

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

May 23 , 2005 ,  
year

OPERATOR Cimarex Energy Co.

CONTRACT AREA N/2 Section 7, T-21-S, R-27-E

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

COUNTY OR PARISH OF Eddy , STATE OF New Mexico

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AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD.  
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied.

4. Custody of Funds: Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

5. Access to Contract Area and Records: Operator shall, except as otherwise provided herein, permit each Non-Operator or its duly authorized representative, at the Non-Operator's sole risk and cost, full and free access at all reasonable times to all operations of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account. Operator will furnish to each Non-Operator upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the Non-Operator seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C."

6. Filing and Furnishing Governmental Reports: Operator will file, and upon written request promptly furnish copies to each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non-Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

7. Drilling and Testing Operations: The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well:

(a) Operator will promptly advise Non-Operators of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send to Non-Operators such reports, test results and notices regarding the progress of operations on the well as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

8. Cost Estimates: Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

9. Insurance: At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability insurance is specified in said Exhibit "D," or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

## ARTICLE VI. DRILLING AND DEVELOPMENT

### A. Initial Well:

On or before the 23rd day of December, 2005, Operator shall commence the drilling of the Initial Well at the following location:

A legal location in the N/2 of Section 7, T-21-S, R-27-E, Eddy County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to

a depth of 11,475' or a depth sufficient to test the Morrow formation

The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

### B. Subsequent Operations:

1. Proposed Operations: If any party hereto should desire to drill any well on the Contract Area other than the Initial Well, or if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the party desiring to drill, Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone

1           IN WITNESS WHEREOF, this agreement shall be effective as of the 23rd day of May,  
2 2005.

3 **ATTEST OR WITNESS:**

**OPERATOR**  
CIMAREX ENERGY CO.

4  
5 \_\_\_\_\_ By \_\_\_\_\_  
6  
7 \_\_\_\_\_  
                  Type or print name  
8  
                  Title \_\_\_\_\_  
9  
                  Date \_\_\_\_\_

10  
11 **NON-OPERATORS**

12 DEVON ENERGY PRODUCTION COMPANY, L.P.

13 \_\_\_\_\_ By \_\_\_\_\_  
14 \_\_\_\_\_  
                  Type or print name  
15  
                  Title \_\_\_\_\_  
16  
                  Date \_\_\_\_\_

17  
18 FIDELITY EXPLORATION & PRODUCTION  
COMPANY

19  
20 \_\_\_\_\_ By \_\_\_\_\_  
21 \_\_\_\_\_  
                  Type or print name  
22  
                  Title \_\_\_\_\_  
23  
                  Date \_\_\_\_\_

**Exhibit "A"**

**To Operating Agreement dated May 23, 2005, between  
Cimarex Energy Co., Operator, and  
Devon Energy Production Company, L.P. et al, Non-Operators, covering the lands  
In Eddy County, New Mexico**

**I.     Contract Area**

N/2 of Section 7-T21S-R27E, Eddy County, New Mexico, containing 314.16 acres more or less.

**II.    Depth Restrictions**

Limited as to those depths from surface to the base of the Morrow formation

**III.   Oil and Gas Leases Subject to this Agreement**

Lessor:               Bureau of Land Management  
Lessee:               Messrs. G. Burke and H. McCall  
Date:                 June 1, 1963  
BLM Lease No.:       NMNM 0375257-A  
Description:          Insofar and only insofar as said lease covers E/2 NE/4, NW/4 NE/4  
of Section 7, T21S-R27E, Eddy County, New Mexico

Lessor:               Bureau of Land Management  
Lessee:               Beatrice N.M.I. Kurland  
Date:                 March 1, 1964  
BLM Lease No.:       NMNM 0501759  
Description:          Insofar and only insofar as said lease covers Lots 1, 2, SW/4 NE/4,  
SE/4 NW/4 of Section 7, T21S-R27E, Eddy County, New Mexico

Lessor:               Bureau of Land Management  
Lessee:               William E. Jeffers  
Date:                 December 1, 1997  
BLM Lease No.:       NMNM 100331  
Description:          Insofar and only insofar as said lease covers NE/4 NW/4 of Section  
7, T21S-R27E, Eddy County, New Mexico

**IV.    Interests of the Parties**

<u>Working Interest Owner</u>	<u>Working Interest</u>
Cimarex Energy Co. Attention: Mr. Jeff Gotcher 500 W. Wall, Suite 600 Midland, TX 79701-5073	50.929463%
Devon Energy Production Company, L.P. 20 N. Broadway, Suite 1500 Oklahoma City, OK 73102	46.763494%
Fidelity Exploration & Production Company 1700 Lincoln Street, Suite 4600 Denver, CO 80203	2.307043%