

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF CIMAREX ENERGY CO.
OF COLORADO FOR CANCELATION OF AN
APPLICATION FOR PERMIT TO DRILL ISSUED
TO COG OPERATING LLC, LEA COUNTY, NEW
MEXICO.**

Case No. 14588

MOTION FOR ENTRY OF AN EMERGENCY ORDER

Pursuant to NMAC 19.15.2.11, Cimarex Energy Co. of Colorado ("Cimarex") moves the Division for entry of an emergency order canceling the Division's approval of an application for permit to drill ("APD") issued to COG Operating LLC ("COG"), and in support thereof, states:

1. COG has obtained an APD for its Magnum Pronto State Com. Well No. 4H (API No. 30-025-39951), a horizontal Bone Spring well with a 120 acre project area comprised of the SE $\frac{1}{4}$ NE $\frac{1}{4}$ and E $\frac{1}{2}$ SE $\frac{1}{4}$ Section 32, Township 19 South, Range 32 East, N.M.P.M..

2. Cimarex has filed an application to cancel COG's APD. That matter is set for hearing on January 6, 2011.

3. Cimarex has filed a non-standard unit/compulsory pooling application for its South Lusk 32 State Well No. 1, a horizontal Bone Spring well with a 160 acre project area comprised of the E $\frac{1}{2}$ E $\frac{1}{2}$ Section 32. This application is scheduled for hearing on December 16, 2010 (Case 14579). Cimarex proposes that COG operate this well.

Based on the Division's traditional pooling criteria (good faith effort to reach voluntary agreement, necessity to consolidate interests in the well unit, and prevention of waste), it is likely that Cimarex's pooling application will be granted.

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OGD

4. Cimarex has acreage in the N½NE¼ of Section 32 which is not included in the well unit for the Magnum Pronto State Com. Well No. 4H. **Exhibit A** (Affidavit of Mike Wallace).

5. COG has informed Cimarex that it will commence its well on or about November 27, 2010, before Cimarex's pooling application can be heard. **Exhibit A**.

6. Allowing COG to commence its well will cause waste, and impair the correlative rights of the interest owners in the N½NE¼ of Section 32, for the following reasons:

(a) Cimarex's proposed 160 well unit, with a longer lateral than COG's proposed well, will enhance the economics of a well in Section 32; and

(b) Excluding the NE¼NE¼ of Section 32 from a well in Section 32 will result in that acreage not being drilled, causing waste of hydrocarbons and impairing the correlative rights of the interest owners in that quarter-quarter section.

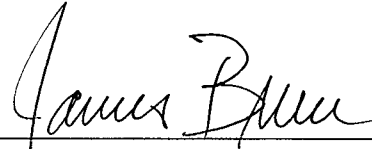
Exhibit B (Affidavit of Michael Swain).

7. Cimarex will suffer irreparable injury if COG is allowed to drill and complete its well with a 120 acre unit.

8. COG did not comply with the time deadlines regarding notification to the potash lessee pertaining to the drilling of wells in Section 32. Division Order No. R-12927 provides that the Division may approve an APD for a well in Section 32, "but not before the expiration of twenty days after the oil and gas operator has delivered written notice of the filing of such APD to potentially affected potash lessees." **Ordering Paragraph (2)**. COG sent a letter to the potash lessee on November 15th, but its APD was approved one day later. **Exhibit C** (Affidavit of Zeno Farris).

WHEREFORE, Cimarex requests the Division to enter an emergency order canceling the APD for the Magnum Pronto State Com. Well No. 4H, so that the issues of the correct well unit and related issues can be fully resolved in Case 14579.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", written over a horizontal line.

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

Attorney for Cimarex Energy Co. of Colorado

**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.
OF COLORADO FOR CANCELATION OF AN
APPLICATION FOR PERMIT TO DRILL ISSUED
TO COG OPERATING LLC, LEA COUNTY, NEW
MEXICO.**

Case No. _____

AFFIDAVIT OF MIKE WALLACE

Mike Wallace, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co. ("Cimarex"), and have personal knowledge of the matters stated herein.

2. Cimarex Energy Co. of Colorado ("Cimarex Colorado") and Magnum Hunter Production, Inc. ("MHPI") are sister companies of Cimarex.

3. All of Section 32, Township 19 South, Range 32 East, N.M.P.M., **except** the N $\frac{1}{2}$ NE $\frac{1}{4}$, is subject to a Joint Operating Agreement (the "JOA") dated October 1, 2002, under which COG Operating LLC ("COG") is operator.

4. MHPI owns 100% of the working interest in the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32. That acreage is not subject to an operating agreement as to the Bone Spring formation. MHPI also owns 100% of the working interest in the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32, which is subject to the JOA.

5. By letter dated May 10, 2010 (**Exhibit 1**), Cimarex Colorado proposed to Marbob Energy Corporation ("Marbob," later acquired by COG) the South Lusk 32 State Well No. 1, a Bone Spring test with a 160 acre well unit comprised of the E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 32.

Cimarex Colorado has filed a pooling application for this well (Case No. 14579), which is set for the December 16th hearing.

6. By Letter dated October 20, 2010 (**Exhibit 2**), COG proposed to Cimarex (under the JOA) the Magnum Pronto State Com. Well No. 4, a Bone Spring test with a 120 acre well unit comprised of the SE $\frac{1}{4}$ NE $\frac{1}{4}$ and E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 32.

