

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

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

**APPLICATION OF CIMAREX ENERGY CO.  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.**

**Case No. 14,870**

**VERIFIED STATEMENT OF HILARY CODER**

Hilary Coder, being duly sworn upon her oath, deposes and states:

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

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the mineral interest owner being pooled has responded to the well proposal but have not yet executed an operating agreement or farmout.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the following acreage in Township 19 South, Range 25 East, N.M.P.M.

The SW/4NW/4 of Section 23 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the Arkansas 23 Fee Well No. 3, to be drilled at an orthodox location.

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No.   1

(c) The parties being pooled, their interests in the well unit, and their addresses, are as follows:

SW/4NW/4 of Section 23.

Nearburg Exploration Company, L.L.C.                      2.5%  
Building 2, Suite 120  
3300 North "A" Street  
Midland, Texas 79705

(d) A copy of the proposal letter sent to the uncommitted mineral interest owner is attached hereto as Exhibits B. In addition, we have called and e-mailed the party being pooled.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owners in the well.

(f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting interest owner.

(g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibits C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

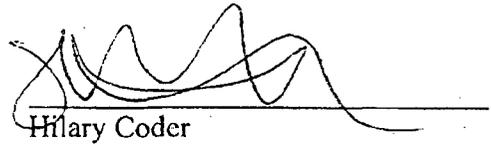
(h) Overhead charges of \$4500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

(i) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

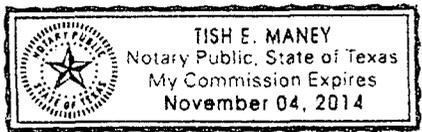
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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

  
\_\_\_\_\_  
Hilary Coder

SUBSCRIBED AND SWORN TO before me this 11<sup>th</sup> day of July, 2012 by Hilary Coder.

