

**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. 14,408

**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 farmout agreements.
  - (b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of the S/2S/2 of Section 20, 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 20 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. The unit is to be dedicated to the Valley Forge 20 State Com. Well No. 1, 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 20.
  - (c) The parties being pooled, their interests in the well unit, and their addresses, are as follows:

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 1

Allie M. Lee Trust 18.75 %  
c/o Wells Fargo Bank  
580 West Texas Avenue  
Midland, Texas 79701

Occidental Permian Limited Partnership 25 %  
Suite 110  
5 Greenway Plaza  
Houston, Texas 77046

Shriners Hospital for Crippled Children 6.25 %  
2900 Rocky Point Drive  
Tampa, Florida 33607

(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 owners 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) N $\frac{1}{2}$ S $\frac{1}{2}$  of Section 20.  
Cimarex Energy Co. of Colorado  
Parties being pooled  
Don Kidwell  
Headington Royalty Inc.  
Wayne Bissett  
Mitchell Minerals  
Sigyn Lund  
Clare Lundebecke Fraser  
Douglas C. Koch

(ii) S $\frac{1}{2}$  of Section 21.  
Mack Energy Corporation

(iii) N $\frac{1}{2}$ N $\frac{1}{2}$  of Section 28.  
Yates Petroleum Corporation

(iv) NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 29.  
Cimarex Energy Co.

- (v) NW¼NE¼ of Section 29.  
Chevron U.S.A. Inc.
- (vi) N½NW¼ of Section 29.  
Kevin O. Butler & Associates, Inc.
- (vii) N½N½ of Section 30.  
Cimarex Energy Co. of Colorado
- (viii) S½ of Section 19.  
Cimarex Energy Co. of Colorado

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

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

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

#### VERIFICATION

STATE OF TEXAS                    )  
  ) ss.  
COUNTY OF MIDLAND        )

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

*Hayden P. Tresner*  
Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 20<sup>th</sup> day of January, 2010 by Hayden P. Tresner.

My Commission Expires: 4/22/2013

*J. L. Barden*  
Notary Public





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



June 17, 2009

Via: U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3823

Wells Fargo Bank New Mexico  
Attn: Allie M. Lee Trust  
P.O. Box 1977  
Roswell, New Mexico 88202

Via: U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3830

Occidental Permian Ltd.  
P.O. Box 50250  
Midland, Texas 79710

Via: U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3847

B.P. Exploration Inc.  
P.O. Box 4587  
Houston, Texas 77210

**Re: Valley Forge 20 State Com No. 1**  
**S/2S/2 Section 20-T15S-R31E**  
**Chaves 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, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate, Cimarex would be interested in acquiring a farmout of your leasehold interests in the spacing unit dedicated to the well.

Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.

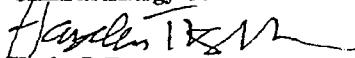
  
Hayden P. Tresner  
Landman

EXHIBIT B

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



November 23, 2009

Via: email and U.S. Certified Mail-Return No. 7007 0710 0003 0317 6886

Shriners Hospitals for Children  
Attn: Tom Guthrie  
2900 Rocky Point Drive  
Tampa, Florida 33607

**Re: Valley Forge 20 State Com No. 1**  
**SHL: 375' FSL & 375' FEL**  
**BHL: 375' FSL & 375' FWL**  
**Valley Forge 20 State Com No. 2**  
**SHL: 1980' FSL & 375' FWL**  
**BHL: 1980' FSL & 375' FEL**  
**Section 20-T15S-R31E**  
**Chaves County, New Mexico**

Dear Mr. Guthrie:

As you are aware, the Public Records of Chaves County, New Mexico indicate that the Shriners Hospitals for Crippled Children ("Shriners") owns a 25% working interest in the SWSW, NESW and NWSE of Section 20-T15S-R31E, Chaves County, New Mexico. Each of the aforementioned tracts will be part of a 160-acre spacing or proration unit dedicated to the above-captioned wells.

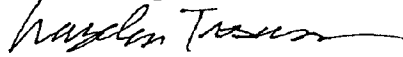
Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned wells according to the project described in the enclosed AFE. If Shriners would like to participate in the well(s), please sign, date and return one (1) copy of each AFE to the undersigned at the above-letterhead address. Enclosed is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

Alternatively, if Shriners does not want to participate in the well(s), 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.

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Sincerely,

Cimarex Energy Co.



Hayden P. Tresner  
Landman



Enclosures





## Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared May 17, 2009
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Valley Forge 20 State Com	1	Lower Abo Horizontal Trend		

Location	County	State	Type Well								
S/25/2 Section 20-15S-31E	Chaves	NM	<table border="1"><tr><td>Oil</td><td>x</td><td>Expl</td><td>x</td></tr><tr><td>Gas</td><td></td><td>Prod</td><td></td></tr></table>	Oil	x	Expl	x	Gas		Prod	
Oil	x	Expl	x								
Gas		Prod									

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Abo	13,000'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

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

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

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

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$1,923,625	\$1,675,826	\$3,599,451

**Comments on Well Costs:**  
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

**Well Control Insurance:**  
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

**Comments on AFE:**  
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

## Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Aulas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

