

**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, LEA COUNTY, NEW
MEXICO.**

Case No. 13,786

VERIFIED STATEMENT OF ANTHONY J. CERVI

Anthony J. Cervi, being duly sworn upon his 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 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:
 - (a) No opposition to this application is expected because the mineral interest owners being pooled are (i) unlocatable, or (ii) have failed to respond to lease offers and well proposals.
 - (b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests Section 17, Township 15 South, Range 36 East, NMPM, as follows:
 - (i) The NE $\frac{1}{4}$ NE $\frac{1}{4}$ to form a standard 40 acre oil and spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated Caudill-Permo Upper Penn Pool;
 - (ii) The NE $\frac{1}{4}$ to form a standard 160 acre gas spacing and proration unit for any formations and/or pools developed on 160 acre spacing within that vertical extent; and
 - (iii) The N $\frac{1}{2}$ to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Undesignated Caudill-Atoka Gas Pool and Undesignated Caudill-Mississippian Gas Pool.

The unit is to be dedicated to the Caudill West 17 Fee Well No. 1, to be drilled at an orthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 17, to a depth sufficient to test the Mississippian formation

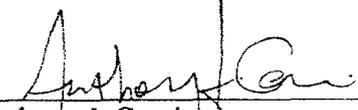
Oil Conservation Division
Case No. 13,786
Exhibit No. 1

- (c) The parties being pooled, their interests in the well unit, and their last known addresses, are listed on Exhibit B.
- (d) Copies of the proposal letters and other correspondence sent to the uncommitted mineral interest owners are attached hereto as Exhibit B.
- (e) Interest owners who were not locatable are listed on Exhibit A. To locate these interest owners, Cimarex Energy Co. examined the Lea County records, telephone directories and county records in the counties of residence of the out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender.
- (f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.
- (g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. 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 \$6,000/month for a drilling well, and \$600/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 well of this depth.
- (i) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
 COUNTY OF DALLAS)

