



September 1, 2009

VIA HAND DELIVERY

Mark E. Fesmire, P.E., Director
Oil Conservation Division
N.M. Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OGD
2009 SEP - 1 A 10:05

Re: CASE NOS. 14361, 14368, 14369 and 14370: Applications of Cimarex Energy Co. for approval of non-standard oil spacing and proration units and compulsory pooling, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed please find a Motion to Reopen And Dismiss the application filed in Case No. 14361, which was heard by Division Examiner David Brooks on August 20th, and a Motion to Dismiss the applications filed in Case Nos. 14368, 14369 and 14370, which are scheduled to be heard by a Division Examiner on September 3rd. Hyde Oil and Gas Corporation, an uncommitted working interest owner, requests that both motions be heard at the September 3, 2009 Examiner hearing. A copy of this Motion has been hand delivered to Cimarex's attorney this morning.

Sincerely,

Michael H. Feldewert

cc: David Brooks, Hearing Examiner
Terry Warnell, Hearing Examiner
James Bruce, attorney for Cimarex

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

APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING
AND PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 14361

RECEIVED OGD
2009 SEP - 1 A 10:05

MOTION TO RE-OPEN AND DISMISS APPLICATION

Hyde Oil and Gas Corporation ("Hyde Oil") moves the Division to re-open this matter (heard by the Division Examiner on August 20, 2009) and dismiss the application on the grounds that Cimarex has (a) failed to properly propose the well, (b) failed to engage in good faith efforts to reach a voluntary agreement with all the interest owners in the proposed spacing unit prior to filing this application, and (c) submitted the case by affidavit under what appear to be false pretenses. In support of this motion, Hyde Oil states:

1. Hyde Oil is an uncommitted owner of working interests in N/2 S/2 of Section 34, T-19-S, R-34-E, the area that is the subject of this application.
2. Cimarex seeks to create a 160-acre non-standard spacing and proration unit for the purpose of re-entering the Mallon 34 Fed. Well No. 16 and drilling a horizontal well in the Bone Spring formation.
3. The Division's hearing file indicates this application was presented to the Division on August 20th through the affidavit of Hayden P. Tresner. *See* Hearing Exhibit 1. In paragraphs (d) and (e) of his affidavit, Mr. Tresner represents that the well proposal letters are attached to his affidavit as Exhibit B and that Cimarex "has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owners in the well."

4. Exhibit B to Mr. Tresner's affidavit does not contain a well proposal letter to Hyde Oil. That is because a well proposal letter was not sent to Hyde Oil until August 17, 2009, three days before the pooling hearing. *See* Attachment A.

5. Cimarex's tardy well proposal letter does not identify a footage location for either the surface or bottom hole location of the proposed wells, nor does it contain a proposed form of joint operating agreement for consideration. *Id.*

6. Mr. Tresner's affidavit fails to reflect that on August 17, 2009, Cimarex received an email noting Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's plans, therefore making it difficult for us to make a decision." *See* Attachment B (Affidavit of Blair Hamburg) at ¶ 7. Hyde Oil responded with an email submitting – for the first time - its well proposal to Hyde Oil has representing that the hearing on this application would be continued. *Id.*

7. The Division's file reflects receipt of a certified letter dated August 18th from Hyde Oil to the Division and Cimarex's representatives noting an AFE for the Mallon 34 Well No. 16 had not been received, that Hyde Oil had not been able to make an informed decision on this initial well, and stating that "due diligence for a commitment as a mineral interest owner is impeded and we beseech the Division to take this information into consideration."

8. On August 26th, Cimarex informed Hyde Oil by telephone that it was proceeding with multiple pooling applications to avoid any down time after the drilling of the initial well, that Cimarex desired a farmout covering both Sections 34 and 35, and that if an agreement could not be reached, Hyde Oil would be locked into a non-consent position for the proposed wells. *See* Attachment B at ¶ 8. Hyde Oil subsequently called the Division, determined that this application had actually proceeded to hearing, and was advised to obtain an attorney. *Id.* at ¶ 9.

