Prosented © Sept Hearing

Post Office Box 2776 Midland, Texas 79702-2776 500 West Illinois, Suite 300 Midland, Texas 79701 (432) 684-5782 (432) 682-3672 Fax www.cottonbledsoe.com

JAMES M. DAVIS, JR. ◆ BOARD CERTIFIED OIL, GAS & MINERAL LAW TEXAS BOARD OF LEGAL SPECIALIZATION • ALSO LICENSED IN NEW MEXICO

(432) 685-8542

Direct

(432) 684-3118

Direct Fax

idavis@cbtd.com

September 1, 2010

Cimarex Energy Co. 600 N. Marienfeld Street, Suite 600 Midland, Texas 79701

Attention: Mr. Hayden P. Tresner, Landman

RE: Division of Interest for the N/2 of Section 3, T-15-S, R-30-E, N.M.P.M.,

Chaves County, New Mexico.

Dear Hayden,

Per your request I have attached a spreadsheet tabulating the ownership of the working interest/operating rights in the subject lands as reflected in the records of the County and District Clerks of Chaves County, New Mexico, through June 8, 2010 at 8:00 a.m. and by the Bureau of Land Management records (as to the NW/4 of Section 3) through June 16, 2010 at 8:00 a.m. This information also reflects my review of a photocopy of an Oil and Gas Lease dated June 10, 2010, recorded 665 CCR 440, from The Blanco Co. to Cimarex Energy Co. I also understand that First Roswell Company has elected to participate in your proposed well(s) to be drilled on the subject land and has executed a Joint Operating Agreement which I have not examined.

As we have discussed, the attached spreadsheet reflects the working interest/operating rights ownership that will be shown in my forthcoming title opinion covering these lands. I have not tabulated individual royalty ownership in Tract 1, nor have I tabulated individual ownership of the overriding royalty burdening Tract 3. Further, all such interests are provided based upon the understanding that such reported interests shall be subject to the comments and title requirements to be contained in said title opinion. Further, these interests are limited by depth as further set forth in the spreadsheet.

Very truly yours,

COTTON, BLEDSOE, TIGHE & DAWSON, P.C.

