

**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. 14,483

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. Cimarex Energy Co. seeks an order approving a 240-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of the S/2NE/4 of Section 8 and S/2N/2 of Section 9, Township 15 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Abo/Wolfcamp formation underlying the non-standard 240 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 Independence 8 Fed. Com. Well No. 2, a horizontal well to be drilled at a surface location 1830 feet from the north line and 2310 feet from the east line of Section 8, with a terminus 1980 feet from the north line and 330 feet from the east line of Section 9.
 - (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

Edward L. Shea Trust/Estate
c/o John Walsh
Bryan Cave, LLP
Suite 3501
1290 Avenue of the Americas
New York, New York 10104

2.4842 %

Sigyn Lund
1052 Montgomery Road
Altamonte Springs, Florida 32714

.83333 %

(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) N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 8.
Marshall & Winston, Inc.
- (ii) S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8.
Kevin O. Butler & Associates, Inc.
- (iii) N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 8.
Cimarex Energy Co. of Colorado
- (iv) N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 9.
Cimarex Energy Co. of Colorado
Kevin O. Butler & Associates, Inc.
- (v) N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 9.
Marshall & Winston, Inc.
- (vi) W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 10.
COG Operating LLC

(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)

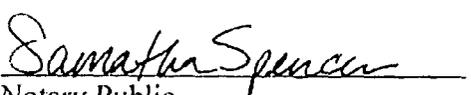
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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



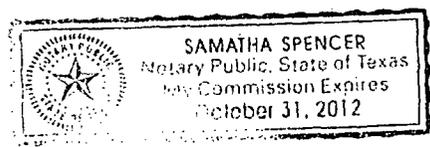
Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 9th day of June, 2010 by Hayden P. Tresner.

My Commission Expires: October 31, 2012



Notary Public



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

March 29, 2010



Working Interest Owners Listed on Page 3

*Re: New Well Proposal
Independence 8 Federal Com No. 2
Sections 8 and 9, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico*

Dear Working Interest Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Independence 8 Federal Com No. 2 Well at a legal location in the S/2NE/4 of Section 8 and S/2N/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

The intended surface hole location for the well is 1830' FNL & 2310' FEL of Section 8 and the intended bottom hole location is 1980' FNL & 330' FEL of Section 9. The well is proposed to be drilled vertically to a depth of approximately 8,750' to the lower Abo formation and laterally in a Easterly direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 16,100' from surface to terminus.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE reflecting estimated costs associated with this proposal, and; (ii) our proposed form of Operating Agreement to govern operations of the Independence 8 Federal Com No. 2 Well. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with the contact information to receive your well data, to the undersigned within thirty (30) days of receipt of this proposal. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

In the event you do not wish to participate in drilling the proposed well, Cimarex will consider acquiring your interest through a Term Assignment for two hundred dollars (\$200.00) per net

EXHIBIT **B**

2010.042



mineral acre, wherein, among other mutually agreeable terms, Cimarex would be delivered a seventy-five percent (75%) net revenue interest lease.

Please call the undersigned with any questions or comments.

Respectfully,

Cimarex Energy Co.

Hayden P. Tresner
Landman

**ELECTION TO PARTICIPATE
Independence 8 Federal Com No. 2**

_____ Elects **TO** participate in the proposed Independence 8 Federal Com No. 2 Well

_____ Elects **NOT** to participate in the proposed Independence 8 Federal Com No. 2 Well

Dated this ___ day of _____, 2010.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Independence 8 Federal Com No. 2 Well, then:

_____ Elects **TO** be covered by well control insurance procured by Cimarex

_____ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

New Well Proposal-Independence 8 Federal Com No. 2 Well
March 29, 2010



Via: U.S. Certified Mail
Return Receipt No. 91 7108 2133 3937 9625 4089

O'Neill Properties, Ltd.
Clare Lundbeck Fraser
P.O. Box 2840
Midland, Texas 79702

Via: U.S. Certified Mail
Return Receipt No. 91 7108 2133 3937 9625
4096

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

Via: U.S. Certified Mail
Return Receipt No. 91 7108 2133 3937 9625 4102

Edward L. Shea Estate/Trust
Peter L. Shea Estate/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. 91 7108 2133 3937 9625
4119