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



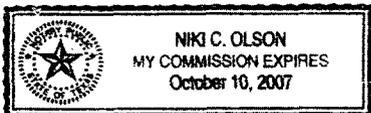
 Anthony J. Cervi

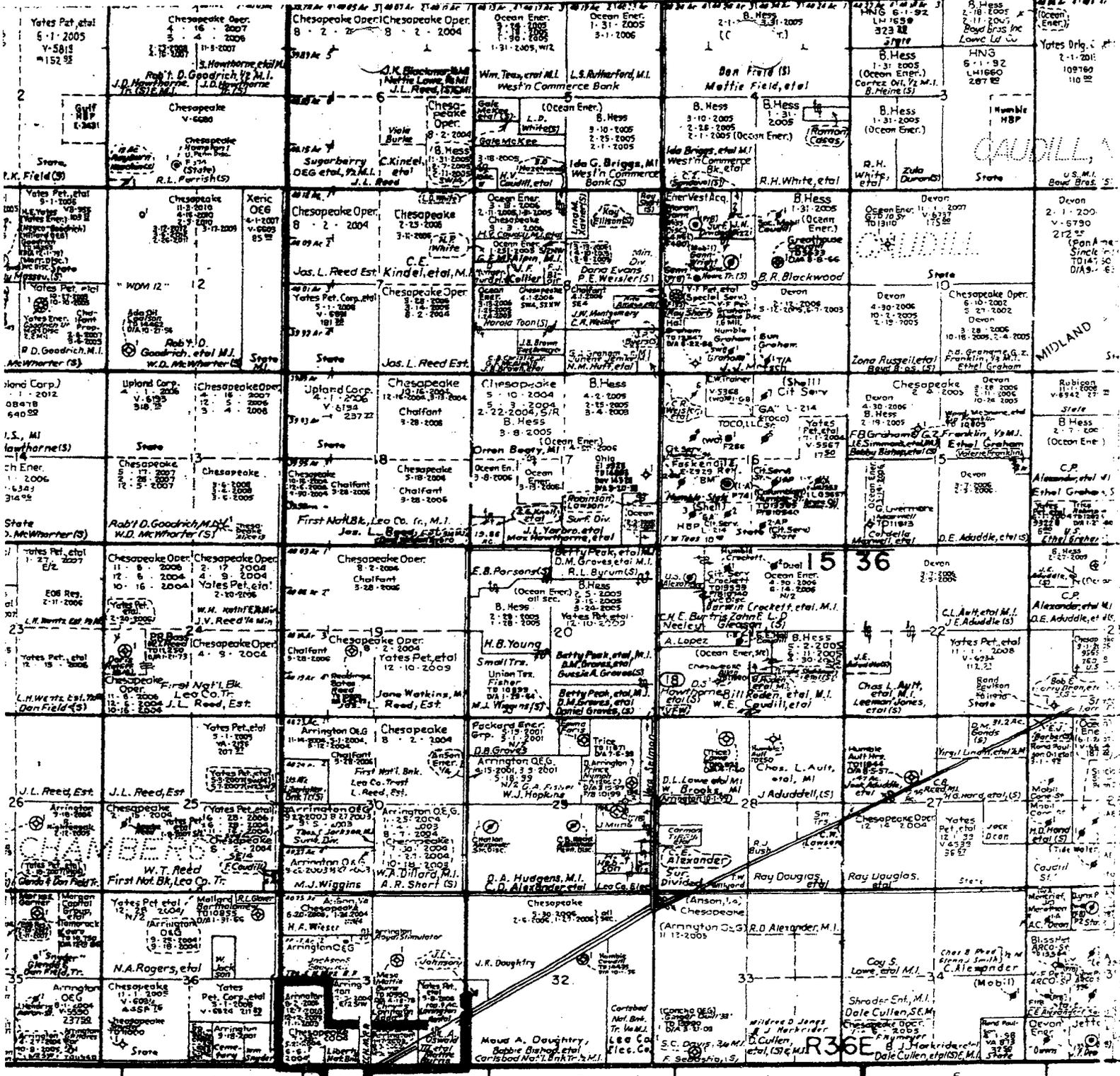
SUBSCRIBED AND SWORN TO before me this 11th day of October, 2006 by Anthony J. Cervi.

My Commission Expires: 10/10/07



 Notary Public





was prepared
company shall in no
that occur.
be made before

and information
e or copy this
it written
prohibited by law.

EXHIBIT NUMBER **A**



Expired leases on Federal Lands
not removed until new lease issued.

LEGEND

- CO₂ Wells Not Shown
- Wildcat Below 5000' or Discovery
- Location
- Abandoned Producer
- Complete — Producing Oil
- Completed — Producing Gas
- ◇ Dry & Abandoned
- ↑ Fee Owner — Slant Lettering
- ↕ Lease Owner — Vertical Lettering
- State Highway (F.M.)
- State Highway
- U. S. Highway

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Ave., Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 33033

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-37975	2. Pool Code 96664	3. Pool Name AUSTIN;MORROW, SOUTHWEST (GAS)
4. Property Code 35793	5. Property Name CAUDILL WEST 17 FEE	
7. OGRID No. 215099	8. Operator Name CIMAREX ENERGY CO.	6. Well No. 001 9. Elevation 3916

10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	17	15S	36E		880	N	660	E	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00		13. Joint or Infill		14. Consolidation Code			15. Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

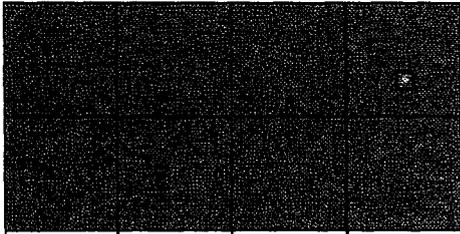
 <table border="1" style="width: 100%; height: 100px;"> <tr><td style="width: 25%; height: 25px;"></td><td style="width: 25%; height: 25px;"></td><td style="width: 25%; height: 25px;"></td><td style="width: 25%; height: 25px;"></td></tr> <tr><td style="width: 25%; height: 25px;"></td><td style="width: 25%; height: 25px;"></td><td style="width: 25%; height: 25px;"></td><td style="width: 25%; height: 25px;"></td></tr> </table>									<p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: Sharon LaValley Title: Manager Date: 6/26/2006</p> <hr/> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: Gary Jones Date of Survey: 6/13/2006 Certificate Number: 7977</p>