JMD\kk Attachment

Mid: 005337\000078\840707.1

Case No. _____/9507 Exhibit No. ____

TRACT		LAND		LEASE	<u> </u>									
3		Lots 3, 4,	S/2 NW/4	LC-06085	0		1							
		(NW/4)												
								WI	NRI		i			
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USA					12.5% RI	ľ			0.12500000		Note: This le	ease contain:	s a	i
											sliding-scale	royalty prov	ision	
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J.C. Vandev				<u> </u>									i	
												-		
Working In	terest:			+	1		r							_
			1											
Cimarex En	eray Co				100% x 87	5% WI		1.00000000	0.87500000	1 00000000	0.80000000	0.80000000		
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Kevin O. Bu	tler & Acco	ciates Inc		+	100%									-
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	TRACT		LAND		<u>LEASE</u>					
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			(W/2 NE/4)						
		ļ								
	Royalty:						WI	NRI		
		I .								
	Successors	and assign	ns of J. E. S	tevens	1/8 RI			0.12500000		
		L								
	Overriding	Royalty:						L		
	Kevin O. Bu	utler & Asso	ciates, Inc.		21/1600 ORI			0.01312500	0.06208898	
		L.		plus	79.133712% x 7.50% (0.05935028		
				less	79.133712% x 21/1600	ORI		(0.01038630)		
	Triangle Ro	yalty LP			5.358723% x 11.18759	6 ORI		0.00599507		
		<u> </u>								
		Total:						0.06808406		
		L								
	Working In	terest:								
	<u> </u>									
	Don M.Kidy	vell			10.625% x 10% x 1/2 x		0.00531250	0.00464844	0.00531250	0.0045787
				less	0.531250% x 21/1600	ORI		(0.00006973)		
	Jase Miner	als LP		plus	15.833333% x 33% x 1		0.02612500		0.05358723	0.0401904
				plus	15.833333% x 1/200 x		0.00079167	0.000692708		
				plus	15.833333% x 33% x 1	/2 x 87.5% WI	0.02612500	0.022859375		
				plus	15.833333% x 1/200 x	87.5% WI	0.00079167	0.000692708		
				less	0.02461054% x 87.5%	WI	(0.00024611)	(0.00021534)		
				less	5.358723% x 21/1600	ÖRI		(0.00070333)		
				less	5.358723% x 11.1875%	6 ORI		(0.00599507)		
									-	
	Edward L.	Shea Trust			17% x 1/2 x 87.5% WI		0.08500000	0.07437500	0.09976315	0.0859833
				plus	1/3 x 5% x 1/2 x 87.5%	WI	0.00833333	0.00729167		
				plus	2/300 x 87.5% WI		0.00666667	0.00583333		
				less	0.02368518% x 86.187	5% WI	(0.00023685)			
	1			less	10% x 21/1600 ORI		(0.0002000)	(0.00131250)		
	-				TOWN ZIN 1000 OIK			(0.00.10.1200)		
-	Sigyn Lund	separate i	property		1/2 x 10% x 1/2		0.02500000	0.02187500	0.02500000	0.0215468
	oigyii Luiiu	, coparato j	Proporty	less	1/2 x 10% x 1/2 x 21/16	300 ORI	0.0200000	(0.00032813)		0.02.0.00
				1000	INEX TOXA ILEX ENTE	700 0111		(0.00002010)		
	Clare Lund	heck Frase	r		1/2 x 10% x 1/2		0.02500000	0.02187500	0.02500000	0.0215468
	separate pr		ĺ	less	1/2 x 10% x 1/2 x 21/16	500 ORI	0.0200000	(0.00032813)		
	coparate pr	575.1,		1000	UEX TOXX UEX EDIT	, , , , , , , , , , , , , , , , , , ,		(0.00002010)		
-	Cimarex Er	neray Co			25% x 87.5% WI		0.25000000	0.21875000	0.79133712	0.6330697
	O.M. C.	l		plus	31.666667% x 33% x 1	/2 x 87 5% \//	0.05225000	0.04571875	0.70100712	0.0000001
		i	ļ	plus	31.666667% x 1/200 x		0.00158333	0.00138542		
			 	plus	5% x 1/2 x 87.5% WI	07.570 441	0.02500000	0.02187500		
				less	4/300 x 87.5% WI		(0.013333333)			
	-		 	less	1/200 x 87.5% WI		(0.00500000)			
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	 			+'	2/3 x 5% x 1/2 x 87.5%		0.01666667	0.01458333 0.00546875		
	-			plus	1/4 x 5% x 1/2 x 87.5%		0.00625000			
				plus	81.875% x 10% x 1/2 x		0.04093750		-	
				plus	7.5% x 10% x 1/2 x 87		0.00375000		1	
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		-	-	plus	5% x 1/2 x 87.5% WI		0.02500000		ļ	
	1		ļ	plus	5% x 1/2 x 87.5% WI		0.02500000	0.02187500		
		 	ļ	plus	1/4 x 87.5% WI	10 07 50: :::	0.25000000	0.21875000		-
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		<u> </u>	ļ	plus	1/3 x 5% x 1/2 x 87.5%	WI	0.00833333			
		<u> </u>		plus	2/300 x 87.5% WI		0.00666667	0.00583333		
	ļ			plus	5% x 33% x 1/2 x 87.5		0.00825000			
				plus	1/3 x 5% x 1/2 x 87.5%		0.00833333			
	1			plus	5% x 1/200 x 87.5% W		0.00025000			
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	All interes	ts set forth	above are		depths below the base	of the Gloriette E				

TRACT	LAND	LEASE					
2	Lot 1, SE/4 NE	/4 609 CCR	1327				
	(E/2 NE/4)	665 CCR -	440				
				WI	NRI		
Royalty							
Geneva Bruin Ga	rdner,	1/3 x 20%	RI		0.06666667		
separate property							
The Blanco Co.		1/3 x 25%	RI		0.08333333		
Total	Royalty:				0.15000000		
Working Interest	<u>:</u>						
First Roswell Con	npany	1/3 Unleas	sed MI (participating	0.33333333	0.33333333		
		and has e	xecuted a JOA)				
Cimarex Energy (Co.	1/3 x 80%	WI	0.33333333	0.26666667	0.66666667	0.51
	plus	s 1/3 x 75%	W	0.33333333	0.25000000		
				1.00000000	0.85000000		
					1.00000000		
All interests set	forth above are lim	ited to depths be	low the base of the Unitize	ed Interval in the			
South Caprock C	Queen Unit.						