Sigyn Lund
1052 Montgomery Road
Alamonte Springs, Florida 32714

New Well Proposal-Independence 8 Federal Com No. 2 Well
March 29, 2010

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

March 29, 2010



Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3937 9625 4072

Triangle Royalty LP
Attn: John Webb
P.O. Box 904
Midland, Texas 79702

Re: New Well Proposal
Independence 8 Federal Com No. 2
Sections 8 and 9, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

Dear John:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Independence 8 Federal Com No. 2 Well at a legal location in the S/2NE/4 of Section 8 and S/2N/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

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Enclosed, in duplicate, is (i) our detailed AFE reflecting estimated costs associated with this proposal, and; (ii) our proposed form of Operating Agreement to govern operations of the Independence 8 Federal Com No. 2 Well. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with the contact information to receive your well data, to the undersigned within thirty (30) days of receipt of this proposal. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

In the event you do not wish to participate in drilling the proposed well, Cimarex will consider acquiring your interest through a Term Assignment for two hundred dollars (\$200.00) per net



mineral acre, wherein, among other mutually agreeable terms, Cimarex would be delivered a seventy-five percent (75%) net revenue interest lease.

Please call the undersigned with any questions or comments.

Respectfully,

Cimarex Energy Co.

Hayden P. Tresner
Landman

**ELECTION TO PARTICIPATE
Independence 8 Federal Com No. 2**

_____ Elects **TO** participate in the proposed Independence 8 Federal Com No. 2 Well

_____ Elects **NOT** to participate in the proposed Independence 8 Federal Com No. 2 Well

Dated this ____ day of _____, 2010.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Independence 8 Federal Com No. 2 Well, then:

_____ Elects **TO** be covered by well control insurance procured by Cimarex

_____ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

New Well Proposal-Independence 8 Federal Com No. 2 Well
March 29, 2010



Project Cost Estimate

Lease Name: Independence 8 Federal Com

Well No.: 2H

Intangibles	Code	Qty	Unit	Rate	Subtotal	After Casing	Completed Well
Roads & Location Preparation / Restoration				\$35,000	\$35,000	\$3,000	\$38,000
Damages				\$6,000	\$6,000		\$6,000
Mud / Fluids Disposal Charges				\$65,000	\$65,000	\$119,000	\$184,000
Day Rate	40:0H Days	7	ACT Days @	Per Day	\$613,000	\$107,000	\$720,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				\$6,500	\$6,500		\$6,500
Bits				\$85,000	\$85,000	\$1,000	\$86,000
Fuel	\$2.70/Per Gallon		Gallons Per Day	Per Day	\$151,000	\$1,000	\$152,000
Water / Completion Fluids				\$35,250	\$35,250	\$254,400	\$289,650
Mud & Additives				\$64,625	\$64,625		\$64,625
Surface Rentals				\$43,000	\$43,000	\$79,000	\$122,000
Downhole Rentals				\$99,000	\$99,000	\$14,000	\$113,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)							\$0
Mud Logging	\$850/ Days @	30	Per Day	\$30,000	\$30,000		\$30,000
Open Hole Logging				\$25,000	\$25,000		\$25,000
Cementing & Float Equipment				\$30,000	\$30,000	\$50,000	\$80,000
Tabular Inspections				\$5,000	\$5,000	\$3,000	\$8,000
Casing Crews				\$6,000	\$6,000	\$24,000	\$30,000
Extra Labor, Welding, Etc.				\$12,000	\$12,000	\$5,000	\$17,000
Land Transportation (Trucking)				\$24,000	\$24,000	\$9,000	\$33,000
Supervision				\$8,000	\$8,000	\$28,000	\$36,000
Trailer House / Camp / Covering	400/ Per Day			\$23,000	\$23,000	\$4,000	\$27,000
Other Misc Expenses				\$2,000	\$2,000	\$7,000	\$9,000
Overhead	300/ Per Day			\$19,000	\$19,000	\$6,000	\$25,000
Remedial Cementing							\$0
MDD/DEM/DD				\$95,000	\$95,000		\$95,000
Directional Drilling Services	20/ Days @	8600/20000	Per Day	\$432,000	\$432,000		\$432,000
Dock, Dispatcher, Crane							\$0
Marine & Air Transportation							\$0
Solids Control				\$52,000	\$52,000		\$52,000
Well Control Equip (Snubbing Svcs.)				\$18,000	\$18,000	\$11,000	\$29,000
Fishing & Sidetrack Operations				\$0	\$0		\$0
Completion Rig	7/ Days @	3,400/ Per Day				\$36,000	\$36,000
Coil Tubing	2/ Days @					\$66,000	\$66,000
Completion Logging, Perforating, WL Units, WL Surveys						\$8,000	\$8,000
Stimulation						\$1,195,142	\$1,195,142
Legal / Regulatory / Curative				\$13,000	\$13,000		\$13,000
Well Control Insurance	\$0.35/ Per Foot			\$6,000	\$6,000		\$6,000
Contingency	5%/ of Drilling Intangibles			\$102,000	\$102,000	\$102,000	\$204,000
Construction For Well Equipment						\$27,500	\$27,500
Construction For Lease Equipment						\$85,000	\$85,000
Construction For Sales P/L						\$100,000	\$100,000
Total Intangible Cost					\$2,133,375	\$2,345,042	\$4,478,417