EXHIBIT B

OWNER	UNIT WI %
Ann Childers (address unknown)	0.357143%
Ann Walker and Keith F. Walker, Co-Trustees of the Ann Walker Trust dated 10/26/94 P.O. Box 1169 Duncan, Oklahoma 73534	1.285714%
Bud and Mary Lou Flocchini Family Partnership P.O. Box 26158 San Jose, California 95159	0.070313%
Carkel Energy, LLC 6814 NW 23rd Behtany, Ok 73008	0.225000%
Chalfant Properties, Inc. P.O. Box 3123 Midland, TX 79702	3.157637%
Chatfield Company P.O. Box 1903 Denver, Colorado 80201	0.008789%
Christa L. Leavell P.O. Box 470 Robinson, Illinois 62454	0.023438%
Christa L. Leavell, Custodian for Michelle C. Leavell (address unknown)	0.023438%

EXHIBIT B

Citade Oil and Gas Corporation P.O. Box 3052 Denver, Colorado 80201	0.035156%
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Dan Auld, Jr., ssp P.O. Drawer 766 Leahey, Texas 78873	0.382358%
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Dial C West Ltd Partnership PO Box 1169 Duncan, Ok 73534	0.450000%
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Elizabeth Brown Bennett P.O. Box 1054 Arlington, Texas 76010	1.587302%
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Enertree, LLC 3037 NW 63rd, Suite 155W Oklahoma City, Ok 73116	0.225000%
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Fall River Resources, Inc. P.O. Box 13456 Denver, Colorado 80201	0.008789%
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FFF, Inc. P.O. Box 8687 Denver, Colorado 80201	0.008789%
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Frank Dale PO Box 1169 Duncan, Ok 73534	0.032143%
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EXHIBIT 13

Harle, Inc. 22230 S.W. Taylors Tualatin, Oregon 97062	0.039063%
HW Allen Co PO Box 1169 Duncan, Ok 73534	0.417857%
Jonathan S. Roederick and wife, Carol Roederick, as Joint Tenants 6154 W. 83rd Way Arvada, Colorado 80003	0.014063%
Kalkman Habeck Company PO Box 1169 Duncan, Ok 73534	0.758571%
Larry Hunnicutt, Custodian for Grady Paul Hunnicutt, ssp 3110 Thomas Ave., Apt.. 113 Dallas, Texas 75204	0.019531%
Larry Hunnicutt, Custodian for Justin Travis Hunnicutt, ssp 3110 Thoma Ave., Apt.. 113 Dallas, Texas 75204	0.019531%
LaWayne E Jones PO Box 1169 Duncan, Ok 73534	3.034286%
Louise A. Oswald, III, Trustee of the Oswald Family Trust dated 04/27/98 P.O. Box 36157 Denver, Colorado 80236	0.049219%

EXHIBIT B

M. W. Oil Investment Company, Inc. 518 17th Street, Suite 540 Denver, Colorado 80202	0.142031%
Minnie Price Tomlinson, John Clyde Tomlinson, Jr., and N. E. Loomis, Trustees u/w/o J. Clyde Tomlinson, deceased P.O. box 791 Longview, Texas 75606	1.587302%
R. M. Williams and wife, Jacqueline 5 Dovekie Court Nantucket, Massachusetts 02554	0.059524%
Ronald C. Agel 105 Countryside Rd. Newton, Massachusetts 02159	0.070313%
Shawn P. Hannifin and Frances A. Hannifin as Joint Tenants with ROS P.O. Box 8687 Denver, Colorado 80201	0.008789%
The Children's Medical Foundation of Texas 1935 Motor St. Dallas, Texas	0.357143%
Wytex Oil Company P.O. Box 36157 Denver, Colorado 80236	0.162656%