	Tract 1	
	Tract 2	

Tract 1: W/2NE/4: 81.06 acres

Owners:	Tract Interest:	Tract Factor:	Unit Interest:
Cimarex	0.79133712	0.5032907	0.39827261
Jase Minerals LP	0.05358723	0.5032907	0.02696995 —
Edward Shea Trust	0.09976315	0.5032907	0.05020987 - have to
Clare Fraser	0.02500000	0.5032907	0.05020987 - AI ways have to food
Sigyn Lund	0.02500000	0.5032907	0.01258227
Don M. Kidwell	0.00531250	0.5032907	0.00267373 —
	1.00000000		0.50329070 Will pion
Tract 2: W/2SE/4: 80	acres		•

Tract 2: W/2SE/4: 80 acres

Owners:	Tract Interest:	Tract Factor:	Unit Interest:
Cimarex	0.40000000	0.49670930	0.19868372
Chesapeake	0.12500000	0.49670930	0.06208866
Chisos, Ltd.	0.10000000	0.49670930	0.04967093
Pure Energy	0.25000000	0.49670930	0.12417733
First Roswell Co.	0.12500000	0.49670930	0.06208866
	1.00000000		0.49670930
O	C.		

Base Well Interest:	Status:
Cimarex	0.59695633 Participating
Jase Minerals LP	0.02696995 Participating
Edward Shea Trust	0.05020987 Force-pooling
Clare Fraser	0.01258227 Granting Term Assignment
Don M. Kidwell	0.00267373 Granting Term Assignment
Sigyn Lund	0.01258227 Force-pooling
Pure Energy	0.12417733 Force-pooling
Chesapeake	0.06208866 Force-pooling
First Roswell Co.	0.06208866 Participating
Chisos, Ltd.	0.04967093 Participating
Total:	1.00000000

Oil Conservation Division
Case No. 14507
Exhibit No.

August 12, 2010



Working Interest Owner Address List on Page 3

Re: New Well Proposal
Boxer 3 Fee No. 3
Section 3, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

Dear Working Interest Owners:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Boxer 3 Fee No. 3 Well at a legal location in the W/2E/2 of Section 3, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

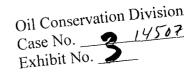
The intended surface hole location for the well is 375' FNL & 1980' FEL of Section 3 and the intended bottom hole location is 330' FSL & 1980' FEL of Section 3. The well is proposed to be drilled vertically to a depth of approximately 8,870' to the lower Abo formation and laterally in a Southerly direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 13,460' from surface to terminus.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex' 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 Boxer 3 Fee No. 3 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 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 a term assignment of your leasehold interest in the proposed spacing or proration unit dedicated to the well for five hundred dollars (\$400.00) 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.

CIVIAREX

Hayden P. Tresner Landman

ELECTION TO PARTICIPATE Boxer 3 Fee No. 3 Well

	Elects 10 participate in the proposed boxer 5 Fee No. 5 Well
	Elects NOT to participate in the proposed Boxer 3 Fee No. 3 Well
Dated tl	nis day of, 2010.
Signatu	re:
Printed	Name:
Title:	
If your	election above is TO participate in the proposed Boxer 3 Fee No. 3 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



Working Interest Owner Address List

Sigyn Lund 1052 Montgomery Road Alamonte Springs, Florida 32714

Claire Fraser
Don Kidwell and Sally Kidwell
c/o O'Neill Properties, Ltd.
Attn: Tammy Vannaman
P.O. Box 2840
Midland, Texas 79702-2840