My Commission Expires: 11/4/2014

  
\_\_\_\_\_  
Notary Public



**SW/4NW/4 of Section 23, T19S-R25E, Eddy County, NM**

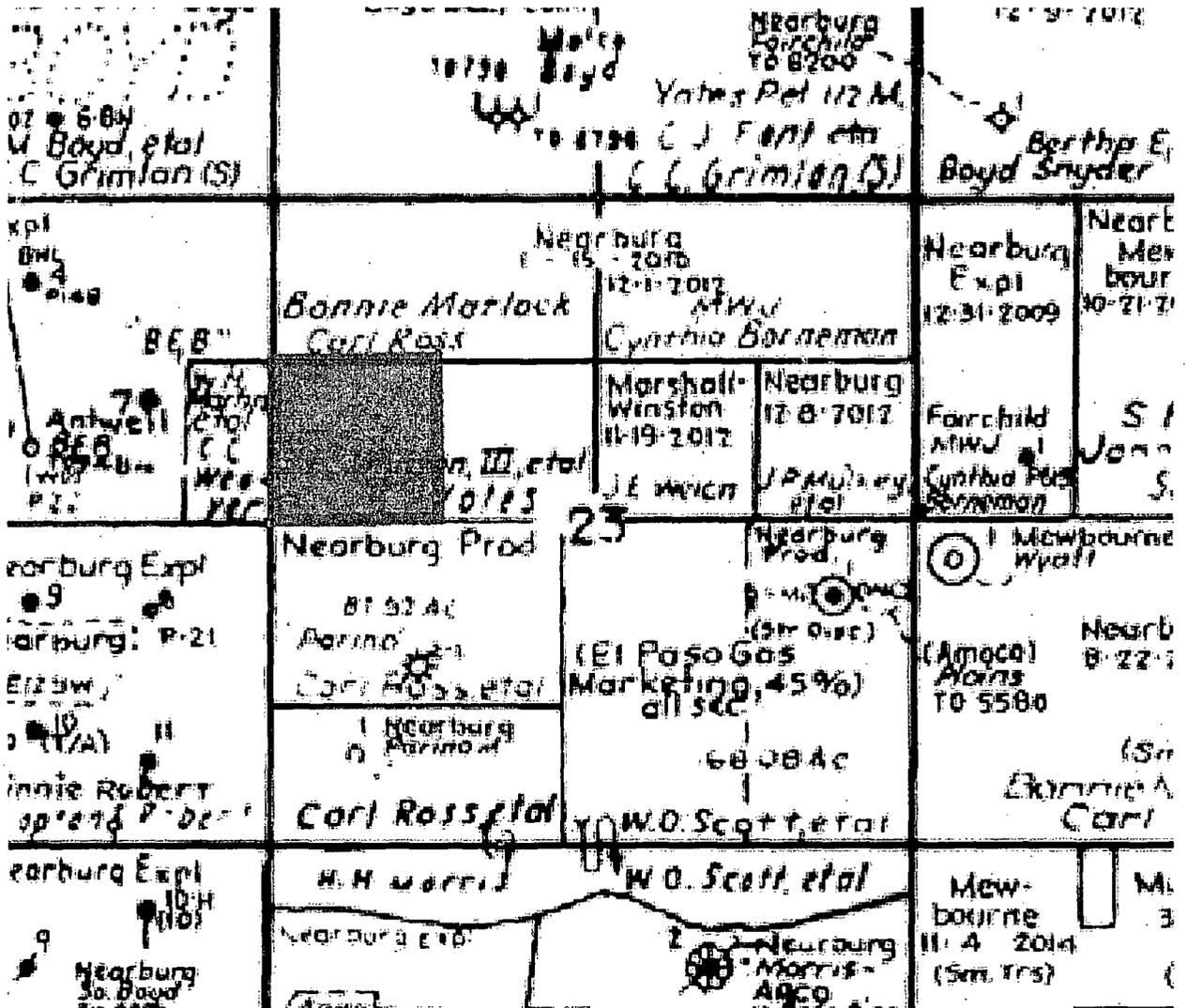


EXHIBIT **A**

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



May 11, 2012

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9337 0606**

Nearburg Exploration Company, LLC  
Attn: Land Manager  
3300 N. Street, Bldg 2, Suite 120  
Midland, Texas 79705-5421

Re: New Well Proposal-Arkansas 23 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 23: SW/4NW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Arkansas 23 Fee No.3 Well at legal location in the SW/4NW/4 of Section 23, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FNL & 990' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Arkansas wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

EXHIBIT

**B**

New Well Proposal-Arkansas 23 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 23: S/2NW/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Arkansas wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

  
Hilary R. Coder  
Petroleum Landman

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**ELECTION TO PARTICIPATE**  
**Arkansas 23 Fee No.3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed Arkansas 23 Fee No.3 Well

\_\_\_\_\_ Elects **NOT** to participate in the proposed Arkansas 23 Fee No.3 Well

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

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

Printed Name: \_\_\_\_\_

New Well Proposal-Arkansas 23 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 23: S/2NW/4  
Eddy County, New Mexico

Title: \_\_\_\_\_

If your election above is TO participate in the proposed Arkansas 23 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

Owner: \_\_\_\_\_

**EXHIBIT "A"**

Attached to and made a part of that certain Operating Agreement dated May 15, 2012, by and between Cimarex Energy Co., as Operator, and Nearburg Exploration Company, LLC, as Non-Operator.

**1. DESCRIPTION OF LANDS:**

Township 19 South, Range 25 East, N.M.P.M.  
Section 23: SW/4NW/4  
Containing 40.00 acres of land, more or less, in total  
Eddy County, New Mexico

**2. DEPTH RESTRICTIONS:**

None

**3. PARTIES AND CONTACT INFORMATION FOR NOTICE PURPOSES:**

Cimarex Energy Co.  
Attn: Land Dept.  
600 N. Marienfeld Street, Suite 600  
Midland, Texas 79701  
Phone: (432) 571-7800  
Facsimile: (432) 571-7840

Nearburg Exploration Company, LLC  
Attn: Land Manager  
5447 Glen Lakes Drive  
Phone:  
Facsimile:

**4. OWNERSHIP PERCENTAGES:**

Parties: \_\_\_\_\_ Ownership Percentages  
Completed Version of Exhibit "A" will be provided upon final determination of participation in well.

**5. OIL AND GAS LEASES:**

**1. Oil and Gas Lease Contributed by Cimarex Energy Co.:**

1.) Completed Version of Exhibit "A" will be provided upon final determination of participation in well.

**6. BURDENS ON PRODUCTION:**

Completed Version of Exhibit "A" will be provided upon final determination of participation in well.



Authorization For Expenditure

Company Entity <b>Cimarex Energy Co.</b>	Date Prepared <b>February 8, 2012</b>
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Arkansas 23 Fee	3	Paddock Extension West (EDDY)		

Location	County	State	Type Well			
Sec 23 / T19S / R25E SHL: 2310' FNL & 990' FWL	Eddy	NM	Oil	X	Expl	X
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl Measured Depth
Original Estimate			San Andre -Glorieta - Yeso	3,000'
Revised Estimate				Ttl Vertical Depth
Supplemental Estimate				3,000'

**Project Description**  
Drill and complete a 3000' Blinebry/Paddock vertical well. Install tank battery.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,847,000	\$1,847,000
<b>Total Intangible Costs</b>	<b>\$427,000</b>	<b>\$1,847,000</b>	<b>\$2,274,000</b>
Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$463,800	\$463,800
<b>Total Tangible Well Cost</b>	<b>\$31,000</b>	<b>\$667,800</b>	<b>\$698,800</b>
<b>Plug and Abandon Cost</b>	\$30,000	-\$50,000	\$0
<b>Total Well Cost</b>	<b>\$488,000</b>	<b>\$2,484,800</b>	<b>\$2,972,800</b>

**Comments on Well Costs**  
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

**Marketing Election**  
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market you share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.  
 I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