EXHIBIT

A

7. COG has informed Cimarex that it intendeds to spud its well on November 27, 2010.

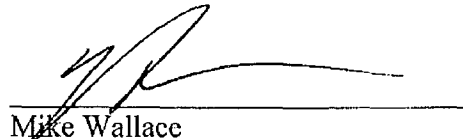
8. Cimarex has informed both Marbob and COG that it would like to include the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32 in the JOA. While Marbob indicated that it would do so, COG now states that it will include that acreage in the JOA only if Cimarex will dismiss its pooling applications in Division Case Nos. 15507 and 14508, and support COG's counter-application in Case No. 14500 (these cases involve lands in Chaves County). **Exhibit 3.**

9. The following nearby horizontal Bone Spring wells have already been drilled: COG's Magnum Pronto State No. 3, which has a well unit comprised of the E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 32; and Cimarex's Southern California 29 Fed. Well No. 15, which has a well unit comprised of the S $\frac{1}{2}$ S $\frac{1}{2}$ of adjoining Section 29. These wells are indicated on the land plat attached hereto as **Exhibit 4.**

ACKNOWLEDGEMENT


STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

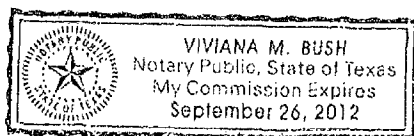
The foregoing instrument was acknowledged before me this 19th day of November, 2010 by Mike Wallace.


Mike Wallace

SUBSCRIBED AND SWORN TO before me this 19th day of November, 2010 by Mike Wallace.

My Commission Expires September 26, 2012


Notary Public



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



May 10, 2010

Marbob Energy Corporation
P.O.Box 227
Artesia, New Mexico 88211-0227

Certified Mail-Return Receipt Requested No. 91 7108 2133 3938 4680 0174

Re: Proposal to Drill
South Lusk 32 State No. 1 Well
E/2 E/2, Sec. 32-T19S-R32E
Lea County, New Mexico

Dear Sir/Madam:

Cimarex Energy Co. of Colorado, acting as operator for Magnum Hunter Production, Inc (both of which are wholly owned subsidiaries of Cimarex Energy Co.), hereby proposes to drill the South Lusk 32 State No. 1 Well at a legal location in E/2 E/2, Sec. 32 -T19S-R32E, Lea County, New Mexico.

The intended surface hole location for the well is approximately 450 feet FNL and 375 feet FEL and the intended bottom hole location is approximately 375 feet FEL, 330 feet FSL. The well is proposed to be drilled vertically to a depth of approximately 9,350 feet to the Bone Spring formation and laterally in a westerly direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 14,000 feet 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 South Lusk 32 State No. 1 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.

50%

EXHIBIT 1



In the event you do not wish to participate in drilling the proposed well, Cimarex Energy Co. will consider acquiring your interest through a Term Assignment for \$1,000.00 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 call the undersigned with any questions or comments.

Respectfully,

Mike Wallace
Landman
Phone: (432) 571-7873
Cell: (432) 301-4067

Package ID: 9171062133393846800174		E-CERTIFIED
		PROBP FREN
Marbob Energy Corporation		
P.O.Box 227		PBP Account #: 35644897
Artesia, New Mexico 88211-0227		Serial #: 3132785
South Lusk 32 State No.1		MAY 11 2010 11:23A

Well Proposal
May 10, 2010



**ELECTION TO PARTICIPATE
South Lusk 32 State No.1 Well
E/2 E/2, Sec. 32-T19S-R32E, Lea Co., NM**

_____ Elects TO participate in the proposed South Lusk 32 State No.1 Well

_____ Elects NOT to participate in the proposed South Lusk 32 State No.1 Well

Dated this _____ day of _____, 2010.

Signature: _____

Title: _____

If your election above is TO participate in the proposed South Lusk 32 State No.1 Well, then:

_____ Elects TO be covered by well control insurance procured by Cimarex Energy Co of Colorado.

_____ Elects NOT to be covered by well control insurance procured by Cimarex Energy Co of Colorado. and agrees to provide Cimarex Energy Co of Colorado. 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 Energy Co of Colorado.

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		<p>A. Signature <input checked="" type="checkbox"/> <i>Kanda Robinson</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Kanda Robinson</i> C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>1. Article Addressed to:</p> <p style="text-align: center;">Marbob Energy Corporation P.O. Box 227 Artesia, New Mexico 88211-0227 South Lusk 32 State No.1</p>		<p>3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>2. Article Number (Transfer from service label)</p>		<p>91 7108 2133 3938 4680 0174</p>	
PS Form 3811, February 2004		Domestic Return Receipt 102595-02-M-1540	

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 		<p>A. Signature <input checked="" type="checkbox"/> <i>D.E. Strickling</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>D.E. Strickling</i> C. Date of Delivery <i>8.5.10</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>1. Article Addressed to:</p> <p style="text-align: center;">Matador Resources Co. One Lincoln Centre 5400 LBJ Freeway, Suite 1500 Dallas, Texas 75240 Attn: Dan Singleton</p>		<p>3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>	
<p>2. Article Number (Transfer from service label)</p>		<p>91 7108 2133 3938 4680 3526</p>	
PS Form 3811, February 2004		Domestic Return Receipt 102595-02-M-1540	



October 20, 2010

Hayden Tresner
Cimarex Energy Company
600 N. Marienfeld, Ste. 600
Midland, TX 79701

RE: Magnum Pronto State Com #4H
SL: 330' FSL & 330' FEL
BHL: 1650' FNL & 330' FEL
Section 32, T19S, R32E
Lea County, New Mexico

Dear Hayden:

COG Operating LLC proposes to drill the captioned well to sufficiently test the Bone Spring formation.