## Joint Interest Approval

Company	By	Date

EXHIBIT

6/17/2009 3:01 PM





# Project Cost Estimate

Lease Name: Valley Forge 2D State Corn

Well No.: 1

Intangibles		Dry Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration		DICC.100 \$50,000	DICC.100 \$3,000	\$53,000
Damages		DICC.105 \$6,000	DICC.105	\$6,000
Mud / Fluids Disposal Charges		DICC.125 \$65,000	DICC.125 \$50,000	\$115,000
Day Rate 35 DH Days 8 ACP Days @ Per Day		DICC.115 \$570,000	DICC.120 \$96,000	\$666,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)		DICC.120 \$14,000		\$14,000
Bits		DICC.125 \$18,750	DICC.125 \$1,000	\$19,750
Fuel \$2.10 Per Gallon Gallons Per Day		DICC.125 \$39,000	DICC.120 \$13,000	\$52,000
Water / Completion Fluids Per Day		DICC.140 \$45,000	DICC.125 \$61,250	\$106,250
Mud & Additives		DICC.145 \$69,875		\$69,875
Surface Rentals Per Day		DICC.150 \$53,000	DICC.140 \$124,000	\$177,000
Downhole Rentals		DICC.155 \$50,000	DICC.145 \$14,000	\$64,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)		DICC.160		\$0
Mud Logging \$850 Days @ 30 Per Day		DICC.170 \$30,000		\$30,000
Open Hole Logging		DICC.180 \$20,000		\$20,000
Cementing & Float Equipment		DICC.185 \$17,000	DICC.185 \$20,000	\$37,000
Tubular Inspections		DICC.190 \$5,000	DICC.180 \$3,000	\$8,000
Casing Crews		DICC.195 \$16,000	DICC.185 \$16,000	\$32,000
Extra Labor, Welding, Etc.		DICC.200 \$28,000	DICC.170 \$5,000	\$33,000
Land Transportation (Trucking)		DICC.205 \$21,000	DICC.175 \$4,000	\$25,000
Supervision Per Day		DICC.210 \$49,000	DICC.180 \$19,000	\$68,000
Trailer House / Camp / Catering 400 Per Day		DICC.280 \$21,000	DICC.255 \$4,000	\$25,000
Other Misc Expenses		DICC.220 \$2,000	DICC.195 \$7,000	\$9,000
Overhead 300 Per Day		DICC.225 \$13,000	DICC.195 \$3,000	\$16,000
Remedial Cementing		DICC.231	DICC.215	\$0
MOB/DEMOB		DICC.240		\$0
Directional Drilling Services 15 Days @ 8,200 Per Day		DICC.245 \$152,000		\$152,000
Dock, Dispatcher, Crane		DICC.250	DICC.230	\$0
Marine & Air Transportation		DICC.275	DICC.250	\$0
Solids Control Per Day		DICC.260 \$80,000		\$80,000
Well Control Equip (Snubbing Svcs.)		DICC.265 \$42,000	DICC.240 \$11,000	\$53,000
Fishing & Sidetrack Operations		DICC.270 \$0	DICC.235	\$0
Completion Rig 7 Days @ 3,400 Per Day			DICC.113 \$36,000	\$36,000
Coil Tubing 1 Days @ 25,000 Per Day			DICC.260 \$25,000	\$25,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.205 \$8,000	\$8,000
Stimulation			DICC.210 \$300,000	\$300,000
Legal / Regulatory / Curative		DICC.300 \$7,000	DICC.290	\$7,000
Well Control Insurance \$0.35 Per Foot		DICC.285 \$5,000		\$5,000
Contingency 5% of Drilling Intangibles		DICC.425 \$74,000	DICC.220 \$41,000	\$115,000
Construction For Well Equipment			DWFEA.110 \$1,000	\$1,000
Construction For Lease Equipment			DLEQA.110 \$90,000	\$90,000
Construction For Sales P/L			DICC.205	\$0
<b>Total Intangible Cost</b>		<b>\$1,562,625</b>	<b>\$955,250</b>	<b>\$2,517,875</b>

Tangible - Well Equipment				
Casing	Size	Feet	\$ / Foot	
Drive Pipe	20"	40.00	\$0.00	DWFB.150 \$0
Conductor Pipe				DWFB.120 \$0
Water String				DWFB.125 \$0
Surface Casing	13-3/8"	340.00	\$62.37	DWFB.140 \$21,000
Intermediate Casing	9 5/8"	3950.00	\$48.20	DWFB.145 \$190,000
Drilling Liner				DWFB.145 \$0
Drilling Liner				DWFB.145 \$0
Production Casing or Liner	7"	8500.00	\$29.57	DWFA.100 \$252,000
Production Tie-Back	4 1/2"	4600.00	\$12.11	DWFA.105 \$48,576
Tubing	2 7/8"	8400.00	\$9.59	DWFA.105 \$80,000
N/C Well Equipment				DWFA.125 \$50,000
Wellhead, Tree, Chokes				DWFB.125 \$10,000
Liner Hanger, Isolation Packer				DWFB.100 \$145,000
Packer, Nipples				DWFA.120 \$1,000
Pumping Unit, Engine				DLEQA.100 \$98,000
Lift Equipment (BHP, Rods, Anchors)				DLEQA.105 \$47,000
Tangible - Lease Equipment				
N/C Lease Equipment				DLEQA.115 \$44,000
Tanks, Tanks Steps, Stairs				DLEQA.120 \$40,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQA.125 \$25,000
Flow Lines (Line Pipe from wellhead to central facility)				DLEQA.130 \$30,000
Offshore Production Structure for Facilities				DWFA.125 \$0
Pipeline to Sales				DWFA.140 \$0
<b>Total Tangibles</b>			<b>\$211,000</b>	<b>\$870,576</b>
<b>Total Cost</b>			<b>\$1,923,625</b>	<b>\$3,599,451</b>
P&A Costs			DICC.295 \$150,000	DICC.275 -\$150,000