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Larry Hunnicutt
3110 Thomas Ave., Apt. 113
Dallas, TX 75204

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Dear Mr. Hunnicutt:

The Deed Records of Lea County, New Mexico indicate that you, as Custodian for Justin Travis Hunnicutt and Grady Paul Hunnicutt each own an undivided .039063% mineral interest under the above referenced lands, being .123 net mineral acres each.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

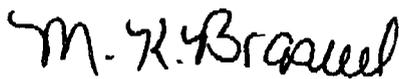

Mary Kay Brasuel

EXHIBIT C



Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166

AAFL-CPL

August 22, 2006

Wytotex Oil Company
P.O. Box 36157
Denver, CO 80236

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, T-15-S, R-36-E,
W/2 & W/2 E/2 of Section 32, T-14-S, R-36-E,
Lea County, New Mexico, 800 acres, more or less

*Lea Co. Sec. 17
Windland Corp.
Called + said
already had a
deal to lease*

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .325313% mineral interest under the E/2 of Section 17, less 5 acres, being 1.0247 net mineral acres, you own an undivided 2/5 mineral interest under 5 acres out of the E/2 of Section 17, being 2 net mineral acres, you own an undivided 1/80 mineral interest under the W/2 W/2 of Section 32, being 2 net mineral acres, and you own an undivided 1/10 mineral interest under the E/2 W/2 & W/2 E/2 of Section 32, being 32 net mineral acres, for a total of 37.0247 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

- 3/16ths Royalty**
- 3 year paid-up primary term**
- \$100.00/acre lease bonus consideration**

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

M. K. Brasuel
Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Louise A. Oswald, III, Trustee
P.O. Box 36157
Denver, CO 80236

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner, SE/4 of Section
5 & SW/4 of Section 4, T-15-S, R-36-E,
Lea County, New Mexico, 635 acres, more or less

Dear Mr. Oswald:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .098438% mineral interest under the E/2 of Section 17, being .3101 net mineral acres, and you own an undivided 3/128 mineral interest under the SE/4 of Section 5 and the SW/4 of Section 4, being 7.5 net mineral acres, for a total of 7.8101 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Could not locate

Bamar, Inc.
P.O. Box 250
Hobbs, NM 88241

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .074405% mineral interest under the above referenced lands, being .2344 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

- 3/16ths Royalty
- 3 year paid-up primary term
- \$100.00/acre lease bonus consideration

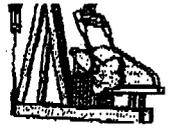
Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel



Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166

AAPL-CPL

August 22, 2006

Bud & Mary Flocchini Family Partnership
P.O. Box 26158
San Jose, CA 95159

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .140625% mineral interest under the above referenced lands, being .4430 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Could not locate

Jonathan S. Roederick
6154 W. 83rd Way
Arvada, CO 80003

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Dear Mr. Roederick:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .028125% mineral interest under the above referenced lands, being .0886 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Citade Oil and Gas Corporation
P.O. Box 3052
Denver, CO 80201

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .070313% mineral interest under the above referenced lands, being .2215 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

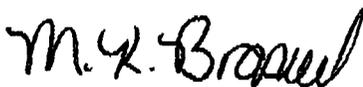
\$100.00/acre lease bonus consideration

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Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,



Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



MPL-CPL

August 22, 2006

Chatfield Company
P.O. Box 1903
Denver, CO 80201

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .017578% mineral interest under the above referenced lands, being .0554 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

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Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701 *(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Fall River Resources, Inc.
P.O. Box 13456
Denver, CO 80201

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

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This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006.

