

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

CASE NO. 14361

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, LEA COUNTY,
NEW MEXICO.**

Case No. 14,361

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 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 owners being pooled have simply not responded to well proposals or have not yet executed an operating agreement.

(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) in the Bone Spring formation comprised of the N/2S/2 of Section 34, Township 19 South, Range 34 East, NMPM, to form a non-standard 160-acre oil spacing and proration unit (project area), and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit is to be dedicated to the Mallon 34 Fed. Well No. 16, a horizontal well to be re-entered and drilled at a surface location 1980 feet from the south line and 660 feet from the west line, with a terminus 1980 feet from the south line and 330 feet from the east line, of Section 34.

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

Pear Resources
P.O. Box 11044
Midland, Texas 79702

3.125%

Oil Conservation Division
Case No. _____
Exhibit No. 1

Fuel Products, Inc. P.O. Box 3098 Midland, Texas 79702	3.125%
Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116	25.000%
Merit Management Partners I, L.P. Merit Energy Partners III, L.P. Merit Energy Partners D-III, L.P. c/o Merit Energy Partners GP, LLC, general partner Suite 500 13727 Noel Road Dallas, Texas 75240	18.750%

(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) SE¹/₄SE¹/₄ of Section 33.
Read & Stevens, Inc.
- (ii) SE¹/₄NE¹/₄ and NE¹/₄SE¹/₄ of Section 33.
Cimarex Energy Co. of Colorado
- (iii) S¹/₂N¹/₂, SW¹/₄SW¹/₄, and S¹/₂SE¹/₄ of Section 34.
Parties being pooled
- (iv) SE¹/₄SW¹/₄ of Section 34.
Providence Minerals LLC
- (v) SW¹/₄NW¹/₄ and W¹/₂SW¹/₄ of Section 35.
Parties being pooled

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

(i) Overhead charges of \$7000/month for a drilling well, and \$700/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

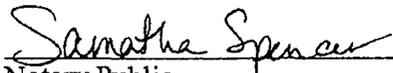
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

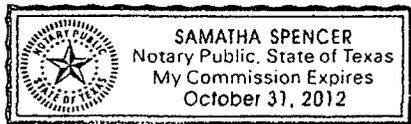
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 20 day of August, 2009 by Hayden P. Tresner.

My Commission Expires: October 31, 2012


Notary Public



Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800
FAX 432.571.7832



June 10, 2009

Via Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3625

Pear Resources
P.O. Box 11044
Midland, Texas 79702

Via Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3656

Fuel Products, Inc.
P.O. Box 3098
Midland, Texas 79702

Via Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3649

MGT Partners I, L.P., et al
12737 Noel Road, Suite 500
Dallas, Texas 75240

Re: *Mallon 34 Federal #16 (reentry)
N/2S/2 of Section 16-T19S-34E
Lea County, New Mexico*

Dear Working Interest Owners:

Cimarex Energy Co. ("Cimarex"), on behalf of its wholly owned subsidiary Magnum Hunter Production, Inc., proposes to drill the above-captioned well in accordance with the project described in the enclosed AFE. If you choose to participate, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. I will send our proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate, Cimarex would be interested in acquiring a farmout of your leasehold interests in the spacing unit dedicated to the well.

Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

CIMAREX ENERGY CO.


Hayden P. Tresner
Landman

EXHIBIT **B**

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



July 1, 2009

Via: E-mail and U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3960

Pear Resources
P.O. Box 11044
Midland, Texas 79702

Via: U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 3977

Fuel Products, Inc.
P.O. Box 3098
Midland, Texas 79702

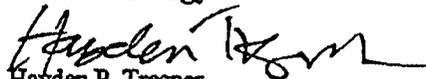
**Re: Mallon 34 Federal #16 (reentry)
N/2S/2 of Section 34-19S-34E
Lea County, New Mexico**

Dear Working Interest Owners:

I incorrectly described the Section in which the above-captioned well is located in my proposal dated June 10, 2009. Please be advised that the well is located in Section 34-19S-34E, Lea County, New Mexico, not Section 16 as previously described. Thank you.

Sincerely,

Cimarex Energy Co.


Hayden P. Tresner
Landman

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



July 1, 2009

Via: Federal Express (overnight delivery)

MGT Partners I, L.P.
Merit Energy Partners III, L.P.
Merit Energy Partners D-III, L.P.
13727 Noel Road, Suite 500
Dallas, Texas 75240

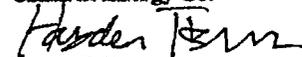
Re: *Mallon 34 Federal #16 (reentry)
N2S2 of Section 34-19S-34E
Lea County, New Mexico*

Dear Working Interest Owner:

In the event that you did not receive my previous proposal dated June 10, 2009, Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the project described in the enclosed AFE. If you choose to participate, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate, Cimarex would be interested in acquiring a farmout of your leasehold interest in the spacing unit dedicated to the well. Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.