This well is being proposed under our Joint Operating Agreement dated October 1, 2002 between Marbob Energy Corporation and Prize Energy Resources, L.P. Enclosed please find COG's proposed Authority for Expenditure. If you would like to participate please send me an executed AFE within 30 days of receipt hereof

Please return to: 2208 W. Main St. Artesia, NM 88210
If you have any questions or need any further information please contact me.

Sincerely,

William Miller
Landman

Enclosures as stated

AUTHORITY FOR EXPENDITURE

AFE NO. 2010-078	LEASE Magnum Pronto State Com	WELL NO. 4H
DESCRIPTION SL: 330' FSL & 330' FEL, BHL: 1650' FNL & 330' FEL, Sec 32, T19S-R32E		COUNTY Eddy
STATE NM	OPERATOR COG Operating LLC	
FORMATION Bone Spring	PREPARED BY Sheryl Baker	
TOTAL DEPTH Approx MD: 12,750'	DATE October 20, 2010	

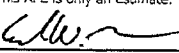
DRILLING INTANGIBLES	SUB	DRY HOLE W/O PIPE	COMPLETED WELL	ACTUAL COST	OVER UNDER
STAKING PERMITS LEGAL FEES ROW	100	10,000			
SITE PREPARATION ROADS & LOC	110	85,000			
DRILLING FOOTAGE CONTRACT	200	10,000			
DRILLING DAYWORK/MOBILIZATION	210	640,000			
EQUIP RNTL MACHINERY/MAN HIRE	220	380,000			
DRILLING WATER, FUEL	250	200,000			
DRILING MUD & CHEMICALS	260	55,000			
CEMENT SURFACE CASING	280	60,000			
FISHING TOOL SERVICES	295				
OTHER DRILLING COSTS/MATERIALS	299	275,000			
CORING & FORMATION TESTING	300	9,500			
MUD LOGGING & GEOLOGICAL SVCS	310	34,500			
ELEC LOGGING, WIRELINE, PERF	350	38,000			
DRILLING OVERHEAD CHARGE	950	5,000			
DRILLING WELLSITE SUPERVISION	955	34,000			
RECLAMATION	920	10,000			
CONTINGENCY 5%		92,300		0	
TOTAL DRILLING		1,938,300		0	

COMPLETION INTANGIBLES					
CEMENT PRODUCTION CASING	400		125,000		
FORMATION FRACTURING	410		950,000		
FORMATION ACIDIZING	420		60,000		
COMPLETION UNIT	450		65,000		
CONTRACT LABOR/PROFESSIONAL SVCS	500		75,000		
COMPLETION WATER, POWER, FUEL	905		105,000		
BATTERY CONST/SER/MATERIALS	910		90,000		
COMPLETION EQUIP RNTS/SERVICES	915		65,000		
COMPLETION OVERHEAD CHARGE	960		5,000		
COMPLETION SUPERVISION CHARGE	965		10,500		
MISCELLANEOUS IDC EXPENSES	900		7,500		
CONTINGENCY 5%		0	77,900		
TOTAL COMPLETION		0	1,635,900		
TOTAL INTANGIBLES		1,938,300	1,635,900		

DRILLING AND COMPLETION TANGIBLES					
SURFACE & INTERMEDIATE CASING	200	180,000			
PRODUCTION CASING	250		370,000		
TUBING & ATTACHMENTS	300		85,000		
PUMPING WELL HOOK UP	350		30,000		
WELLHEAD EQUIPMENT	400	15,000	15,000		
PUMP JACKS & PUMPS	500		148,000		
TREATER, SEPAR, EQ, METER/ELEC	600		40,000		
TANKS & STORAGE FACILITIES	700		40,000		
MISCELLANEOUS L&W EQUIPMENT	900		7,500		
CONTINGENCY 5%		9,750	36,775		
TOTAL EQUIPMENT COST		204,750	772,275		
TOTAL WELL COST		2,143,050	2,408,175		
LEASE	ACRES @	PER ACRE			
TOTAL WELL COST			4,551,225		

APPROVALS:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

OPERATOR COG Operating LLC	BY 	WI	DATE 10/20/10
COMPANY	BY	WI	DATE
PRINT NAME	TITLE		

AUTHORITY FOR EXPENDITURE

AFE NO.	2010-078	LEASE	Magnum Pronto State Com	WELL NO.	4H
DESCRIPTION	SL: 330' FSL & 330' FEL, BHL: 1650' FNL & 330' FEL, Sec 32, T19S-R32E			COUNTY	Eddy
STATE	NM	OPERATOR	COG Operating LLC		
FORMATION	Bone Spring	PREPARED BY	Sheryl Baker		
TOTAL DEPTH	Approx MD: 12,750'	DATE	October 20, 2010		

