine	D10E105				D10E105		\$135,000		\$135,000
Lift Equipment (BHP, Rods, Anchors)	D10E105				D10E105		\$57,500		\$57,500
N/C Lease Equipment	D10E115				D10E115		\$7,500		\$7,500
Tanks, Tanks Steps, Stairs	D10E120				D10E120		\$60,000		\$60,000
Battery (Heater Treater, Separator, Gas Treating Equipment)	D10E125				D10E125		\$24,000		\$24,000
Flow Lines (Line Pipe from wellhead to central facility)	D10E130				D10E130		\$5,500		\$5,500
Offshore Production Structure for Facilities	D10E135				D10E135				\$0
Pipeline to Sales	D10E140				D10E140				\$0
Total Tangibles							\$183,000	\$979,462	\$1,162,462

P&A Costs	D10C275		\$150,000	D10C275		-\$150,000			\$0
Total Cost							\$1,701,375	\$2,021,587	\$3,722,962