Hayden P. Tresner
Landman



Authorization For Expenditure

Company Entry Cimarex Energy Co.	Date Prepared January 25, 2009
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	16		809617-200.01	259016

Location	Country	State	Type Well			
N/2S/2 Section 34-19S-34E	USA	NM	Oil	x	Exp/	x
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate				
Revised Estimate				15,150'
Supplemental Estimate				

Project Description
 Reenter wellbore, deepen, drill lateral section, and complete with open hole packers 7 stages (4290 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,122,000		\$1,122,000
Completion Costs		\$1,005,000	\$1,005,000
Total Intangible Costs	\$1,122,000	\$1,005,000	\$2,127,000

Tangibles			
Well Equipment	\$0	\$441,621	\$441,621
Lease Equipment		\$36,500	\$36,500
Total Tangible Well Cost	\$0	\$478,121	\$478,121

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,272,000	\$1,333,121	\$2,605,121
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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	Drilling and Completion Manager	Regional Manager
Mark Aulas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.: 16

Intangibles	Code	Dry/Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	D1DC100	\$50,000	D1CC100	\$50,000
Damages	D1DC105	\$1,000	D1CC105	\$1,000
Mud / Fluids Disposal Charges	D1DC125	\$20,000	D1CC125	\$72,500
Day Rate 20/DH Days 6/ACP Days @ 11,500/Per Day	D1DC128	\$242,000	D1CC120	\$69,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D1DC126	\$9,000		\$9,000
Bits	D1DC123	\$23,000	D1CC125	\$3,000
Fuel \$1.80/Per Gallon 700 Gallons Per Day	D1DC125	\$26,000	D1CC120	\$6,000
Water / Completion Fluids	D1DC140	\$36,000	D1CC125	\$61,500
Mud & Additives	D1DC145	\$27,000		\$27,000
Surface Rentals	D1DC150	\$49,000	D1CC140	\$84,000
Downhole Rentals	D1DC155	\$75,000	D1CC145	\$99,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D1DC160			\$0
Mud Logging \$850/ Days @ 18/Per Day	D1DC170	\$19,000		\$19,000
Open Hole Logging	D1DC180			\$0
Cementing & Float Equipment	D1DC185		D1CC155	\$0
Tubular Inspections	D1DC190		D1CC160	\$3,000
Casing Crews	D1DC193		D1CC165	\$12,000
Extra Labor, Welding, Etc.	D1DC200	\$16,000	D1CC170	\$5,000
Land Transportation (Trucking)	D1DC205	\$10,000	D1CC175	\$9,000
Supervision	D1DC210	\$92,000	D1CC180	\$23,000
Trailer House / Camp / Catering 400/Per Day	D1DC220	\$8,000	D1CC185	\$4,000
Other Misc Expenses	D1DC220	\$13,000	D1CC190	\$7,000
Overhead 800/Per Day	D1DC225	\$6,000	D1CC195	\$11,000
Remedial Cementing	D1DC230	\$18,000	D1CC215	\$18,000
MOB/DEMOB	D1DC240	\$45,000		\$45,000
Directional Drilling Services 18/ Days @ 11,350/Per Day	D1DC245	\$226,000		\$226,000
Dock, Dispatcher, Crane	D1DC250		D1CC230	\$0
Marine & Air Transportation	D1DC255		D1CC250	\$0
Solids Control	D1DC260	\$70,000		\$70,000
Well Control Equip (Snubbing Svcs.)	D1DC265	\$44,000	D1CC240	\$26,000
Fishing & Sidetrack Operations	D1DC270	\$0	D1CC245	\$0
Completion Rig 17/ Days @ 3,400/Per Day			D1CC215	\$70,000
Coil Tubing 1/ Days @ 33,000/Per Day			D1CC260	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			D1CC250	\$10,000
Stimulation			D1CC210	\$427,000
Legal / Regulatory / Curative	D1DC200	\$1,000	D1CC280	\$3,000
Well Control Insurance 50.35/Per Foot	D1DC285	\$5,000		\$5,000
Contingency 5%/of Drilling Intangibles	D1DC435	\$53,000	D1CC230	\$47,000
Construction For Well Equipment			D1WEA110	\$20,000
Construction For Lease Equipment			D1LEO110	\$0
Construction For Sales P/L			D1CC265	\$0
Total Intangible Cost		\$1,322,000	\$1,005,000	\$2,127,000

Tangible - Well Equipment	Size	Feet	\$/Foot	Code	Cost	Code	Cost
Casing							
Drive Pipe 20"		40.00	\$0.00	D1WEB150	\$0		\$0
Conductor Pipe				D1WEB120	\$0		\$0
Water String				D1WEB115	\$0		\$0
Surface Casing 15-3/8"			\$0.00	D1WEB140	\$0		\$0
Intermediate Casing 8-5/8"			\$0.00	D1WEB145	\$0		\$0
Drilling Liner				D1WEB145	\$0		\$0
Production Casing or Liner 5-1/2"			\$0.00	D1WEB145	\$0		\$0
Production Tie-Back 3 1/2"		5000.00				D1WEA100	\$71,623
Tubing 2 7/8"		8000.00	\$10.37			D1WEA105	\$83,000
N/C Well Equipment						D1WEA115	\$20,000
Wellhead, Tree, Chokes				D1WEB115	\$10,000	D1WEA120	\$10,000
Liner Hanger, Isolation Packer				D1WEB100	\$1,000	D1WEA125	\$1,000
Packer, Nipples						D1WEA120	\$145,000
Pumping Unit, Engine						D1LEO100	\$85,000
Lift Equipment (BHP, Rods, Anchors)						D1LEO105	\$26,000
Tangible - Lease Equipment							
N/C Lease Equipment						D1LEO115	\$0
Tanks, Tanks Steps, Stairs						D1LEO120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						D1LEO125	\$15,000
Flow Lines (Line Pips from wellhead to central facility)						D1LEO130	\$3,500
Offshore Production Structure for Facilities						D1WEA135	\$0
Pipeline to Sales						D1WEA140	\$0
Total Tangibles					\$0	\$478,123	\$478,123

PBA Costs	D1DC295	\$150,000	D1CC275	-\$150,000	\$0
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Total Cost		\$1,322,000		\$1,333,123	\$2,805,123
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