

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL
CONSERVATION
DIVISION**

CASE #: 14195

EXHIBIT

1

**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
A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, CHAVES
COUNTY, NEW MEXICO.**

Case No. 14,195

VERIFIED STATEMENT OF HAYDEN P. TRESNER

Hayden P. Tresner, 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 1210.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 owners being pooled have simply not responded to well proposals.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a non-standard oil spacing and proration unit (project area) comprised of the S/2N/2 of Section 16, Township 15 South, Range 31 East, NMPM, to form a non-standard 160-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 40-acre spacing, and pooling all mineral interests in the lower Abo/Wolfcamp formation underlying the non-standard unit. The unit is to be dedicated to the Ticonderoga 16 State Com. Well No. 1H, a horizontal well to be drilled at a surface location 1980 feet from the north line and 330 feet from the west line, with a terminus 1980 feet from the north line and 330 feet from the east line, of Section 16. The well unit is non-standard because of the horizontal well, and applicant seeks to pool the non-standard well unit.

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

Oil Conservation Division

Case No. 1

Exhibit No. 1

Estate of Louis Walter	<u>6.25</u> %
Estate of Manuel Walter	<u>6.25</u> %
Toni Walter Stern	<u>6.25</u> %
Lance J. Walter	<u>6.25</u> %

No. 245
9150 Wilshire Boulevard
Beverly Hills, California 90212

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B.

(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) The offset operators or lessees of the acreage surrounding the well unit are as follows:

(i) W½ of Section 10.
Chesapeake Exploration Limited Partnership
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

COG Operating, LLC
Suite 1300
550 West Texas
Midland, Texas 79701

(ii) N½NE¼ of Section 16.
Cimarex Energy Co. of Colorado

(iii) NE¼NW¼ of Section 16.
Chesapeake Exploration Limited Partnership

(iv) NW¼NW¼ of Section 16.
Anadarko Petroleum Corporation
1201 Lake Robbins Drive
The Woodlands, Texas 77380

(v) SW¼NE¼ of Section 16.
XTO Energy Inc.
Suite 2000
810 Houston Street
Fort Worth, Texas 76102

(vi) N½SE¼ of Section 16.
Cimarex Energy Co. of Colorado

(vii) NE¼SW¼ of Section 16.
Chevron U.S.A. Inc.
11111 South Wilcrest Drive
Houston, Texas 77099-4310

(viii) NW¼SW¼ of Section 16.
Cimarex Energy Co. of Colorado

(ix) E½ of Section 17.
Kevin O. Butler & Associates, Inc.
P.O. Box 1171
Midland, Texas 79702

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit 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 Chaves County.

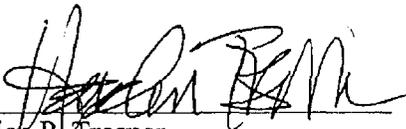
(i) Overhead charges of \$ 6,500.00/month for a drilling well, and \$ 650.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

(j) Applicant requests that Cimarex Energy Co. of Colorado be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

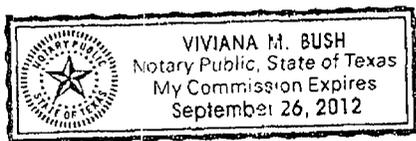
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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



Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 15th day of October, 2008 by Hayden P. Tresner.

