

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

Brooks

RECEIVED OCD  
2011 FEB 22 P 12:58



February 17, 2011

Estate of Milton P. Kent  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8741**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

As previously conveyed, please remember that all previous offers to acquire your interest in the above described spacing unit expired on January 6, 2011, the date of the OCD hearing. We look forward to receiving your election to this well proposal.

Sincerely,

Cimarex Energy Co.

A handwritten signature in black ink, appearing to read "Mike Wallace".

Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Neoka Group 1983 Ltd.  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8765**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Estate of L. J. Reischman  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8758**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**


Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

As previously conveyed, please remember that all previous offers to acquire your interest in the above described spacing unit expired on January 6, 2011, the date of the OCD hearing. We look forward to receiving your election to this well proposal.

Sincerely,

Cimarex Energy Co.

  
Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Tritex Petroleum Co.  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8772**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**


Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Sincerely,

Cimarex Energy Co.

  
Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Anna A. Reischman  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8789**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Sincerely,

Cimarex Energy Co.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

C. W. Paine Co.  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8796**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

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Sincerely,

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

LJS Resources, LLC  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8802**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Sincerely,

Cimarex Energy Co.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Burl L. Reynolds  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8819**

Re: **Lynch 23 Federal No.2H**  
**E/2E/2 Section 23-T20S-R34E**  
**Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Sincerely,

Cimarex Energy Co.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501



Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Menpart Associates  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8826**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

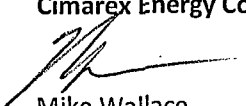
Mr. Grant:

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Sincerely,

Cimarex Energy Co.



Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Harold S. Myers Trust  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8833**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Sincerely,

Cimarex Energy Co.

  
Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Mark Nearburg  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8840**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

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Cimarex Energy Co.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Joseph M. Giard  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8857**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

In accordance with NMOCD Order No. R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Jack B. Shook, Jr.  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8864**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**


Mr. Grant:

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Mike Wallace  
Landman  
432.571.7873

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Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

LDH Holdings, LLC  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8871**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

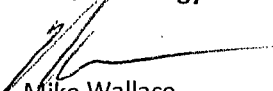
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Sincerely,

Cimarex Energy Co.

  
Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Joe R. Wright  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8888**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

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Cimarex Energy Co.

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Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Charles Nearburg dba  
Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8895**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**


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Sincerely,

**Cimarex Energy Co.**



Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501



Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Holsum, Inc.

c/o Nearburg Exploration Company, L.L.C.

Attn: Terry Gant

3300 North "A" Street

Building 2, Suite 120

Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8901**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

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Mike Wallace  
Landman  
432.571.7873

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Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Richard R. Finlay  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8918**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

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Mike Wallace  
Landman  
432.571.7873

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Attn: Florene Davidson  
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Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Hideaway Partnership  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8925**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

Mr. Grant:

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As previously conveyed, please remember that all previous offers to acquire your interest in the above described spacing unit expired on January 6, 2011, the date of the OCD hearing. We look forward to receiving your election to this well proposal.

Sincerely,

**Cimarex Energy Co.**

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

Mike Wallace  
Landman  
432.571.7873

cc: Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Eugene E. Nearburg  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8932**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**


Mr. Grant:

In accordance with NMOCD Order No.R-13357, enclosed is an AFE for the above-captioned well. If you would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order.

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432.571.7873

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1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

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



February 17, 2011

Fred M. Nelson Farms  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8949**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

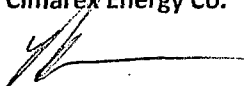
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Cimarex Energy Co.



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Landman  
432.571.7873

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Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Donald Blackmar  
c/o Nearburg Exploration Company, L.L.C.  
Attn: Terry Gant  
3300 North "A" Street  
Building 2, Suite 120  
Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8956**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

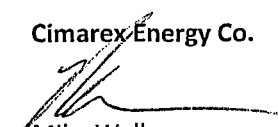
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Landman  
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Santa Fe, New Mexico 87505

James Bruce  
Attorney at Law  
369 Montezuma, No.213  
Santa Fe, New Mexico 87501

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



February 17, 2011

Nearburg Exploration Company, L.L.C.

Attn: Terry Gant

3300 North "A" Street

Building 2, Suite 120

Midland, Texas 79705-5421

**Via: Certified U.S. Mail-Return Receipt Requested No. 91 7108 2133 3938 0387 8963**

**Re: Lynch 23 Federal No.2H  
E/2E/2 Section 23-T20S-R34E  
Lea County, New Mexico**

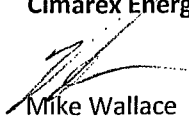
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Attorney at Law  
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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 14582  
ORDER NO. R-13357

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 6, 2011 at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 7<sup>th</sup> day of February, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Cimarex Energy Co. ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation consisting of the E/2 of the E/2 (Units A, H, I and P) of Section 23, Township 20 South, Range 34 East, NMPM, in Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Bone Spring formation [South Lea-Bone Spring Pool (37580)].