DRILLING INTANGIBLES

	SUB	DRY HOLE W/O PIPE	COMPLETED WELL	ACTUAL COST	OVER UNDER
STAKING PERMITS LEGAL FEES ROW	100	10,000			
SITE PREPARATION ROADS & LOC	110	85,000			
DRILLING FOOTAGE CONTRACT	200	10,000			
DRILLING DAYWORK/MOBILIZATION	210	640,000			
EQUIP RNTL MACHINERY/MAN HIRE	220	380,000			
DRILLING WATER, FUEL	250	200,000			
DRILING MUD & CHEMICALS	260	55,000			
CEMENT SURFACE CASING	280	60,000			
FISHING TOOL SERVICES	295				
OTHER DRILLING COSTS/MATERIALS	299	275,000			
CORING & FORMATION TESTING	300	9,500			
MUD LOGGING & GEOLOGICAL SVCS	310	34,500			
ELEC LOGGING, WIRELINE, PERF	350	38,000			
DRILLING OVERHEAD CHARGE	950	5,000			
DRILLING WELLSITE SUPERVISION	955	34,000			
RECLAMATION	920	10,000			
CONTINGENCY 5%		92,300		0	
TOTAL DRILLING		1,938,300		0	

COMPLETION INTANGIBLES


CEMENT PRODUCTION CASING	400		125,000		
FORMATION FRACTURING	410		950,000		
FORMATION ACIDIZING	420		60,000		
COMPLETION UNIT	450		65,000		
CONTRACT LABOR/PROFESSIONAL SVCS	500		75,000		
COMPLETION WATER, POWER, FUEL	905		105,000		
BATTERY CONST/SER/MATERIALS	910		90,000		
COMPLETION EQUIP RNTS/SERVICES	915		65,000		
COMPLETION OVERHEAD CHARGE	960		5,000		
COMPLETION SUPERVISION CHARGE	965		10,500		
MISCELLANEOUS IDC EXPENSES	900		7,500		
CONTINGENCY 5%		0	77,900		
TOTAL COMPLETION		0	1,635,900		
TOTAL INTANGIBLES		1,938,300	1,635,900		

DRILLING AND COMPLETION TANGIBLES

SURFACE & INTERMEDIATE CASING	200	180,000			
PRODUCTION CASING	250		370,000		
TUBING & ATTACHMENTS	300		85,000		
PUMPING WELL HOOK UP	350		30,000		
WELLHEAD EQUIPMENT	400	15,000	15,000		
PUMP JACKS & PUMPS	500		148,000		
TREATER, SEPAR, EQ, METER/ELEC	600		40,000		
TANKS & STORAGE FACILITIES	700		40,000		
MISCELLANEOUS L&W EQUIPMENT	900		7,500		
CONTINGENCY 5%		9,750	36,775		
TOTAL EQUIPMENT COST		204,750	772,275		
TOTAL WELL COST		2,143,050	2,408,175		
LEASE	ACRES @	PER ACRE			
TOTAL WELL COST			4,551,225		

APPROVALS:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

OPERATOR	COG Operating LLC	BY		WI	DATE	10/20/10
COMPANY		BY		WI	DATE	
PRINT NAME		TITLE				

432.571.7803

From: Scott Jones [mailto:sjones@conchoresources.com]
Sent: Thursday, November 04, 2010 4:11 PM
To: Hayden Tresner
Subject: COG's Magnum Pronto #4 & Cimarex Boxer Wells

Hayden:

With the recent acquisition of Marbob, we have reorganized to some extent and I believe the two issues I need to visit with Cimarex about are worked by two different Landmen for both of our companies. My understanding is that you work the Shelf Area and Mike Wallace works the Basin Area. For Concho, Jan Spradlin works the Shelf Area and William Miller (formerly with Marbob) works the Basin.

I believe William Miller has been in touch with Mike Wallace about our upcoming Magnum Pronto #4 location in Section 32-19-32, Lea County, NM. At present, our plan is to spud a horizontal well on a 120 acre tract in the E/2 E/2 of the section. Concho would like to include the 40-acre tract that Cimarex owns to the north so we could have a longer lateral on 160 acres. Our plan is to spud a well on November 27th. Cimarex also owns the adjoining 40 acre tract (NW/4 of NE/4) and Concho owns the 120 acres due south so that actually two 160's could be drilled by Concho and we could have one JOA covering the entire E/2 of the section. William Miller can provide the ownership details, but COG would be operator and own the bulk of the interest.

In your area, we would like Cimarex to dismiss the ongoing hearing to drill two Boxer wells in Section 3-15-31, Eddy County, NM, and agree to participate in COG's Leo wells in the S/2 of the same section. We believe we can make the best wells with laterals running E-W in the S/2 of the section. We have a permit in hand and COG is named as the Operator.

Basically, COG will include your 80 acres in our JOA for the Magnum Pronto in return for Cimarex dismissing its hearing and supporting the drilling of the Leo wells in the S/2 of Section 3.

I would really appreciate Cimarex working with Concho on these proposals and hopefully we can do the same for you in the future. It was nice meeting you today and I am sure we will be working together down the road as both our companies are so active in SE New Mexico.