Tangible Well Equipment	Size	Feet	\$ / Foot	Subtotal	After Casing	Completed Well
Casing						
Drive Pipe	20 "	40.00	\$150.00	\$6,000		\$6,000
Conductor Pipe				\$0		\$0
Water String				\$0		\$0
Surface Casing	13-3/8"	360.00	\$60.46	\$22,000		\$22,000
Intermediate Casing	9 5/8"	0.00	\$33.26	\$0		\$0
Drilling Liner				\$0		\$0
Drilling Liner				\$0		\$0
Production Casing or Liner	7"	8400.00	\$32.90	\$279,000	\$279,000	\$279,000
Production Tie-Back	4 1/2"	7400.00	\$14.21	\$105,154	\$105,154	\$105,154
Tubing	2 7/8"	8400.00	\$7.30	\$61,000	\$61,000	\$61,000
N/C Well Equipment				\$5,500	\$5,500	\$5,500
Wellhead, Tree, Chokes				\$15,000	\$10,000	\$25,000
Liner Hanger, Isolation Packer				\$0	\$0	\$0
Packer, Nipples					\$270,480	\$270,480
Pumping Unit, Engine					\$210,000	\$210,000
Lift Equipment (BHP, Rods, Anchors)					\$59,500	\$59,500
Tangible Lease Equipment						
N/C Lease Equipment					\$92,500	\$92,500
Tanks, Tanks Steps, Stairs					\$78,250	\$78,250
Inventory (Heater Treater, Separator, Gas Treating Equipment)					\$65,500	\$65,500
Flow Lines (Line Pipe from wellhead to central facility)					\$5,500	\$5,500
Offshore Production Structure for Facilities					\$0	\$0
Pipeline to Sales					\$0	\$0
Total Tangibles				\$43,000	\$1,242,384	\$1,285,384
PSA Costs				\$150,000	-\$150,000	\$0
Total Cost				\$2,326,375	\$3,437,426	\$5,763,801

EXHIBIT **C**



Authorization For Expenditure

Company Entity: **Cimarex Energy Co.** Date Prepared: **March 23, 2010**

Region: **Permian** Well Name: **Independence 8 Federal Com** Well ID: **2H** Lease/Sys/Prop Name: **Caprock** Property Number: Drilling Fee No:

Location: **1980 FNL, 330 FEL of Sec 8, 155-31E** County: **Chaves** State: **NM** Type Well: **Oil** **Expl** **Gas** **Prod**

Estimate Type: **Original Estimate** **Revised Estimate** **Supplemental Estimate** Foundation: **Abo** Actual Well Depth: **16,100'** **Drill/Vertical Depth:** **8,750'**

Project Description: **Drill and complete a Lower ABO horizontal well. With pilot hole. 14 stages 7250' VS**

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$2,133,375		\$2,133,375
Completion Costs		\$2,345,042	\$2,345,042
Total Intangible Costs	\$2,133,375	\$2,345,042	\$4,478,417
Tangibles			
Well Equipment	\$43,000	\$1,000,634	\$1,043,634
Lease Equipment		\$341,750	\$341,750
Total Tangible Well Cost	\$43,000	\$1,242,384	\$1,285,384
Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$2,326,375	\$3,437,426	\$5,763,801

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: **Mark Audas** Drilling and Completion Manager Regional Manager

Joint Interest Approval

Company: **Jase Minerals LP** Date: **5-17-10**