(3) The Unit is to be dedicated to Applicant's Lynch 23 Federal Well No. 2H ("the proposed well"), a horizontal well to be drilled from a standard surface location in the northeast quarter of the northeast quarter (Unit A) of Section 23. The well will penetrate the Bone Spring formation at a standard oil well location in the northeast quarter of the northeast quarter (Unit A) of Section 23 and continue horizontally in the Bone Spring to a standard terminus, or bottomhole location, in the southeast quarter of the southeast quarter (Unit P) of Section 23.



(4) Spacing in the South Lea-Bone Spring Pool is governed by statewide Rule 15.9.A, which provides for standard, 40-acre units, each comprising a governmental quarter-quarter section. The Unit consists of four adjacent quarter-quarter sections.

(5) Applicant appeared at the hearing through counsel and presented geologic evidence by affidavit to the effect that:

(a) this area is suitable for development by horizontal drilling; and

(b) all quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring, so that formation of the Unit as requested will not impair correlative rights.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes that:

(7) Approval of the proposed non-standard unit will enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste, and will not impair correlative rights.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed location.

(10) There are interest owners in the Unit that have not agreed to pool their interests. There are no unlocated owners in the Unit, and there is no evidence of a title dispute.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) Cimerex Energy Co. [OGRID 215099] should be designated the operator of the proposed well and of the Unit.

(13) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in

drilling the well.

(14) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "Accounting Procedure-Joint Operations."

**IT IS THEREFORE ORDERED THAT:**

(1) A non-standard 160-acre oil spacing and proration unit (the Unit) is hereby established in the South Lea-Bone Spring Pool (37580), consisting of the E/2 E/2 of Section 23, Township 20 South, Range 34 East, NMPM, in Lea County, New Mexico.

(2) Pursuant to the application of Cimarex Energy Co., all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to Applicant's Lynch 23 Federal Well No. 2H ("the proposed well"), a horizontal well to be drilled from a standard surface in the northeast quarter of the northeast quarter (Unit A) of Section 23. The well will penetrate the Bone Spring formation at a standard oil well location in the northeast quarter of the northeast quarter (Unit A) of Section 23 and continue horizontally in the Bone Spring to a standard terminus, or bottomhole location, in the southeast quarter of the southeast quarter (Unit P) of Section 23.

(4) The operator of the Unit shall commence drilling the proposed well on or before February 1, 2012, and shall thereafter continue drilling the well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling the proposed well on or before February 1, 2012, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) Should the proposed well not be drilled and completed within 120 days after commencement thereof, then Ordering Paragraphs (1) and (2) shall be of no further effect, and the unit and project area created by this order shall terminate, unless operator appears before the Division Director and obtains an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence. If the proposed well is not completed in all of the quarter-quarter sections included in the proposed unit within 120 days after commencement of drilling, then the operator shall apply to the Division for an amendment to this Order to contract the Unit so that it includes only those quarter-quarter sections in which the well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 13.9, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(8) Cimarex Energy Co. [OGRID 215099] is hereby designated the operator of the proposed well and of the Unit.

(9) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(10) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(11) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(12) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(13) The operator is hereby authorized to withhold the following costs and charges from production:

- (a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well,  
200% of the above costs.

(14) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(15) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7,000 per month while drilling and \$700 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

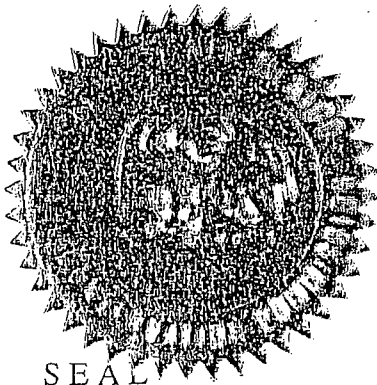
(16) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(19) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
DANIEL SANCHEZ  
Acting Director



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
February 17, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Lynch 23 Fed	2H			

Location	County	State	Type Well			
SHL: 330 FNL 660 FEL sec 23 20S-34e	Lea	NM	Oil	x	Expl	x
BHL: 330 FSL 660 FEL			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl Measured Depth
Original Estimate			Bone Spring	15,750'
Revised Estimate				Ttl Vertical Depth
Supplemental Estimate				11,150'

Project Description
Drill and complete a Bone spring horizontal well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,887,550		\$1,887,550
Completion Costs		\$1,575,125	\$1,575,125
Total Intangible Costs	\$1,887,550	\$1,575,125	\$3,462,675

Tangibles			
Well Equipment	\$232,000	\$848,656	\$1,080,656
Lease Equipment		\$148,750	\$148,750
Total Tangible Well Cost	\$232,000	\$997,406	\$1,229,406

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$2,269,550	\$2,422,531	\$4,692,081
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Lynch 23 Fed