Sincerely,

EXHIBIT

3

Scott Jones

Scott Jones, CPL

Land Lead - New Mexico Basin

COG OPERATING LLC

550 W. Texas Avenue, Suite 100

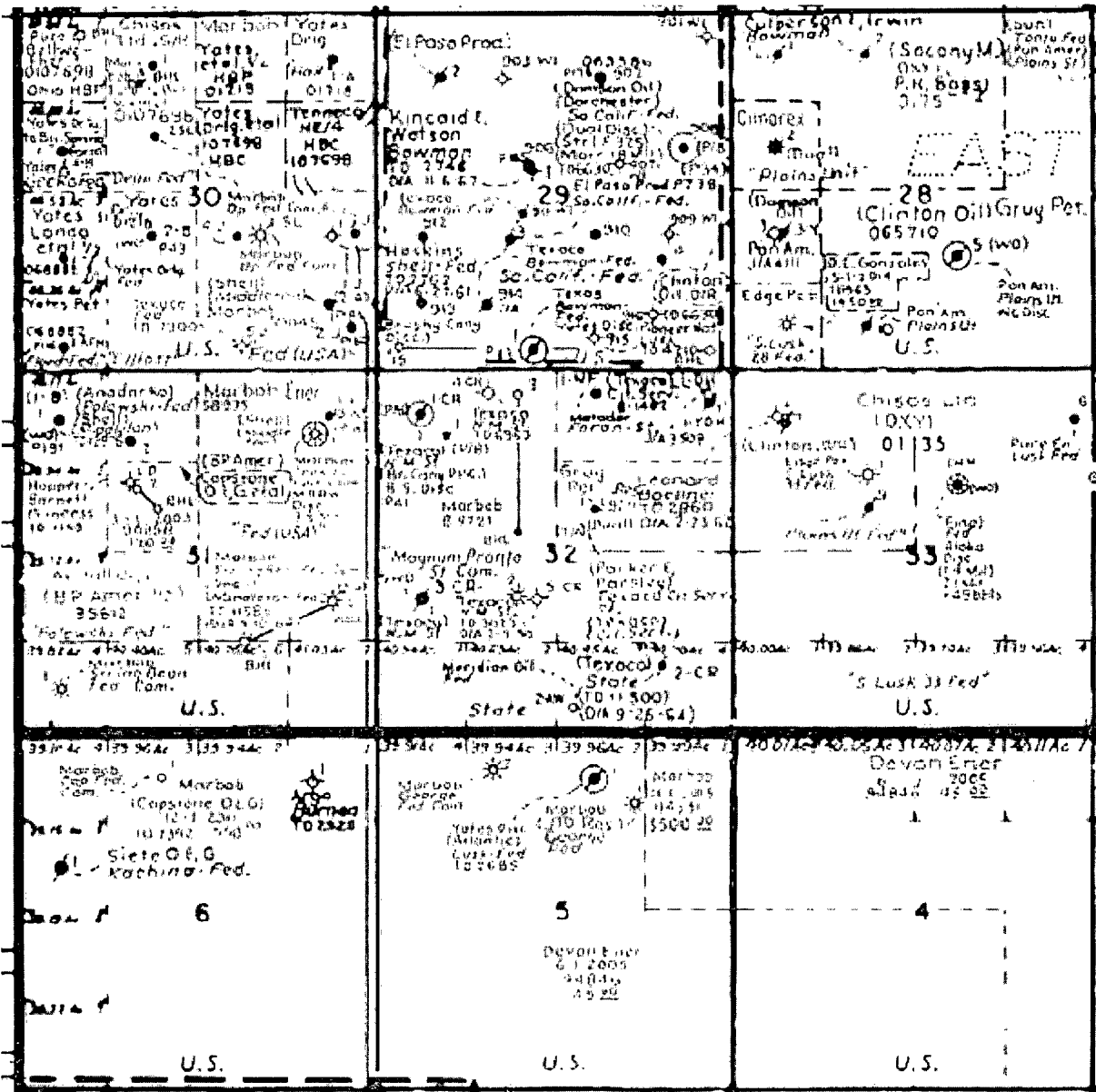
Midland, Texas 79701

p.432.686.3082

f.432.683.7441



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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.
OF COLORADO FOR CANCELATION OF AN
APPLICATION FOR PERMIT TO DRILL ISSUED
TO COG OPERATING LLC, LEA COUNTY, NEW
MEXICO.

Case No. _____

AFFIDAVIT OF MICHAEL SWAIN

Michael Swain, being duly sworn upon his oath, deposes and states:

1. I am a reservoir engineer for Cimarex Energy Co. ("Cimarex"), and have personal knowledge of the matters stated herein.
2. I have previously testified before the Division as an expert reservoir engineer, and my credentials were accepted as a matter of record.
3. Cimarex's Southern California 29 Fed. Well No. 15, which has a 160 acre well unit comprised of the S½S½ of Section 29, Township 19 South, Range 32 East, N.M.P.M., was completed on April 30, 2010. The Form C-105 for the well is attached hereto as **Exhibit 1**. Its initial rate was 638 BOPD and 1359 MCFGPD, and during its first month of production averaged 1000 BOPD. It is an economic well.
4. COG's Magnum Pronto State Well No. 3, which has an 80 acre well unit comprised of the E¼NW¼ of Section 32, Township 19 South, Range 32 East, N.M.P.M., was completed on June 11, 2008. The Form C-105 for the well is attached hereto as **Exhibit 2**. Its initial rate was 63 BOPD and 0 MCFGPD, and during its first month of production averaged 180 BOPD. It is not an economic well.
5. In my opinion, lengthening the lateral of Bone Spring wells in this area enhances well economics. A well unit comprised of the E½E½ of Section 32, would have a higher probability of being economic than a 120 acre well unit as proposed by COG for its Magnum Pronto State Com. Well No. 4.
6. If COG's Magnum Pronto State Com. Well No. 4 is allowed to be drilled with a 120 acre unit, the NE¼NE¼ of Section 32 will not be drilled because a vertical Bone Spring well will not be economic.