Edward L. Shea Trust c/o John Walsh Bryan Cave, LLP, Suite 3501 290 Avenue of the Americas New York, New York 10104 Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

August 24, 2010



Via: Federal Express Mail (overnight delivery)

Clare L. Fraser 133 East 64th Street New York, New York 10021

Re: Well Proposal

Dear Clare:

Enclosed is your well proposal that was previously mailed to Tammy Vannaman at O'Neill Properties, Ltd. The proposal was originally sent to Tammy's attention because I was under the impression that the O'Neill Family assisted in handling your paperwork, just as they had done in the past. However, Tammy advised me today that this was not always case. Now, therefore, enclosed is the paperwork for your review.

As indicated in my letter, if you do not want to participate for your 1.25% working interest in the well, Cimarex would like to acquire another term assignment of your interest in the well on the same terms as previously agreed upon. I would like to get your interest accounted for as soon as possible so that we can proceed with drilling our well; therefore, I kindly ask that you please give me a call at your earliest convenience at (432) 571-7856 to let me know how you wish to proceed. Thank you for your time and attention to this matter.

Sincerely,

Hayden P. Tresner

Cimarex Energy Co.

Landman

TELEPHONE: 575-625-0298
FACSIMILE: 575-625-0299
E-MAIL: pbrewer@pegasusplace.com

August 23, 2010

IN RE:

DRILLING OPINION OF TITLE

TO THE LEASEHOLD ESTATE AND UNLEASED MINERAL INTERESTS IN AND UNDER THE FOLLOWING:

Tract 1:

W/2SE/4 Section 3

T.O. 0291

Tract 2:

E/2SE/4 Section 3

Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico; containing 160 acres, more or less

Cimarex Energy Company Attention: Hayden P. Tresner 600 N. Marienfeld, Suite 600 Midland, TX 79701

Oil Conservation Division
Case No.
Exhibit No.

Dear Mr. Tresner:

In connection with the status of title to the above-captioned interests and lands for drilling purposes, I have today examined the following:

Cimarex Energy Company August 23, 2010 Page 2

- (a) Copies of those instruments in the offices of the County Clerk and District Court Clerk of Chaves County, New Mexico pertaining to the captioned lands shown to be relevant by Jim Schultz runsheet covering the time period from inception of records down to June 8, 2010 at 5:00 p.m.;
- (b) Copies of those instruments in the office of the County Clerk of Chaves County, New Mexico discovered by my use of the name search indices of said office relating to the owners reported below covering the time period from June 8, 2010 at 5:00 p.m., down to July 15, 2010 at 5:00 p.m., and for Thomas E. Jennings down to the date of this opinion;
 - (c) Copy of Lease 1 discussed below; and
- (d) Copy of the patent covering the captioned and other lands obtained from the New Mexico office of Bureau of Land Management indicating that no mineral reservation in favor of the United States was made affecting the captioned lands.

From my examination of the foregoing, and based solely thereon, I now advise as to the status of title to the captioned interests and lands for drilling purposes as of July 15, 2010 at 5:00 p.m. as follows:

TITLE TO LEASEHOLD ESTATE AND UNLEASED MINERAL INTERESTS

TRACT 1:

Cimarex Energy Company Lease 1

.125000

Cimarex Energy Company, as the apparent successor to

Thomas E. Jennings

Lease 2

.125000

Cimarex Energy Company August 23, 2010 Page 3

Chesapeake Exploration, LLC	Leases 3 and 4	.125000
Pure Energy Group, Inc.	Unleased	.250000
Chisos, Ltd.	Unleased	.250000
First Roswell Company	Unleased	.125000
	TOTAL	1.000000
TRACT 2:		
Penroc Oil Corporation	Leases 5-10	.161111
Jerry L. Hooper, whose wife is Margaret A. Hooper	Leases 11-13	.838889
	TOTAL	1.000000

OIL AND GAS LEASES

Lease 1: From the Blanco Company in favor of you dated June 10, 2010, Book 665, Page 440, covering Tract 1 as to a 1/8 mineral interest, and the E/2NE/4 Section 3 as to certain specified depths. The lease provides for a three-year primary term, a 1/4 royalty on oil and gas, and \$1.00 per acre shut-in royalty. This is a paid up lease. The lease contains customary pooling, additional drilling and reworking, force majeure and lesser interest provisions. As you are undoubtedly aware, the lease contains a 180-day continuous drilling provision in Paragraph 12 thereof, limits your ability to maintain the lease by payment of shut-in royalty in Paragraph 13, and disclaims any warranty of title in Paragraph 14.

