

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



January 16, 2013

Via: Certified U.S. Mail

To: Working Interest Owner Address List on Page 4

Re: New Well Proposal-Independence 8 Federal Com No. 1H

Township 15 South, Range 31 East, N.M.P.M.

Section 8: N/2NE/4

Section 9: N/2N/2

Chaves County, New Mexico

Dear Working Interest Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Independence 8 Federal Com No. 1H (the "Well") at a legal location in the N/2NE/4 of Section 8, and the N/2N/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

The intended surface hole location for the Well is 510' FNL & 2310' FEL of Section 8 and the intended bottom hole location is 660' FNL & 330' FEL of Section 9. The Well is proposed to be drilled vertically to a depth of approximately 9,100' to the lower Abo/Wolfcamp formation and laterally in a Easterly direction within the formation to the referenced bottom hole location. The true vertical depth of the Well is proposed to be approximately 8,850' and the total measured depth of the Well is proposed to be approximately 16,100' from surface to terminus.

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 reflecting estimated costs associated with this proposal, and; (ii) our proposed form of Operating Agreement to govern operations of the 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 the 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. 4
Exhibit No. 1

New Well Proposal-Independence 8 Federal Com No. 2
Township 15 South, Range 31 East, N.M.P.M.
Section 8: S/2NE/4
Section 9: S/2
Chaves County, New Mexico

If you do not intend to participate in drilling the Well, Cimarex hereby offers to purchase a term assignment of your leasehold interest in the N/2N/2 of Section 9, based on the following general terms:

- I.) Bonus consideration equal to \$300 per net leasehold acre;
- II.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- III.) Primary term of one (1) year, with 180-day continuous development thereafter

If these terms meet your approval, please execute the enclosed Term Assignment in the presence of a Notary Public and return it to the attention of the undersigned at the above-letterhead address. Your lease bonus will be mailed to you under separate cover upon Cimarex's receipt of your fully-executed Term Assignment.

Please contact the undersigned directly at (432) 571-7856 or by e-mail at htresner@cimarex.com if you should have any questions about this proposal.

Respectfully Submitted,

Cimarex Energy Co.



Hayden P. Tresner
Landman

Enclosures//

New Well Proposal-Independence 8 Federal Com No. 2
Township 15 South, Range 31 East, N.M.P.M.
Section 8: S/2NE/4
Section 9: S/2
Chaves County, New Mexico

ELECTION TO PARTICIPATE
Independence 8 Federal Com No. 1H Well

_____ Elects **TO** participate in the proposed Independence 8 Federal Com No. 1H Well

_____ Elects **NOT** to participate in the proposed Independence 8 Federal Com No. 1H Well

Dated this _____ day of _____, 2013.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Independence 8 Federal Com No. 1H 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-Independence 8 Federal Com No. 2
Township 15 South, Range 31 East, N.M.P.M.
Section 8: S/2NE/4
Section 9: S/2
Chaves County, New Mexico

WORKING INTEREST OWNER ADDRESS LIST

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 6077

Douglas C. Koch
P.O. Box 540224
Houston, Texas 77254

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 6060

Wayne A. Bissett
P.O. Box 2101
Midland, Texas 79702

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 6053

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

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 6046

Sigyn Lund
c/o Hilmer H. Graham
110-55 72nd Street
Forrest Hills, New York 11375