EXHIBIT B

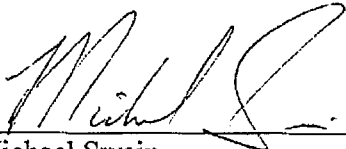
7. In addition, Cimarex will not drill an 80 acre horizontal Bone Spring well in the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32, because it would also be uneconomic.

8. If the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 32, or the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32, cannot be included in a larger Bone Spring well unit, waste will occur because reserves will be left in the ground. In addition, the correlative rights of the interest owners in the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32 will be impaired.

ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)


The foregoing instrument was acknowledged before me this 19th day of November, 2010 by Michael Swain.



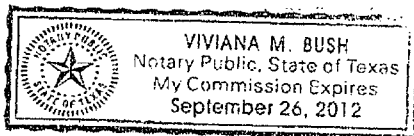
Michael Swain

SUBSCRIBED AND SWORN TO before me this 19th day of November, 2010 by Michael Swain.

My Commission Expires: September 26, 2012



Notary Public



SOUTHERN CALIFORNIA 29 FEDERAL 15H (309775-

Monthly Production Readings

	Oil Gross Prod	Gas Gross
5/1/2010	25,674.8	26,016.3
6/1/2010	18,475.7	35,932.2
7/1/2010	13,690.5	33,243.5
8/1/2010	12,272.1	36,841.1
9/1/2010	9,798.8	32,895.7

Magnum Pronto 3H

Monthly Production Readings

	Oil Gross Prod	Gas Gross
6/1/2008	2963	628
7/1/2008	5235	4541
8/1/2008	4146	5332
9/1/2008	3151	5398
10/1/2008	2683	5315
11/1/2008	2247	4902
12/1/2008	2136	5447
1/1/2009	1820	3589
2/1/2009	1504	3190
3/1/2009	1585	3879
4/1/2009	1278	2680
5/1/2009	1355	2983
6/1/2009	1337	3401
7/1/2009	1251	3222
8/1/2009	1139	3246
9/1/2009	1144	3525
10/1/2009	1209	4360
11/1/2009	1116	4039
12/1/2009	964	3309
1/1/2010	1049	4025
1/2/2010	915	3,281
1/3/2010	925	3,462
1/4/2010	572	2,237
1/5/2010	957	1,865
1/6/2010	936	1,980
1/7/2010	861	3,318

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Confidentiality Requested

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

RECEIVED
OCT 21 2010
HOBBSFORM APPROVED
OMB NO 1004-0137
Expires March 31, 2007

1a Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Dry <input type="checkbox"/> Other		5 Lease Serial No LC-063586	
b. Type of Completion <input checked="" type="checkbox"/> New Well <input type="checkbox"/> Work Over <input type="checkbox"/> Deepen <input type="checkbox"/> Plug Back <input type="checkbox"/> Diff. Resvr Other		6 If Indian, Allottee or Tribe Name	
2 Name of Operator Climarex Energy Co. of Colorado		7 Unit or CA Agreement Name and No.	
3 Address 600 N. Marienfeld St., Ste. 600; Midland, TX 79701		8 Lease Name and Well No Southern California 29 Federal No. 15	
3a Phone No (include area code) 432-571-7800		9 API Well No 30-025-39634	
4 Location of Well (Report Location clearly and in accordance with Federal requirements)* At surface 375 FSL & 330 FWL At top prod interval reported below 375 FSL & 703 FWL At total depth 366 FSL & 366 FEL		10 Field and Pool, or Exploratory Lusk; Bone Spring, South	
14 Date Spudded 01.22.10		15 Date T.D. Reached 03.13.10	
16 Date Completed <input type="checkbox"/> D & A <input checked="" type="checkbox"/> Ready to Prod		17 Elevations (DF, RKB, RT, GL)* 3545' GR	
18 Total Depth MD 13715' (in horizontal section) TVD 9321'		19 Plug Back TD MD 13627' (in vertical section) TVD 9322'	
20 Depth Bridge Plug Set MD TVD		21 Type Electric & Other Mechanical Logs Run (Submit copy of each) SDL-DSN-DLL-MGRD-GR	
22 Was well cored? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (Submit analysis) Was DST run? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (Submit report) Directional Survey <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes (Submit copy)		23 Casing and Liner Record (Report all strings set in well)	
Hole Size		Size/Grade	
17 1/2"		13 1/2" H-40	
12 1/4"		9 5/8" J-55	
8 1/2"		7" P-110	
6 1/2"		4 1/2" P-110	
6 1/4"		4 1/2" P-110	
* horizontal section			
24 Tubing Record			
Size		Depth Set (MD)	
2 3/4"		8289'	
25 Producing Intervals		26 Perforation Record	
Formation		Top	
A) Bone Spring		9499'	
B)			
C)			
D)			
27 Acid, Fracture, Treatment, Cement Squeeze, etc			
Depth Interval		Amount and Type of Material	
12919-13621		2797 gals of 15% HCL acid, 30507 gals 20# Linear gel, 68428 gals 20# XL Borate gel, 134764# 20/40 White Sand & 74996# 20/40 SB Excel	
12019-12721		3007 gals of 15% HCL acid, 28975 gals 20# Linear gel, 68189 gals 20# XL Borate gel, 121881# 20/40 White Sand & 62279# 20/40 SB Excel	
11119-13621		2375 gals of 15% HCL acid, 26371 gals 20# Linear gel, 66373 gals 20# XL Borate gel, 143399# 20/40 White Sand & 60036# 20/40 SB Excel	
10219-10921		2533 gals of 15% HCL acid, 23887 gals 20# Linear gel, 67084 gals 20# XL Borate gel, 118944# 20/40 White Sand & 75556# 20/40 SB Excel	
9499-10021		6967 gals of 15% HCL acid, 20616 gals 20# Linear gel, 67751 gals 20# XL Borate gel, 138,201# 20/40 White Sand & 50829# 20/40 SB Excel	
28 Production - Interval A -			
Date First Produced		Test Date	
04.30.10		05.27.10	
Hours Tested		24	
Test Production		Oil BBL	
638		Gas MCF	
1359		Water BBL	
410		Oil Gravity Corr. API	
41		Gas Gravity	
1.371		Production Method	
Pumping			
Choke Size		Tbg Press	
16/64		450	
Csg Press		300	
24 Hr Rate		Oil BBL	
Gas MCF		Water BBL	
Gas/Oil Ratio		Well Status	
2,130			
28 Production - Interval B -			
Date First Produced		Test Date	
Hours Tested		24	
Test Production		Oil BBL	
Gas MCF		Water BBL	
Gas/Oil Ratio		Well Status	