9. The Division, by long-standing practice, has required an applicant for compulsory pooling to first furnish all interest owners a formal well proposal at least thirty days prior to filing an application for pooling, and to then engage in good faith efforts to reach an agreement on the development of the acreage prior to invoking the pooling authority of the Division.

10. To foster informed, good faith discussion, the Division has traditionally required that the formal well proposal include, at the very least, the footage location of the proposed well, the formations or pools targeted by the proposed well, a proposed form of joint operating agreement, and an authorization for expenditures (AFE) setting forth the estimated costs.

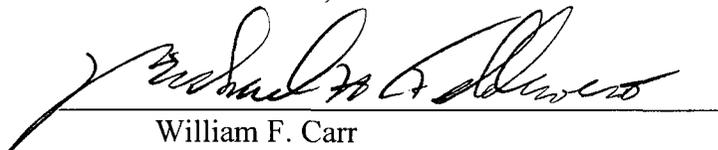
11. The Division recently confirmed these long-standing requirements in its Order No. R-13155 issued on August 11, 2009.

12. Cimarex failed to submit a proper well proposal to Hyde Oil or to engage in good faith efforts to reach an agreement with Hyde Oil prior to filing its pooling application and presenting its case to the Division on August 20th.

WHEREFORE, Hyde Oil respectfully requests that the Division re-open this matter, dismiss this application, and require that Cimarex (a) furnish to all interest owners a proper well proposal for the development of this acreage, and (b) therefore attempt in good faith to reach a voluntary agreement with each of the interest owners prior invoking the pooling authority of the Division.

Respectfully submitted,

Holland & Hart LLP,



William F. Carr

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

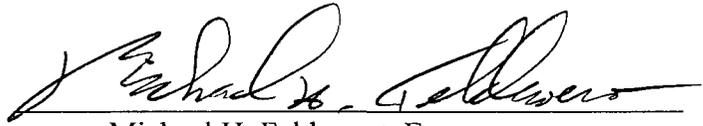
(505) 983-6043 Facsimile

ATTORNEYS FOR HYDE OIL AND GAS CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that on September 1, 2009, I caused to be hand-delivered a copy of the foregoing **MOTION TO RE-OPEN AND DISMISS APPLICATION** to the following counsel of record:

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

Michael H. Feldewert, Esq.

8/20/09

CERTIFIED MAIL

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

7007 0710 0003 0317 4226



August 17, 2009

Via: e-mail and U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 4226

Hyde Oil and Gas Corporation
Attn: Blair Hamburg
6300 Ridglea Place, Suite 1018
Fort Worth, Texas 76116

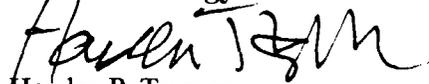
**Re: Mallon 34 Federal #16 (reentry)
N/2S/2 of Section 34-T19S-34E
Lea County, New Mexico**

Dear Blair:

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, date and return a copy of the AFE to the undersigned. 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

ATTACHMENT
A



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
January 25, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	16		309617-200.01	259016

Location	County	State	Type Well			
N/2S/2 Section 34-19S-34E	Lea	NM	Oil	x	Expl	x
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>				15,150'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