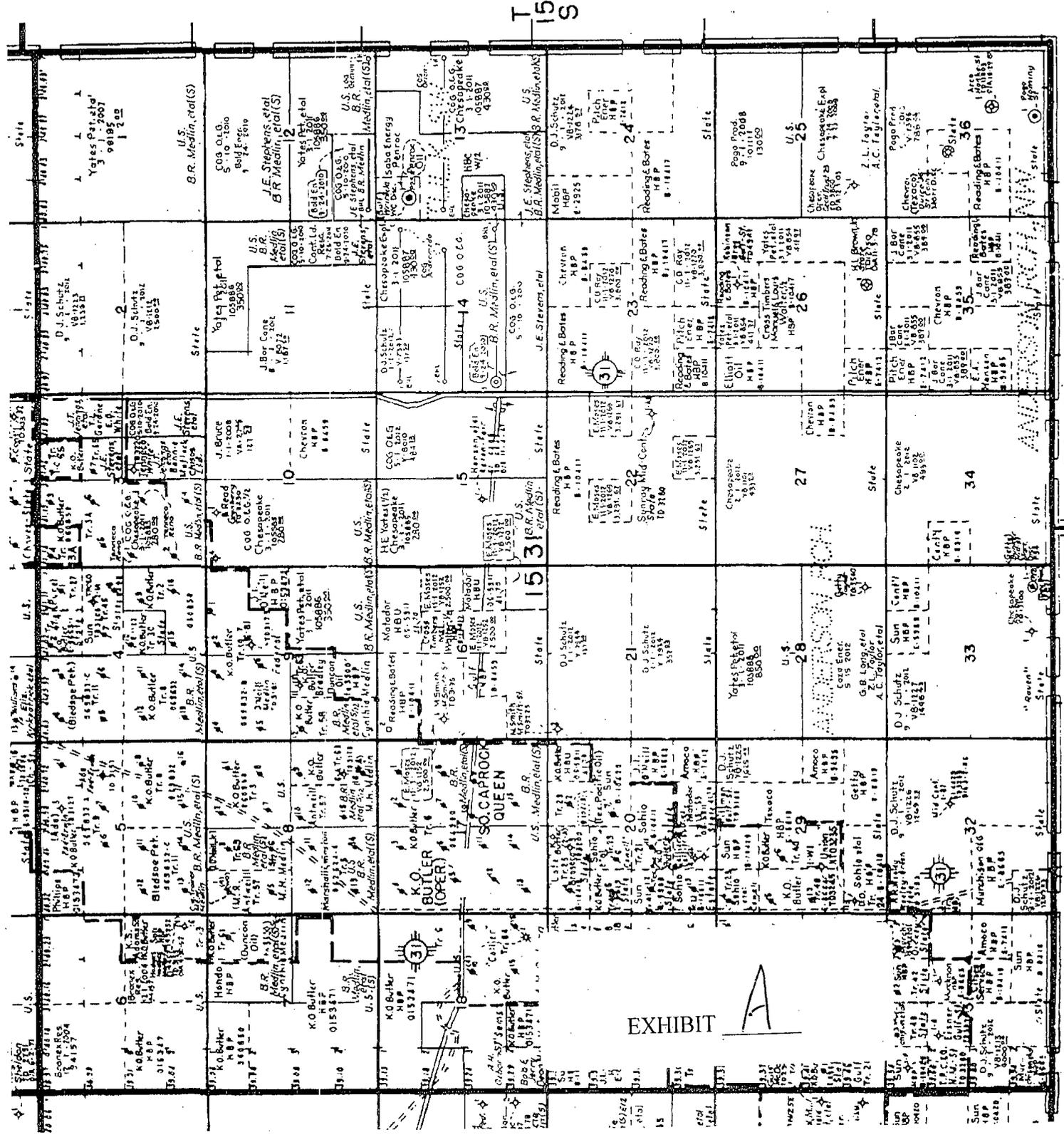
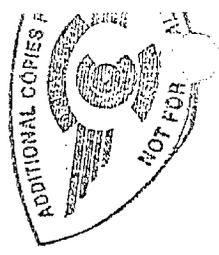
My Commission Expires: September 26, 2012 Viviana M. Bush
Notary Public



ON ALL NON LIBRARY MAP I INCLUDING PZ MAPS AND WILL

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T 15 S

EXHIBIT

EDDY East LEA Southwest

D 21 C

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



August 8, 2008

Via Certified U.S. Mail-Return Receipt Requested No. 7004 1160 0000 4496 1278

Louis Walter, et al
9350 Wilshire Blvd. #212
Beverly Hills, California 90212

Re: Cimarex Energy Co's.
Well proposal
Ticonderoga 16 State Com No. 1-H

Gentlemen:

The public records of Chaves County, New Mexico indicate that Walter Amusements, Inc., Manuel Walter and Louis Walter ("Walter") own part of a lease that covers the SW/4NE/4 of Section 16-T15S-R31E, N.M.P.M. Chaves County, New Mexico. Cimarex Energy Co. ("Cimarex") owns leases that cover the S/2NW/4 and SE/4NE/4 of Section 16. We would like to form a 160-acre working interest unit comprised of the S/2N/2 of this section and then drill a horizontal well to test the lower Abo formation.

Cimarex hereby proposes to drill the well to a vertical depth of approximately 9,600' from a surface location at approximately 1980' FNL and 330' FWL, then kick off up the wellbore and continue to drill an estimated 4,500' lateral leg to a proposed bottom hole location at approximately 1980' FNL and 330' FEL for a TVD of approximately 8800' and an approximate final MD of 13,250'.