FFF, Inc.
P.O. Box 8687
Denver, CO 80201

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

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3/16ths Royalty

3 year paid-up primary term

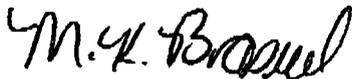
\$100.00/acre lease bonus consideration

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Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,



Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202 MIDLAND, TEXAS 79701 (432) 684-4110 FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Shawn P. Hannifin
P.O. Box 8687
Denver, CO 80201

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Dear Mr. Hannifin:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .017578% mineral interest under the above referenced lands, being .0554 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

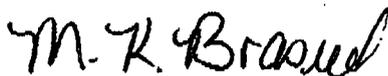
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Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,



Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202 *MIDLAND, TEXAS 79701 * (432) 684-4110 * FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Frank Dale
P.O. Box 1169
Duncan, OK 73534

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Dear Mr. Dale:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .064286% mineral interest under the above referenced lands, being .2025 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

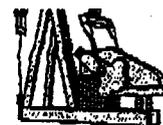
Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

H. W. Allen Company
P.O. Box 1169
Duncan, OK 73534

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .835714% mineral interest under the above referenced lands, being 2.6325 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

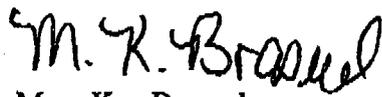
\$100.00/acre lease bonus consideration

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Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,


Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Dial C. West, LP
P.O. Box 1169
Duncan, OK 73534

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .90% mineral interest under the above referenced lands, being 2.8350 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

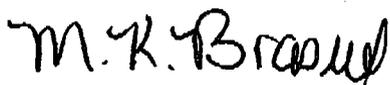
\$100.00/acre lease bonus consideration

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Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,



Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

CarKel Energy, LLC
6814 NW 23rd
Bethany, OK 73008

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .45% mineral interest under the above referenced lands, being 1.4175 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

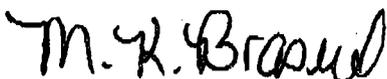
\$100.00/acre lease bonus consideration

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Thank you for your time and consideration on this matter.

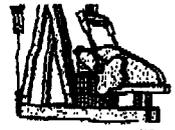
Respectfully,



Mary Kay Brasuel

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Enertec, LLC
3037 NW 63rd, Suite 115W
Oklahoma City, OK 73116

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Gentlemen:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .45% mineral interest under the above referenced lands, being 1.4175 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel

Rec'd 4-29-05

Clay Johnson Oil & Gas, 203 W. Wall, Ste 202, Midland, TX 79701

April 20, 2005

FILE# 225

Toles-Com-Ltd., LLC
P.O. Box 1300
Roswell, NM 88202

9-21-06
Spoke with Mr Toles - he is proposing
lease and will mail to us

RE: Oil & Gas Lease Proposal
T-15-S, R-36-E, N.M.P.M.
Section 17: E/2
Containing 315.00 acres more or less

Dear Toles-Com-Ltd:

County records indicate that you own 2.4609 net mineral acres in the above captioned lands. Our client would like to acquire an oil and gas lease covering this interest and are prepared to offer the following terms:

1. \$100.00 per net acre bonus consideration;
2. Three-sixteenths (3/16) royalty, and
3. Three (3) year term.

Please fill out the information below and return this letter to me in the envelope provided and a lease will be sent to you, or, if you prefer, please call me at 1-432-570-4526 to discuss it further.

Sincerely,

Mike Ketter

Mike Ketter
Agent/Clay Johnson

Mike.

We would accept \$100 - 1/4 RI - 3 YR
Pd up on our lease form

-Perry

These terms are (are not) acceptable to me this the 28 day of JULY, 2005.

NAME: Perry Toles

ADDRESS (if different from above): _____

Telephone No: 505/622-5863 best time to call: _____

Rec'd 4-29-05

Clay Johnson Oil & Gas Properties

203 WEST WALL, SUITE 202* MIDLAND, TEXAS 79701*(432) 684-4110* FAX (432) 684-5166



AAPL-CPL

August 22, 2006

Ronald C. Agel
105 Countryside Rd.
Newton, MA 02159

Re: Oil and Gas Lease Proposal
The E/2 of Section 17, less 5 acres
out of the SE/corner of Section 17,
T-15-S, R-36-E, Lea County, New
Mexico, 315 acres, more or less

Dear Mr. Agel:

The Deed Records of Lea County, New Mexico indicate that you own an undivided .140625% mineral interest under the above referenced lands, being .4430 net mineral acres.