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 Audes 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	Costs	Dry/Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration		D1DC.100 \$50,000	D1CC.100	\$50,000
Damages		D1DC.105 \$1,000	D1CC.105	\$1,000
Mud / Fluids Disposal Charges		D1DC.235 \$20,000	D1CC.235 \$52,500	\$72,500
Day Rate	20 DH Days 6 ACP Days @ 11,500 Per Day	D1DC.115 \$242,000	D1CC.120 \$69,000	\$311,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)		D1DC.130 \$9,000		\$9,000
Bits		D1DC.125 \$23,000	D1CC.125 \$1,000	\$24,000
Fuel	\$1.80 Per Gallon 700 Gallons Per Day	D1DC.135 \$26,000	D1CC.130 \$6,000	\$32,000
Water / Completion Fluids	Per Day	D1DC.140 \$36,000	D1CC.135 \$61,500	\$97,500
Mud & Additives		D1DC.145 \$27,000		\$27,000
Surface Rentals	Per Day	D1DC.150 \$49,000	D1CC.140 \$84,000	\$133,000
Downhole Rentals		D1DC.155 \$75,000	D1CC.145 \$24,000	\$99,000
Formation Evaluation (DST, Coring Including evaluation, G&G Services)		D1DC.160		\$0
Mud Logging	\$850 Days @ 18 Per Day	D1DC.170 \$19,000		\$19,000
Open Hole Logging		D1DC.160		\$0
Cementing & Float Equipment		D1DC.185	D1CC.155	\$0
Tubular Inspections		D1DC.190	D1CC.160 \$3,000	\$3,000
Casing Crews		D1DC.195	D1CC.165 \$12,000	\$12,000
Extra Labor, Welding, Etc.		D1DC.200 \$16,000	D1CC.170 \$5,000	\$21,000
Land Transportation (Trucking)		D1DC.205 \$10,000	D1CC.175 \$9,000	\$19,000
Supervision	1,600 Per Day	D1DC.210 \$32,000	D1CC.180 \$23,000	\$55,000
Trailer House / Camp / Catering	400 Per Day	D1DC.220 \$8,000	D1CC.225 \$4,000	\$12,000
Other Misc Expenses		D1DC.225 \$11,000	D1CC.190 \$7,000	\$18,000
Overhead	300 Per Day	D1DC.225 \$6,000	D1CC.195 \$11,000	\$17,000
Remedial Cementing		D1DC.231 \$18,000	D1CC.215	\$18,000
MOB/DEMOB		D1DC.240 \$45,000		\$45,000
Directional Drilling Services	18 Days @ 11,350 Per Day	D1DC.245 \$226,000		\$226,000
Dock, Dispatcher, Crane		D1DC.250	D1CC.230	\$0
Marine & Air Transportation		D1DC.275	D1CC.250	\$0
Solids Control	Per Day	D1DC.260 \$70,000		\$70,000
Well Control Equip (Snubbing Svcs.)		D1DC.265 \$44,000	D1CC.240 \$26,000	\$70,000
Fishing & Sidetrack Operations		D1DC.270 \$0	D1CC.245	\$0
Completion Rig	17 Days @ 3,400 Per Day		D1CC.215 \$70,000	\$70,000
Coil Tubing	1 Days @ 33,000 Per Day		D1CC.280 \$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			D1CC.208 \$10,000	\$10,000
Stimulation			D1CC.210 \$427,000	\$427,000
Legal / Regulatory / Curative		D1DC.200 \$1,000	D1CC.230	\$1,000
Well Control Insurance	\$0.35 Per Foot	D1DC.285 \$5,000		\$5,000
Contingency	5% of Drilling Intangibles	D1DC.435 \$53,000	D1CC.220 \$47,000	\$100,000
Construction For Well Equipment			DWEA.110 \$20,000	\$20,000
Construction For Lease Equipment			DLEQ.110 \$0	\$0
Construction For Sales P/L			D1CC.265	\$0
Total Intangible Cost		\$1,122,000	\$1,005,000	\$2,127,000

Tangible - Well Equipment				
Casing	Size	Feet	\$ / Foot	
Drive Pipe	20 "	40.00	\$0.00	DWEB.150 \$0
Conductor Pipe				DWEB.130 \$0
Water String				DWEB.135 \$0
Surface Casing	13-3/8"		\$0.00	DWEB.140 \$0
Intermediate Casing	8-5/8"		\$0.00	DWEB.145 \$0
Drilling Liner				DWEB.145 \$0
Production Casing or Liner	5-1/2"		\$0.00	DWEB.145 \$0
Production Tie-Back	3 1/2"	5000.00		DWEA.160 \$0
Tubing	2 7/8"	8000.00	\$10.37	DWEA.105 \$83,000
N/C Well Equipment				DWEA.115 \$20,000
Wellhead, Tree, Chokes				DWEB.115 DWEA.120 \$10,000
Liner Hanger, Isolation Packer				DWEB.100 DWEA.125 \$1,000
Packer, Nipples				DWEA.130 \$145,000
Pumping Unit, Engine				DLEQ.100 \$85,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.105 \$26,000
Tangible - Lease Equipment				
N/C Lease Equipment				DLEQ.115 \$0
Tanks, Tanks Steps, Stairs				DLEQ.120 \$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125 \$15,000
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130 \$1,500
Offshore Production Structure for Facilities				DWEA.135 \$0
Pipeline to Sales				DWEA.140 \$0
Total Tangibles				\$0 \$478,121 \$478,121