Well No.: 2H

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$50,000	DICC.100	\$3,000	\$53,000
Damages	DIDC.105	\$5,000	DICC.105		\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$50,000	DICC.235	\$40,000	\$90,000
Day Rate 39 DH Days 5 ACP Days @ Per Day	DIDC.115	\$605,000	DICC.120	\$78,000	\$683,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$5,000			\$5,000
Bits	DIDC.125	\$90,000	DICC.125	\$1,000	\$91,000
Fuel \$2.70 Per Gallon Gallons Per Day	DIDC.135	\$95,000	DICC.130	\$1,000	\$96,000
Water / Completion Fluids Per Day	DIDC.140	\$33,250	DICC.135	\$103,125	\$136,375
Mud & Additives	DIDC.145	\$61,500			\$61,500
Surface Rentals Per Day	DIDC.150	\$41,000	DICC.140	\$111,000	\$152,000
Downhole Rentals	DIDC.155	\$113,000	DICC.145	\$11,000	\$124,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160				\$0
Mud Logging \$850 Days @ 30 Per Day	DIDC.170	\$30,000			\$30,000
Open Hole Logging	DIDC.180	\$18,000			\$18,000
Cementing & Float Equipment	DIDC.185	\$40,000	DICC.155	\$25,000	\$65,000
Tubular Inspections	DIDC.190	\$5,000	DICC.160	\$3,000	\$8,000
Casing Crews	DIDC.195	\$26,000	DICC.165	\$16,000	\$42,000
Extra Labor, Welding, Etc.	DIDC.200	\$12,000	DICC.170	\$5,000	\$17,000
Land Transportation (Trucking)	DIDC.205	\$23,000	DICC.175	\$4,000	\$27,000
Supervision Per Day	DIDC.210	\$65,000	DICC.180	\$19,000	\$84,000
Trailer House / Camp / Catering 400 Per Day	DIDC.280	\$20,000	DICC.255	\$4,000	\$24,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$7,000	\$9,000
Overhead 300 Per Day	DIDC.225	\$12,000	DICC.195	\$3,000	\$15,000
Remedial Cementing	DIDC.231		DICC.215		\$0
MOB/DEMOB	DIDC.240	\$110,000			\$110,000
Directional Drilling Services 14 Days @ 12,000 Per Day	DIDC.245	\$184,000			\$184,000
Dock, Dispatcher, Crane	DIDC.250		DICC.230		\$0
Marine & Air Transportation	DIDC.275		DICC.250		\$0
Solids Control Per Day	DIDC.260	\$50,800			\$50,800
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$32,000	DICC.240	\$11,000	\$43,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245		\$0
Completion Rig 7 Days @ 4,600 Per Day			DICC.115	\$44,000	\$44,000
Coil Tubing 1 Days @ Per Day			DICC.260	\$36,000	\$36,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$70,000	\$70,000
Stimulation			DICC.210	\$800,000	\$800,000
Legal / Regulatory / Curative	DIDC.300	\$13,000	DICC.280		\$13,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$6,000			\$6,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$90,000	DICC.220	\$70,000	\$160,000
Construction For Well Equipment			DWEA.110	\$10,000	\$10,000
Construction For Lease Equipment			DLEQ.110	\$100,000	\$100,000
Construction For Sales P/L			DICC.265		\$0
Total Intangible Cost		\$1,887,550		\$1,575,125	\$3,462,675

Tangible - Well Equipment								
Casing	Size	Feet	\$ / Foot					
Drive Pipe	20"	40.00	\$0.00	DWEB.150	\$0			\$0
Conductor Pipe				DWEB.130	\$0			\$0
Water String				DWEB.135	\$0			\$0
Surface Casing	13-3/8"	450.00	\$34.00	DWEB.140	\$15,000			\$15,000
Intermediate Casing	9-5/8"	4850.00	\$42.00	DWEB.145	\$204,000			\$204,000
Drilling Liner				DWEB.145	\$0			\$0
Drilling Liner				DWEB.145	\$0			\$0
Production Casing or Liner	7"	10750.00	\$32.80			DWEA.100	\$356,000	\$356,000
Production Tie-Back	4-1/2"	4800.00	\$15.97			DWEA.100	\$76,656	\$76,656
Tubing	2-7/8"	10500.00	\$7.30			DWEA.105	\$77,000	\$77,000
N/C Well Equipment						DWEA.115	\$7,500	\$7,500
Wellhead, Tree, Chokes				DWEB.115	\$13,000	DWEA.120	\$13,000	\$26,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0	\$0
Packer, Nipples						DWEA.130	\$30,000	\$30,000
Pumping Unit, Engine						DLEQ.100	\$220,000	\$220,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$68,500	\$68,500
Tangible - Lease Equipment								
N/C Lease Equipment						DLEQ.115	\$59,750	\$59,750
Tanks, Tanks Steps, Stairs						DLEQ.120	\$56,500	\$56,500
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$26,500	\$26,500
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$6,000	\$6,000
Offshore Production Structure for Facilities						DWEA.135	\$0	\$0
Pipeline to Sales						DWEA.140		\$0
Total Tangibles					\$232,000		\$997,406	\$1,229,406

P&A Costs	DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
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Total Cost		\$2,269,550		\$2,422,531	\$4,692,081
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