

(Case 14507)

COTTON  
BLEDSOE  
TIGHE &  
DAWSON, PC  
Attorneys at Law

Presented @  
Sepe 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) 684-9118 Direct Fax  
jdavis@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,

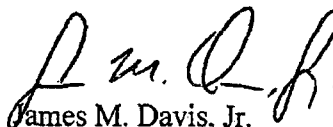
Per your request I have attached a spreadsheet tabulating the ownership of the working interest/operating rights in the subject lands as reflected in the records of the County and District Clerks of Chaves County, New Mexico, through June 8, 2010 at 8:00 a.m. and by the Bureau of Land Management records (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.

By:

  
James M. Davis, Jr.

JMD\kk  
Attachment

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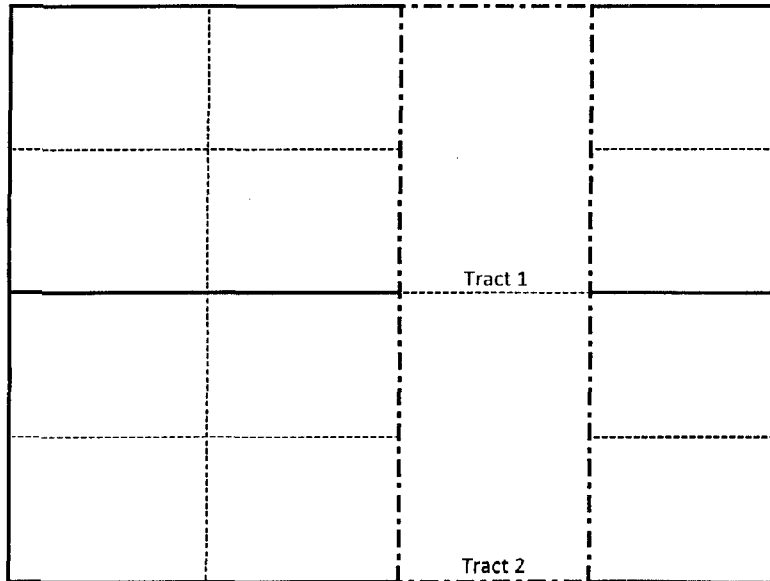
Oil Conservation Division  
Case No. 14507  
Exhibit No. 1

[illegible]

TRACT	LAND	LEASE						
1	Lot 2, SW/4 NE/4 (W/2 NE/4)	58 OGR 345						

[illegible]

Boxer 3 Fee No. 3: W/2E/2 (161.06 acres)



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
Clare Fraser	0.02500000	0.5032907	0.01258227
Sigyn Lund	0.02500000	0.5032907	0.01258227
Don M. Kidwell	0.00531250	0.5032907	0.00267373
	1.00000000		0.50329070

*All ways have to pool*  
*will join*

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

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
<b>Total:</b>	<b>1.00000000</b>	

Oil Conservation Division  
Case No. 14507  
Exhibit No. 2

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.

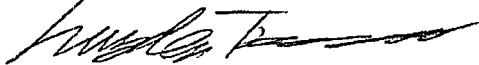
In the event you do not wish to participate in drilling the proposed well, Cimarex will consider acquiring a term assignment of your leasehold interest in the proposed spacing or proration unit dedicated to the well for five hundred dollars (\$400.00) per net mineral acre, wherein, among other mutually agreeable terms, Cimarex would be delivered a seventy-five percent (75%) net revenue interest lease.

Please call the undersigned with any questions or comments.

Oil Conservation Division  
Case No. 3 14507  
Exhibit No. 3

Respectfully,

Cimarex Energy Co.



Hayden P. Tresner  
Landman



**ELECTION TO PARTICIPATE**  
**Boxer 3 Fee No. 3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed Boxer 3 Fee No. 3 Well

\_\_\_\_\_ Elects **NOT** to participate in the proposed Boxer 3 Fee No. 3 Well

Dated this \_\_\_\_ day of \_\_\_\_\_, 2010.

Signature: \_\_\_\_\_

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 64<sup>th</sup> 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,

Cimarex Energy Co.

A handwritten signature in dark ink, appearing to read "Hayden P. Tresner", is written over a horizontal line.