P&A Costs	D1DC.295 \$150,000	D1CC.275 -\$150,000	\$0
Total Cost	\$1,272,000	\$1,333,121	\$2,605,121



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
January 25, 2009

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			Gas		Prod	

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

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

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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.

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 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 Audas 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	Code	After Casing Point	Completed Well Cost			
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Damages	DIDC.105	\$1,000	DICC.105		\$1,000			
Mud / Fluids Disposal Charges	DIDC.255	\$20,000	DICC.235	\$52,500	\$72,500			
Day Rate	20 DH Days	6 ACP Days @	11,500 Per Day	DIDC.115	\$242,000	DICC.120	\$69,000	\$311,000
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Fuel	\$1.80 Per Gallon	700 Gallons Per Day	DIDC.135	\$26,000	DICC.130	\$6,000	\$32,000	
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Mud & Additives	DIDC.145	\$27,000			\$27,000			
Surface Rentals	DIDC.150	\$49,000	DICC.140	\$84,000	\$133,000			
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Formation Evaluation (DST, Coring Including evaluation, G&G Services)	DIDC.160				\$0			
Mud Logging	\$850 Days @	18 Per Day	DIDC.170	\$19,000		\$19,000		
Open Hole Logging	DIDC.180				\$0			
Cementing & Float Equipment	DIDC.185		DICC.155		\$0			
Tubular Inspections	DIDC.190		DICC.160	\$3,000	\$3,000			
Casing Crews	DIDC.195		DICC.165	\$12,000	\$12,000			
Extra Labor, Welding, Etc.	DIDC.200	\$16,000	DICC.170	\$5,000	\$21,000			
Land Transportation (Trucking)	DIDC.205	\$10,000	DICC.175	\$9,000	\$19,000			
Supervision	1,600 Per Day	DIDC.210	\$32,000	DICC.180	\$23,000	\$55,000		
Trailer House / Camp / Catering	400 Per Day	DIDC.220	\$8,000	DICC.255	\$4,000	\$12,000		
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Dock, Dispatcher, Crane	DIDC.250		DICC.220		\$0			
Marine & Air Transportation	DIDC.275		DICC.250		\$0			
Solids Control	DIDC.260	\$70,000			\$70,000			
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$44,000	DICC.240	\$26,000	\$70,000			
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245		\$0			
Completion Rig	17 Days @	3,400 Per Day		DICC.115	\$70,000	\$70,000		
Coil Tubing	1 Days @	33,000 Per Day		DICC.260	\$33,000	\$33,000		
Completion Logging, Perforating, WL Units, WL Surveys				DICC.200	\$10,000	\$10,000		
Stimulation				DICC.230	\$427,000	\$427,000		
Legal / Regulatory / Curative	DIDC.300	\$1,000	DICC.280		\$1,000			
Well Control Insurance	\$0.35 Per Foot	DIDC.285	\$5,000		\$5,000			
Contingency	5% of Drilling Intangibles	DIDC.435	\$53,000	DICC.220	\$47,000	\$100,000		
Construction For Well Equipment				DWEA.110	\$20,000	\$20,000		
Construction For Lease Equipment				DLEQ.110	\$0	\$0		
Construction For Sales P/L				DICC.265		\$0		
Total Intangible Cost			\$1,122,000		\$1,005,000	\$2,127,000		