Enclosed herewith are two (2) copies of Cimarex' AFE in the total amount of \$ 4,861,424 that sets forth our estimated cost to drill and complete the well. If Walter would like to participate in this well, please sign and return a copy of the AFE to the undersigned at the above letterhead address. Cimarex' proposed form operating agreement will be delivered upon receipt of Walter's election to participate in the well. Alternatively, if Walter chooses not to participate, Cimarex would be interested in entering into a term assignment or farmout of Walter's leasehold interest in this proposed unit.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us. Thank you very much.

Regards,

Hayden P. Tresner
Landman

Class Mail
national mail
with Certified
mail.
Certified
mail is
guaranteed to arrive
at the destination
on the date and time
indicated on the
mailing label.
Postage and
insurance charges
are extra.
For more information,
visit us online at
www.usps.com

Postage
PAID
33332
Sender: Please
return to
Hayden P. Tresner
Landman



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.				DATE PREPARED August 7, 2008	
REGION Permian	WELL NAME Ticonderoga 16 State Corn	WELL NO 1H	PROSPECT OR FIELD NAME Lower Abo Horizontal	PROPERTY NUMBER 309742-018.01	DRILLING AFE NO. 258060
LOCATION Sec 16 15S-31E Horizontal			COUNTY Chaves	STATE New Mexico	TYPE WELL OIL <input checked="" type="checkbox"/> EXPL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> PROD <input type="checkbox"/>
ORIGINAL ESTIMATE	<input checked="" type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION Lower Abo	EST. TD 13,240'
REVISED ESTIMATE	<input type="checkbox"/>				
SUPPLEMENTAL ESTIMATE	<input type="checkbox"/>				

PROJECT DESCRIPTION:

Drill and complete a Lower Abo horizontal well. Pilot 9600 horiz TVD 8800'/MD 13250 (4500 VS)

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	\$2,490,958		\$2,490,958
Intangible Completion Costs		1,325,835	1,325,835
TOTAL INTANGIBLE COSTS	2,490,958	1,325,835	3,816,793
<u>TANGIBLES</u>			
Well Equipment	245,238	724,393	969,631
Lease Equipment		75,000	75,000
TOTAL TANGIBLE WELL COST	245,238	799,393	1,044,631
PLUG AND ABANDON COST	150,000	(150,000)	
TOTAL WELL COST:	\$2,886,196	\$1,975,228	\$4,861,424

Comments on Well Costs:

- 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.

217.00

CIMAREX ENERGY CO. APPROVAL

PREPARED BY Mark Audas Drilling/Completions Engineer - PB	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Permian Region	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
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JOINT INTEREST APPROVAL

COMPANY	BY	DATE
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10/14/2008 7:47 PM

EXHIBIT



PROJECT COST ESTIMATE

LEASE NAME: Ticonderoga 16 State Com

WELL NO.:

1H

INTANGIBLES	Codes		DRY HOLE COST	Codes		AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100		\$110,000	DICC.100		\$3,000	\$113,000
DAMAGES	DIDC.105		6,000	DICC.105			\$6,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255		28,000	DICC.235		65,000	\$93,000
DAY RATE 37 DH DAYS 11 ACP DAYS @ 18000 PER DAY	DIDC.115		666,000	DICC.120		198,000	\$864,000
MISC PREPARATION COST (mouse hole, rat hole, pads, plie clusters, misc.)	DIDC.120		16,000				\$16,000
BITS	DIDC.125		65,000	DICC.125		1,000	\$66,000
FUEL \$4.50 PER GALLON 1100 Gals/Day	DIDC.135		183,150	DICC.130		7,000	\$190,150
WATER / COMPLETION FLUIDS	DIDC.140		48,100	DICC.135		65,000	\$113,100
MUD & ADDITIVES	DIDC.145		76,800				\$76,800
SURFACE RENTALS	DIDC.150		33,300	DICC.140		103,200	\$136,500
DOWNHOLE RENTALS	DIDC.155		120,000	DICC.145		37,200	\$166,200
FORMATION EVALUATION (DST, Co-ting including evaluation, G&G SERVICES)	DIDC.160						
MUD LOGGING 26 DAYS @ \$1,200 PER DAY	DIDC.170		38,200				\$38,200
OPEN HOLE LOGGING	DIDC.180		40,000				\$40,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185		60,000	DICC.155		40,000	\$100,000
TUBULAR INSPECTIONS	DIDC.190		5,000	DICC.160		6,000	\$11,000
CASING CREWS	DIDC.195		16,000	DICC.165		40,000	\$56,000
EXTRA LABOR, WELDING, ETC.	DIDC.200		22,200	DICC.170		5,000	\$27,200
LAND TRANSPORTATION (Trucking)	DIDC.205		22,200	DICC.175		2,800	\$25,000
SUPERVISION	DIDC.210		76,800	DICC.180		22,400	\$99,200
TRAILER HOUSE/CAMP/CATERING	DIDC.280		28,800	DICC.255		4,000	\$32,800
OTHER MISC EXPENSES	DIDC.220		11,100	DICC.190		1,000	\$12,100
OVERHEAD	DIDC.225		11,100	DICC.195		5,400	\$16,500
REMEDIAL CEMENTING	DIDC.231			DICC.215			
MOB/DEMOB	DIDC.240		115,000				\$115,000
DIRECTIONAL DRILLING SERVICES 19 DAYS @ 12000 PER DAY	DIDC.245		246,000				\$246,000
DOCK, DISPATCHER, CRANE	DIDC.250			DICC.230			
MARINE & AIR TRANSPORTATION	DIDC.275			DICC.250			
SOLIDS CONTROL	DIDC.260		182,800				\$182,800
WELL CONTROL EQUIP (Snubbing services)	DIDC.285		50,000	DICC.240		10,500	\$60,500
FISHING & SIDETRACK OPERATIONS	DIDC.270		80,000	DICC.245			\$80,000
COMPLETION RIG 7 DAYS @ 4600 PER DAY				DICC.115		32,200	\$32,200
COIL TUBING 1 DAYS @ 38000 PER DAY				DICC.260		38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS				DICC.200		10,000	\$10,000
STIMULATION				DICC.210		530,000	\$530,000
LEGAL/REGULATORY/CURATIVE	DIDC.300		5,000	DICC.280			\$5,000
WELL CONTROL INSURANCE \$0.35 PER FOOT	DIDC.285		4,601				\$4,601
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435		114,808	DICC.220		63,135	\$177,943
CONSTRUCTION FOR WELL EQUIPMENT				DWEA.110		1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT				DLEQ.110		35,000	\$35,000
CONSTRUCTION FOR SALES P/L				DICC.265			
TOTAL INTANGIBLE COST:			\$2,490,958			\$1,325,835	\$3,816,793
TANGIBLE - WELL EQUIPMENT							
CASING	SIZE	FEET	\$/FOOT				
DRIVE PIPE				DWEB.150			
CONDUCTOR PIPE	20"	70	95.00	DWEB.130	4,000		\$4,000
WATER STRING				DWEB.135			
SURFACE CASING	13 3/8"	340	70.00	DWEB.140	23,800		\$23,800
INTERMEDIATE CASING	8 5/8"	3,950	51.25	DWEB.145	202,438		\$202,438
DRILLING LINER				DWEB.145			
DRILLING LINER				DWEB.145			
PRODUCTION CASING OR LINER	7"	9,250	29.50			DWEA.100	272,875
PRODUCTION TIE-BACK	-1/2" x 2-7"	4,500	14.55			DWEA.100	65,478
TUBING	2 7/8"	8,800	10.05			DWEA.105	88,440
N/C WELL EQUIPMENT						DWEA.115	6,000
WELLHEAD, TREE, CHOKES				DWEB.115	15,000	DWEA.120	28,000
LINER HANGER, ISOLATION PACKER				DWEB.100		DWEA.125	125,000
PACKER, NIPPLES						DWEA.130	
PUMPING UNIT, ENGINE						DLEQ.100	110,000
LIFT EQUIPMENT (BHP, Rods, Anchors)						DLEQ.105	28,600
TANGIBLE - LEASE EQUIPMENT							
N/C LEASE EQUIPMENT						DLEQ.115	44,000
TANKS, TANKS STEPS, STAIRS						DLEQ.120	17,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	13,000
FLOW LINES (Line Pipe from wellhead to central facility)						DLEQ.130	1,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES						DWEA.135	
PIPELINES TO SALES						DWEA.140	
TOTAL TANGIBLES:			\$245,238			\$795,393	\$1,044,631
P&A COSTS				DIDC.285		150,000	
TOTAL COST:			\$2,886,196			\$1,975,228	\$4,861,424