Hayden P. Tresner  
Landman

**Phil Brewer**  
ATTORNEY & COUNSELOR

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. 4  
Exhibit No. 4

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:



(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



Chesapeake Exploration, LLC	Leases 3 and 4	.125000
Pure Energy Group, Inc.	Unleased	.250000
Chisos, Ltd.	Unleased	.250000
First Roswell Company	Unleased	<u>.125000</u>
TOTAL		1.000000

TRACT 2:

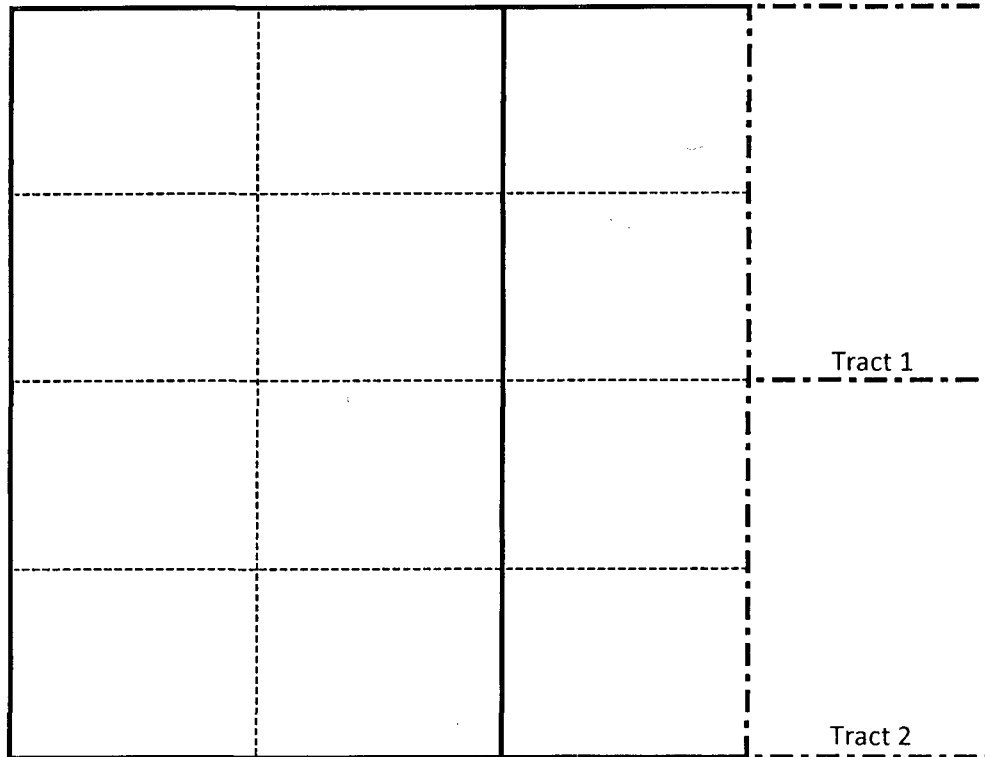
Penroc Oil Corporation	Leases 5-10	.161111
Jerry L. Hooper, whose wife is Margaret A. Hooper	Leases 11-13	<u>.838889</u>
TOTAL		1.000000

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 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
	1.00000000		0.49683269

**Base Well Interest:**

**Status:**

Cimarex	0.33544487	Participating
First Roswell Co.	0.16772244	Participating
Jerry L. Hooper	0.41678742	Granting Term Assignment
Penroc Oil Corp.	0.08004527	Participating
<b>Total:</b>	<b>1.00000000</b>	

*\* Compare to COG's First exhibit 7*

Oil Conservation Division  
Case No. 5 14507  
Exhibit No. 5

Cimarex Energy Co.  
600 N. Mariefeld 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.

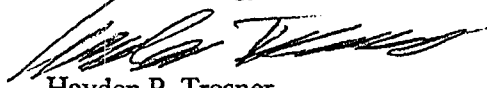
Oil Conservation Division  
Case No. 6 14507  
Exhibit No. 6



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 up*

Oil Conservation Division  
Case No. 7 14507  
Exhibit No. 7