Tangible - Well Equipment	Size	Feet	\$ / Foot	Code	Code	After Casing Point	Completed Well Cost	
Casing								
Drive Pipe	20 "	40.00	\$0.00	DWEB.150			\$0	
Conductor Pipe				DWEB.130			\$0	
Water String				DWEB.135			\$0	
Surface Casing	13-3/8"		\$0.00	DWEB.140			\$0	
Intermediate Casing	8-5/8"		\$0.00	DWEB.145			\$0	
Drilling Liner				DWEB.145			\$0	
Drilling Liner				DWEB.145			\$0	
Production Casing or Liner	5-1/2"		\$0.00		DWEA.100	\$0	\$0	
Production Tie-Back	3 1/2"	5000.00			DWEA.100	\$71,621	\$71,621	
Tubing	2 7/8"	8000.00	\$10.37		DWEA.105	\$83,000	\$83,000	
N/C Well Equipment					DWEA.115	\$20,000	\$20,000	
Wellhead, Tree, Chokes				DWEB.115		DWEA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWEB.100		DWEA.125	\$1,000	\$1,000
Packer, Nipples						DWEA.130	\$145,000	\$145,000
Pumping Unit, Engine						DLEQ.100	\$85,000	\$85,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$26,000	\$26,000
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N/C Lease Equipment						DLEQ.115	\$0	\$0
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Total Cost		\$1,272,000		\$1,333,121	\$2,605,121
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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14361**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14368**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14369**

**APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO** **CASE NO. 14370**

AFFIDAVIT OF BLAIR HAMBURG

Blair Hamburg being of lawful age and first duly sworn, declares and states as follows:

1. I am the President of Hyde Oil and Gas Corporation and submit this affidavit based on my personal knowledge.

2. In early July of 2009, Hayden Tresner of Cimarex called me to discuss whether Hyde Oil and Gas Corporation was willing to farmout all of our acreage in Sections 33 and 34 of Township 19 South, Range 34 East in Lea County, New Mexico. I informed him that Hyde Oil did not want to farmout such a large block of acreage but

ATTACHMENT

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would consider a farmout or other agreement on a well by well basis. Mr. Tresner expressed a desire to meet at our offices the following Monday to discuss an initial well, which he noted would be the Mallon 34 No. 16 well in the N/2 S/2 of Section 34.

3. During a second conversation, Mr. Tresner informed me that his trip had been cancelled, that he would be meeting with management the following afternoon, and that he would send me an email after his meeting.

4. No email was received from Mr. Tresner following this meeting nor did Cimarex arrange any meeting with Hyde Oil to discuss its development plans.

5. Subsequent to these conversations with Mr. Tresner, Hyde Oil received letters dated July 17, 2009 containing AFEs for the Mallon 34 Well Nos. 18, 19 and 20. On August 3, 2009, Hyde Oil received a certified mailing from Cimarex's attorney concerning an application to pool for the Mallon 34 Well No. 16 and noting that a hearing was scheduled before the Oil Conservation Division for August 20, 2009.

6. On August 17, 2009, Hyde Oil and Gas received a second certified mailing from Cimarex's attorney that included applications for pooling for the Mallon 34 Well Nos. 18, 19 and 20 and noting that a hearing was schedule before the Division for September 3, 2009.

7. On August 17th, I sent an email to Mr. Tresner stating the Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's plans, therefore making it difficult for us to make a decision." Mr. Tresner called by telephone and apologized for not providing a well proposal for the Mallon Well No. 16.

He stated that he would extend the pooling hearing if need be and get a well proposal to Hyde Oil. Mr. Tresner followed up our conversation with the attached August 17th email, sent after business hours, providing for the first time an AFE for the Mallon Well No. 16 and indicating the pooling hearing for this well would be continued.

8. On August 26th, Mr. Tresner called to inform me that Cimarex was proceeding with multiple pooling applications to avoid any down time after the drilling of the initial well, that Cimarex desired a farmout covering both Sections 34 and 35, and that if an agreement could not be worked out, Hyde Oil will be locked into a non-consent position for the proposed wells.