This letter shall offer to lease all of your mineral interest under the above referenced lands according to the following terms:

3/16ths Royalty

3 year paid-up primary term

\$100.00/acre lease bonus consideration

Cimarex Energy Co. plans to spud the Caudill West 17 #1 Fee Well around the 1st of October. If you choose not to lease you will have the option to sign the enclosed Authority For Expenditure and participate in the drilling of this well.

Your prompt and favorable response would be greatly appreciated. Should you have any questions, do not hesitate to call.

Thank you for your time and consideration on this matter.

Respectfully,

Mary Kay Brasuel



Cimarex Energy Co. of Colorado
 wholly owned subsidiary of Cimarex Energy Co.
AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.				DATE PREPARED 17-Jul-06	
REGION Permian NM	WELL NAME Caudill West 17 Fee	WELL NO 1	PROSPECT OR FIELD NAME Star / Denton	PROPERTY NUMBER	DRILLING AFE NO.
LOCATION: 880' FNL, 660' FEL, 17-T15S-R36E (same)			COUNTY BHL SHL Lea	STATE NM	TYPE WELL OIL _____ GAS _____ EXPL <input checked="" type="checkbox"/> PROD <input checked="" type="checkbox"/>
ORIGINAL ESTIMATE	<input checked="" type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION Atoka	EST. TD (TVD) 12,950'
REVISED ESTIMATE					
SUPPLEMENTAL ESTIMATE					

PROJECT DESCRIPTION:

Drill and complete Atoka formation.

Secondary formations are: Wolfcamp, Austin

	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
INTANGIBLES			
Intangible Drilling Costs	<u>\$1,965,500</u>		<u>\$1,965,500</u>
Intangible Completion Costs		<u>558,725</u>	<u>558,725</u>
TOTAL INTANGIBLE COSTS	<u>1,965,500</u>	<u>558,725</u>	<u>2,524,225</u>
TANGIBLES			
Well Equipment	<u>190,566</u>	<u>375,705</u>	<u>566,270</u>
Lease Equipment		<u>41,000</u>	<u>41,000</u>
TOTAL TANGIBLE WELL COST	<u>190,566</u>	<u>416,705</u>	<u>607,270</u>
PLUG AND ABANDON COST	<u>75,000</u>	<u>(75,000)</u>	
TOTAL WELL COST:	<u>\$2,231,066</u>	<u>\$900,430</u>	<u>\$3,131,495</u>

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.

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 Howard Miller Sr. Drilling/Completion Engineer - Permian Basin	DRILLING DEPT. Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER

JOINT INTEREST APPROVAL		
COMPANY	BY	DATE

D
EXHIBIT



PROJECT COST ESTIMATE

LEASE NAME: Caudill West 17 Fee

WELL NO.: 1

DESCRIPTION	DRY HOLE		AFTER CASING		COMPLETED WELL COST
	Codes	COST	Codes	POINT	
INTANGIBLES					
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$50,000	DICC.100	\$5,000	\$55,000
DAMAGES	DIDC.105	10,000	DICC.105		\$10,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	5,000	DICC.235	20,000	\$25,000
DAY RATE 40 DH DAYS 4 ACP DAYS @ \$19,000 PER DAY	DIDC.115	760,000	DICC.120	78,000	\$838,000
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	8,000			\$8,000
BITS	DIDC.125	100,000	DICC.125	750	\$100,750
FUEL \$2.75 PER GALLON	DIDC.135	154,000	DICC.130	17,000	\$171,000
WATER / COMPLETION FLUIDS	DIDC.140	10,000	DICC.135	17,500	\$27,500
MUD & ADDITIVES	DIDC.145	75,000			\$75,000
SURFACE RENTALS	DIDC.150	60,000	DICC.140	17,250	\$77,250
DOWNHOLE RENTALS	DIDC.155	100,000	DICC.145	5,000	\$105,000
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	DIDC.180				
MUD LOGGING 30 Days @ \$1,000 PER DAY	DIDC.170	30,000			\$30,000
OPEN HOLE LOGGING	DIDC.180	80,000			\$80,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	60,000	DICC.155	50,000	\$110,000
TUBULAR INSPECTIONS	DIDC.190	4,000	DICC.160	5,000	\$9,000
CASING CREWS	DIDC.195	15,000	DICC.165	12,000	\$27,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	15,000	DICC.170	10,000	\$25,000
LAND TRANSPORTATION (Trucking)	DIDC.205	10,000	DICC.175	4,750	\$14,750
SUPERVISION	DIDC.210	44,000	DICC.180	17,150	\$61,150
TRAILER HOUSE/CAMP/CATERING	DIDC.280	16,000	DICC.255	2,125	\$18,125
OTHER MISC EXPENSES	DIDC.220	2,500	DICC.180	2,500	\$5,000
OVERHEAD	DIDC.225	12,000	DICC.185	4,500	\$16,500
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	125,000			\$125,000
DIRECTIONAL DRILLING SERVICES DAYS @ PER DAY	DIDC.245				
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.280	100,000			\$100,000
WELL CONTROL EQUIP	DIDC.285	12,000	DICC.240	4,950	\$16,950
FISHING & SIDETRACK OPERATIONS	DIDC.270		DICC.245		
COMPLETION RIG 15 DAYS @ \$3,750 PER DAY			DICC.115	56,250	\$56,250
COIL TUBING DAYS @ PER DAY			DICC.260		
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.200	35,000	\$35,000
STIMULATION			DICC.210	150,000	\$150,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	10,000	DICC.280		\$10,000
WELL CONTROL INSURANCE \$0.34 PER FOOT	DIDC.285	4,000			\$4,000
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	94,000	DICC.220	28,000	\$120,000
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110	5,000	\$5,000
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	15,000	\$15,000
CONSTRUCTION FOR SALES P/L			DICC.265		
TOTAL INTANGIBLE COST		\$1,985,500		\$558,725	\$2,544,225
TANGIBLE - WELL EQUIPMENT					
CASING	SIZE	FEET	\$/FOOT		
DRIVE PIPE				DWEB.150	
CONDUCTOR PIPE	20 "	40'	\$100.00	DWEB.130	4,000
WATER STRING				DWEB.135	
SURFACE CASING	13 3/8"	650'	\$43.82	DWEB.140	28,353
INTERMEDIATE CASING	9 5/8"	4,750'	\$30.15	DWEB.145	143,213
DRILLING LINER				DWEB.145	
DRILLING LINER				DWEB.145	
PRODUCTION CASING OR LINER	5 1/2"	12,950'	\$18.31		
PRODUCTION TIE-BACK				DWEA.100	237,115
TUBING	2 3/8"	11,500'	\$4.66		
N/C WELL EQUIPMENT				DWEA.105	53,590
WELLHEAD, TREE, CHOKES				DWEA.115	5,000
LINER HANGER, ISOLATION PACKER				DWEA.120	75,000
PACKER, NIPPLES				DWEA.125	
PUMPING UNIT, ENGINE				DWEA.130	5,000
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.100	
TANGIBLE - LEASE EQUIPMENT					
N/C LEASE EQUIPMENT				DLEQ.115	5,000
TANKS, TANKS STEPS, STAIRS				DLEQ.120	10,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	21,000
FLOW LINES (Line Pipe from wellhead to central facility)				DLEQ.130	5,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES				DWEA.135	
PIPELINES TO SALES				DWEA.140	
TOTAL TANGIBLES			\$120,568	\$416,705	\$607,273
P&A COSTS	DIDC.295	75,000	DICC.275	(75,000)	
TOTAL COST		\$2,131,066		\$900,430	\$3,031,496