**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
Steve Heitzman	Doug Park	Roger Alexander

**Joint Interest Approval**

Company	By	Date

EXHIBIT C



Project Cost Estimate

Lease Name: Arkansas 23 Fee

Well No.: 3

Intangibles	Corries	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
<b>Roads &amp; Location Preparation / Restoration</b>		\$60,000		\$5,000	\$65,000
Damages		\$5,000		\$0	\$5,000
<b>Mud / Fluids Disposal Charges</b>		\$30,000		\$100,000	\$130,000
Day Rate	3.5 OH Days @ 1: ACP Days @	15,000 Per Day		\$15,000	\$68,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)		\$16,000			\$16,000
Bits		\$15,000		\$0	\$15,000
Fuel	\$3.50 Per Gallon	800 Gallons Per Day		\$3,000	\$18,000
Water / Completion Fluids		\$25,000 Per Day		\$230,000	\$255,000
Mud & Additives		\$10,000			\$10,000
Surface Rentals	2,000 Per Day	\$7,000		\$125,000	\$132,000
Downhole Rentals		\$20,000		\$2,000	\$22,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)		\$0			\$0
Mud Logging	3 Days @	1,500 Per Day		\$8,000	\$8,000
Open Hole Logging		\$0			\$0
Cementing & Float Equipment		\$22,000		\$25,000	\$47,000
Tubular Inspections		\$2,000		\$1,000	\$3,000
Casing Crews		\$5,000		\$8,000	\$13,000
Extra Labor, Welding, Etc.		\$9,000		\$5,000	\$14,000
Land Transportation (Trucking)		\$3,000		\$5,000	\$8,000
Supervision	1,700 Per Day	\$11,000		\$15,000	\$26,000
Trailer House / Camp / Catering	700 Per Day	\$5,000		\$0	\$5,000
Other Misc Expenses		\$1,000		\$10,000	\$11,000
Overhead	300 Per Day	\$1,000		\$2,000	\$3,000
Remedial Cementing		\$0		\$0	\$0
MOB/DEMOB		\$50,000			\$50,000
Directional Drilling Services	0 Days @	0 Per Day		\$0	\$0
Dock, Dispatcher, Crane		\$0		\$0	\$0
Marine & Air Transportation		\$0		\$0	\$0
Solids Control	3,500 Per Day	\$16,000			\$16,000
Well Control Equip (Snubbing Svcs.)		\$7,000		\$14,000	\$21,000
Fishing & Sidetrack Operations		\$0		\$0	\$0
Completion Rig	3 Days @	4,000 Per Day		\$12,000	\$12,000
Coil Tubing				\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys				\$30,000	\$30,000
Stimulation				\$900,000	\$900,000
Legal / Regulatory / Curative		\$10,000		\$0	\$10,000
Well Control Insurance	\$0.35 Per Foot	\$1,000			\$1,000
Contingency	5% of Drilling Intangibles	\$20,000		\$75,000	\$95,000
Construction For Well Equipment				\$15,000	\$15,000
Construction For Lease Equipment				\$192,000	\$192,000
Construction For Sales P/L				\$58,000	\$58,000
<b>Total Intangible Cost</b>		<b>\$427,000</b>		<b>\$1,847,000</b>	<b>\$2,274,000</b>

Tangible - Well Equipment					
	Size	Feet	\$ / Foot		
Casing					
Drive Pipe				\$0	\$0
Conductor Pipe				\$0	\$0
Water String				\$0	\$0
Surface Casing	8 5/8"	950.00	\$29.00	\$28,000	\$28,000
Intermediate Casing				\$0	\$0
Drilling Liner				\$0	\$0
Drilling Liner				\$0	\$0
Production Casing or Liner	5 1/2"	3000.00	\$21.00	\$63,000	\$63,000
Production Tie-Back				\$0	\$0
Tubing	2 7/8"	2900.00	\$8.00	\$23,000	\$23,000
N/C Well Equipment				\$35,000	\$35,000
Wellhead, Tree, Chokes				\$3,000	\$8,000
Liner Hanger, Isolation Packer				\$0	\$0
Packer, Nipples				\$0	\$0
Pumping Unit, Engine				\$50,000	\$50,000
Lift Equipment (BHP, Rods, Anchors)				\$25,000	\$25,000
Tangible - Lease Equipment					
N/C Lease Equipment				\$176,000	\$176,000
Tanks, Tanks Steps, Stairs				\$178,000	\$178,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				\$92,000	\$92,000
Flow Lines (Line Pipe from wellhead to central facility)				\$12,000	\$12,000
Offshore Production Structure for Facilities				\$0	\$0
Pipeline to Sales				\$5,800	\$5,800
<b>Total Tangibles</b>				<b>\$31,000</b>	<b>\$667,800</b>
P&A Costs				\$30,000	\$30,000
<b>Total Cost</b>				<b>\$488,000</b>	<b>\$2,972,800</b>