* (See instructions and spaces for additional data on page 2)

EXHIBIT

Submit To Appropriate District Office State Lease - 6 copies Fee Lease - 5 copies District I 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210 District III 1000 Rio Brazos Rd., Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505		RECEIVED JUL 22 2008 Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505		Form C-105 Revised June 10, 2003	
		WELL API NO. 30-025-38736			
		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>			
		State Oil & Gas Lease No.			
WELL COMPLETION OR RECOMPLETION REPORT AND LOG					
1a. Type of Well OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> OTHER <input type="checkbox"/>		7. Lease Name or Unit Agreement Name MAGNUM PRONTO STATE			
b. Type of Completion. NEW <input checked="" type="checkbox"/> WORK <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG <input type="checkbox"/> DIFF WELL OVER BACK RESVR <input type="checkbox"/> OTHER <input type="checkbox"/>		8. Well No. 31985			
2. Name of Operator MARBOB ENERGY CORPORATION		9. Pool name or Wildcat LUSK; BONE SPRING, SOUTH			
3. Address of Operator P.O. BOX 227, ARTESIA, NM 88211-0227					
4. Well Location					
(SUR) Unit Letter <u>C</u> 330 Feet From The <u>NORTH</u> Line and <u>1980</u> Feet From The <u>WEST</u> Line Section <u>32</u> Township <u>19S</u> Range <u>32E</u> NMPM LEA County (BHL) Unit Letter <u>F</u> 2310 Feet From The <u>NORTH</u> Line and <u>1980</u> Feet From The <u>WEST</u> Line Section <u>32</u> Township <u>19S</u> Range <u>32E</u> NMPM LEA County					
10. Date Spudded 4/10/08	11. Date T.D. Reached 5/12/08	12. Date Compl. (Ready to Prod) 6/11/08	13. Elevations (DF& RKB, RT, GR, etc.) 3544' GR	14. Elev. Casinghead	
15. Total Depth 11044'	16. Plug Back T.D. 10996'	17. If Multiple Compl. How Many Zones?	18. Intervals Drilled By Rotary Tools 0-11044'	Cable Tools	
19. Producing Interval(s), of this completion - Top, Bottom, Name 9440-10950' BONE SPRING				20. Was Directional Survey Made YES	
21. Type Electric and Other Logs Run DLL, DSN			22. Was Well Cored NO		
23. CASING RECORD (Report all strings set in well)					
CASING SIZE	WEIGHT LB /FT	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8"	54.5#	956'	17 1/2"	820 SX	NONE
9 5/8"	36# & 40#	4012'	12 1/4"	1550 SX	NONE
5 1/2"	17#	11043'	7 7/8"	2620 SX (TOC@1200' TS)	NONE
24. LINER RECORD					
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	
26. Perforation record (interval, size, and number) 9440'-10950' (35)			27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC. DEPTH INTERVAL. AMOUNT AND KIND MATERIAL USED 9440-10950' ACIDZ. W/5500 GAL NEFE 15% HCL; FRAC W/370103 GAL FLUID & 525200# SAND		
28. PRODUCTION					
Date First Production 6/12/08		Production Method (Flowing, gas lift, pumping - Size and type pump) PUMPING		Well Status (Prod or Shut-in) PRODUCING	
Date of Test 6/16/08	Hours Tested 24	Choke Size	Prod'n For Test Period	Oil - Bbl 63	Gas - MCF 0
				Water - Bbl 344	Gas - Oil Ratio
Flow Tubing Press	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl	Gas - MCF	Water - Bbl
					Oil Gravity - API - (Corr)
29. Disposition of Gas (Sold, used for fuel, vented, etc.) SOLD					Test Witnessed By TITO AGUIRRE
30. List Attachments LOGS, DEVIATION REPORT, DIRECTIONAL SURVEY					
31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief					
Signature <u>Stormi Davis</u>		Printed Name: <u>STORMI DAVIS</u>		Title: <u>PRODUCTION ASSISTANT</u>	Date: <u>7/17/08</u>
E-mail Address: <u>SDAVIS@MARBOB.COM</u>					

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.
OF COLORADO FOR CANCELATION OF AN
APPLICATION FOR PERMIT TO DRILL ISSUED
TO COG OPERATING LLC, LEA COUNTY, NEW
MEXICO.