Boxer 3 Fee No. 4: E/2E/2 (161.02 acres)

Tract 2				
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Tract 1: E/2NE/4: 81.02 acres

Owners:	Tract Interest:	Tract Factor:	Unit Interest:
Cimarex	0.666666667	0.50316731	0.335444873
First Roswell Co.	0.33333333	0.50316731	0.16772244
	1.00000000		0.50316731

Tract 2: E/2SE/4: 80 acres

Owners:	Tract Interest:	Tract Factor:	Unit Interest:
Jerry L. Hooper 💈	0.83888889	0.49683269	0.41678742
Penroc Oil Corp. 🗸	0.16111111	0.49683269	0.08004527
	1,0000000		0.40683260

Base Well Interest:

Status:

Cimarex 0.33544487 Participating First Roswell Co. 0.16772244 Participating

0.41678742 Granting Term Assignment Jerry L. Hooper

Penroc Oil Corp. 0.08004527 Participating

Total: 1.00000000

* confine cob's exhibit 7

Oil Conservation Division

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432,571,7800

August 25, 2010



Via: Federal Express Mail (overnight delivery)

Jerry L. Hooper 67 Brees, Apt. 508A San Antonio, Texas 78209

Re: New Well Proposal
Boxer 3 Fee No. 4
Section 3, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

Dear Working Interest Owners:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Boxer 3 Fee No. 4 Well at a legal location in the E/2E/2 of Section 3, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

The intended surface hole location for the well is 375' FNL & 660' FEL of Section 3 and the intended bottom hole location is 330' FSL & 660' FEL of Section 3. The well is proposed to be drilled vertically to a depth of approximately 8,870' to the lower Abo formation and laterally in a Southerly direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 13,460' from surface to terminus.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex' 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 Boxer 3 Fee No. 4 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 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.

Oil Conservation Division
Case No. 19107
Exhibit No. 19



In the event you do not wish to participate in drilling the proposed well, Cimarex will consider acquiring a term assignment of your leasehold interest in the proposed spacing or proration unit dedicated to the well for five hundred dollars (\$500.00) 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 Boxer 3 Fee No. 4 Well

Elects TO participate in the proposed Boxer 3 Fee No. 4 Well
Elects NOT to participate in the proposed Boxer 3 Fee No. 4 Well
Dated this day of, 2010.
Signature:
Printed Name:
Title:
If your election above is TO participate in the proposed Boxer 3 Fee No. 4 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- Boxer 3 Fee No. 4 Well August 12, 2010

July 20, 2010

New Mexico Oil Conservation Division Santa Fe, New Mexico

Re: Boxer 3 Fee Well No. 4 E/2E/2, Section 3, T-15-S, R-31-E Chaves County, New Mexico

Ladies & Gentlemen:

This letter is in support of Cimarex Energy Company to be designated as the operator of the captioned well. Penroc also supports Cimarex position to drill the well in a north to south orientation.

Penroc has participated with Cimarex over the past many years in this area of interest as well as others in Southeast New Mexico, and is satisfied with their expertise in drilling and completion of the wells and eventual operations of the wells. Penroc also believe Cimarex does a better job in controlling expenses in order for the wells to be economic for all working interest owners hence mineral owners.

If you have any questions, please do not hesitate to contact the undersigned. Thank you.

Sincerely,

M. Y. (Merch) Merchant

President

PENROC OIL CORORATION

(575)492-1236

mymerch@penrocoil.com

Stand of

Oil Conservation Division
Case No. 7/4567
Exhibit No.