9. On August 27th I telephoned Mr. Will Jones at the Division and informed him about my lack of familiarity with pooling proceedings in New Mexico and my concerns about the actions taken by Cimarex. Mr. Jones suggested I contact and obtain counsel, which I did on Friday, August 28th.

FURTHER AFFIANT SAYETH NAUGHT

Blair Hamburg

The foregoing instrument was subscribed and sworn to before me this ___ day of August, 2009 by Blair Hamburg.

Witness my hand and official seal.

Notary Public

My commission expires:

He stated that he would extend the pooling hearing if need be and get a well proposal to Hyde Oil. Mr. Tresner followed up our conversation with the attached August 17th email, sent after business hours, providing for the first time an AFE for the Mallon Well No. 16 and indicating the pooling hearing for this well would be continued.

8. On August 26th, Mr. Tresner called to inform me that Cimarex was proceeding with multiple pooling applications to avoid any down time after the drilling of the initial well, that Cimarex desired a farmout covering both Sections 34 and 35, and that if an agreement could not be worked out, Hyde Oil will be locked into a non-consent position for the proposed wells.

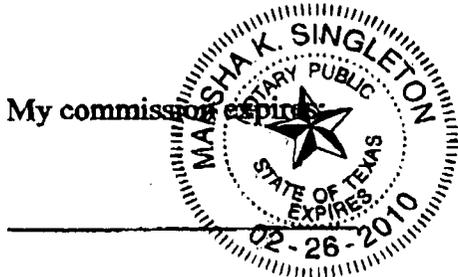
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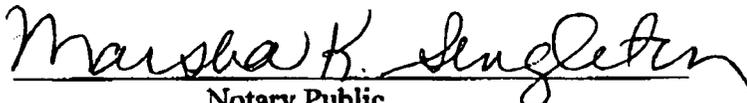
FURTHER AFFIANT SAYETH NAUGHT


Blair Hamburg

The foregoing instrument was subscribed and sworn to before me this 31 day of August, 2009 by Blair Hamburg.

Witness my hand and official seal.




Notary Public

----- Forwarded Message -----

From: Hayden Tresner <htresner@cimarex.com>
To: blair hamburg <hogbhh@sbcglobal.net>
Sent: Monday, August 17, 2009 5:28:49 PM
Subject: FW:

Blair:

In regard to our telephone conversation today, and also in response to your email of this date, attached is our proposal for the reentry of the Mallon 34 Federal #16 Well, which will be the first of three additional wells that we will possibly drill in Section 34. Therefore, we propose to form a working interest unit that consists of all of Section 34. We welcome Hyde to participate, and enter into an operating agreement naming Cimarex as operator. However, in the event that you wish to farm-out a portion of your interest, we request that the any farmout covers that portion of your interest in both Sections 34 and 35, as we have plans to propose four more wells in Section 35 later this week. Because ownership is not common throughout both sections, we will need to have two separate operating agreements-one covering all of Section 34 and the other covering all of Section 35.

Thus far we have everyone but Hyde committed to either farm-out their interest in both sections, or participate in the reentry by entering into an operating agreement covering all of Section 34. Obviously, once your interest is under contract, we will retract our proposals for the grassroot wells in Section 34, which will be proposed at a later date (after the results of the reentry have been evaluated) under the operating agreement.

The proposed Farmout Agreement that you received from us is identical to the one the Moncriefs executed. Hyde and Moncrief both farmed-out their interests to our predecessors in title (Mallon Oil Co., et al.) when they drilled the Delaware wells in Sections 34 and 35, and consequently, we earned down to 100' below the TD of each well. So now we are basically going back and farming-out the deeper rights i.e. below the depths earned under the previous farmout agreements, and the Exhibit "A" has been prepared accordingly.

I apologize for any confusion that we have caused, but hopefully this email will help to clarify the situation. And please let me know if there's any additional information that you need.

P.S. I am going to inform our regulatory attorney that I did not propose the reentry to you and ask him to continue the hearing. I understand that the hearing is set for this Thursday, but hopefully we will have your interest committed before then.

Regards,

Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

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