Case No. _____

AFFIDAVIT OF ZENO FARRIS

Zeno Farris, being duly sworn upon his oath, deposes and states:

1. I am operations manager for Cimarex Energy Co. ("Cimarex"), and have personal knowledge of the matters stated herein.
2. In connection with obtaining an APD for Cimarex's proposed South Lusk 32 State Well No. 1 (**Exhibit 1**), I contacted Intrepid Potash, the potash lessee, and obtained a waiver of objection for the well. **Exhibit 2**.
3. I spoke with Katie Keller at Intrepid Potash about COG Operating, LLC's ("COG") Magnum Pronto State Com. Well No. 4, and was informed by her that COG had not contacted Intrepid Potash until she received a letter from COG dated November 15, 2010.

ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 17th day of November, 2010 by Zeno Farris.

Zeno Farris
Zeno Farris

SUBSCRIBED AND SWORN TO before me this 19th day of November, 2010 by Zeno Farris.

My Commission Expires: September 26, 2012

Viviana M. Bush
Notary Public

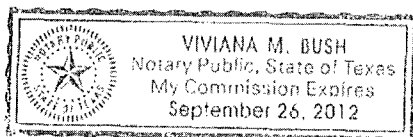


EXHIBIT C

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 122719

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address CIMAREX ENERGY CO. OF COLORADO 600 N. Marienfeld St Midland, TX 79701		2. OGRID Number 162683
		3. API Number
4. Property Code 38376	5. Property Name SOUTH LUSK 32 STATE COM	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	32	19S	32E	A	330	N	480	E	LEA

8. Pool Information

LUSK;BONE SPRING, SOUTH	41460
-------------------------	-------

Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3553
14. Multiple N	15. Proposed Depth 13500	16. Formation 3rd Bone Spring Sand	17. Contractor	18. Spud Date 1/15/2011
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water
Pit: Liner: Synthetic <input type="checkbox"/> mls thick Clay <input type="checkbox"/> Pit Volume: bbls Drilling Method:				
Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	900	1450	0
Int1	12.25	9.625	40	4000	1235	0
Prod	8.75	5.5	17	13500	2260	3800

Casing/Cement Program: Additional Comments

--

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	3000	3000	Cameron

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOC guidelines <input type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION
Printed Name: Electronically filed by Zeno Farris	Approved By:
Title: Manager Operations Administration	Title:
Email Address: zfarris@magnumhunter.com	Approved Date: Expiration Date:
Date: 11/5/2010 Phone: 972-443-6489	

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
 Permit 122719

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number	2. Pool Code 41460	3. Pool Name LUSK;BONE SPRING, SOUTH
4. Property Code 38376	5. Property Name SOUTH LUSK 32 STATE COM	6. Well No. 001
7. OGRID No. 162683	8. Operator Name CIMAREX ENERGY CO. OF COLORADO	9. Elevation 3553

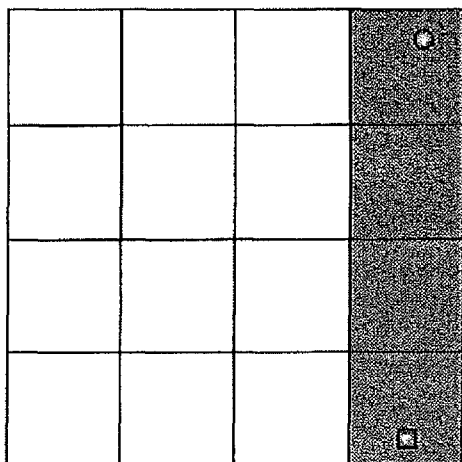
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	32	19S	32E		330	N	480	E	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
4	32	19S	32E		330	S	660	E	LEA
12. Dedicated Acres 160.20		13. Joint or Infill		14. Consolidation Code Consolidation Pending		15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Zeno Farris

Title: Manager Operations Administration

Date: 11/5/2010

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Garry Jones

Date of Survey: 9/21/2010

Certificate Number: 7977



Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.298.7502 fax

Via Email and U.S. Mail

November 18, 2010

Zeno Farris
Manager Operations Administration
Permian Basin Region
Cimarex Energy Co.
600 N. Maricfeld St.
Suite 600
Midland, Texas 79701

Re: South Lusk 32 State Com #1
T19S-R32E, Sec 32: 330' FNL, 480' FEL

South Lusk 32 State Com #2
T19S-R32E, Sec 32: 330' FNL, 2310' FEL

Eddy County, New Mexico

Dear Mr. Farris:

We appreciate Cimarex's consultation with Intrepid about the two above-identified proposed wells as required by Order R-111-P. Despite the location of the well within ½ mile of Intrepid's life of mine reserves under R-111-P, Intrepid is willing to agree not to object to the drilling of the referenced wells.

By its non-objection, Intrepid does not agree to or assume the risks of any release of oil or gas or other substance from these wells into the environment, including into underground mine workings, arising out of or attributable to Cimarex's drilling, operation, plugging and abandoning of these wells, or of the effect on these wells of any condition created by existing or future potash mining.

Very truly yours,

Martin D. Litt
Executive Vice President and General Counsel

EXHIBIT 2