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 X

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

MOTION TO DISMISS

Hyde Oil and Gas Corporation ("Hyde Oil") moves the Division to dismiss these applications on the grounds that Cimarex has (a) failed to properly propose these wells, and (b) failed to engage in good faith efforts to reach a voluntary agreement with the interest owners in the proposed spacing units prior to filing these applications. In support of this motion, Hyde Oil states:

- Hyde Oil is the owner of uncommitted working interests in Section 34, T-19-S, R-1. 34-E, the area that is the subject of these applications.
- The Division, by long-standing practice, has required an applicant for compulsory 2. 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 before invoking the pooling authority of the Division.

- 3. 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.
- 4. The Division recently confirmed these long-standing requirements in its Order No. R-13155 issued on August 11, 2009.
- 5. In these cases, Cimarex proposed to Hyde Oil three horizontal wells in Section 34 by letters dated July 17, 2009. However, these well proposals were deficient because:
 - a. The letters did not identify a footage location for either the surface or bottom hole location of the proposed wells; and
 - b. The letters did not contain a proposed form of joint operating agreement for consideration.

See Attachments A1 (involving Case No. 14368), A2 (involving Case No. 14369) and A3 (involving Case No. 14370).

- 6. In mid July, Cimarex represented to Hyde Oil that it intended to schedule a face to face meeting to discuss and explain its development proposals in Section 34. However, no such meeting took place prior to or after Cimarex sent these well proposals. *See* Exhibit C (Affidavit of Blair Hamburg) at ¶¶ 1-4.
- 7. On August 13, 2009, less than thirty days after sending its deficient well proposal letters, Cimarex filed and sent certified letters providing notice of its pooling applications in these cases. *See* Attachments B1, B2 and B3.¹

¹ The certified letter for Case No. 14369 (Mallon 34 Well No. 19) was submitted under a cover letter dated July 28, 2009. However, all indications are that this letter was sent on August 13, 2009, with the certified letters for the Mallon 34 Well Nos. 18 and 20.

8. On August 17, 2009, Hyde Oil received the certified mailings. On that same date, Hyde Oil sent an email to Cimarex stating 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* Exhibit C at ¶¶ 6-7.

9. Cimarex has represented in its Applications to the Division that it "has in good faith sought to obtain the voluntary joinder of all other mineral interests" in each of the three proposed spacing units. However, no such good faith efforts have taken place prior to invoking the pooling authority of the Division. See Exhibit C at ¶ 8.

WHEREFORE, Hyde Oil respectfully requests that the Division dismiss these applications and require that Cimarex, (a) first furnish to the interest owners a proper well proposal for the development of the acreage comprising it proposed spacing units, and (b) thereafter attempt in good faith to reach a voluntary agreement with each of the interest owners prior to 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 8750-2208

(505) 988-4421

(505) 983-6043 Facsimile

ATTORNEYS FOR HYDE OIL AND GAS CORPORATION

CERTIFICATE OF SERVICE

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

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
(505) 982-2151
jamesbruc@aol.com

Michael H. Feldewert, Esq.

Cimarex Energy Co.

600 N. Marienfeld St. Suite 600 Midland, Texas 79701

PHONE 432.571.7800



July 17, 2009

<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc. Attn: Thomas M. Beall P.O. Box 3098 Midland, Texas 79702

<u>Via: E-mail U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al. Attn: John Stroud 13727 Noel Road, Suite 500 Dallas, Texas 75240

Via: E-mail and U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources Attn: Alan Byars/Jerry M. Gahr P.O. Box 11044 Midland, Texas 79702

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4103</u>

Michael J. Moncrief 2008 Trust A Attn: Jerry Goodwin, CPA 777 Taylor Street, Suite 1030 Fort Worth, Texas 76102

Re: Mallon 34 Federal No. 20 N/2N/2 Section 34-T19S-34E Lea County, New Mexico

Dear Working Interest Owners:

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 in the drilling of the well, please sign 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,

<u>Via: E-mail U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4066

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

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4035</u>

U.S. Trust, Bank of America Attn: Janet M. Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113-2546

Via: U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4042

W.A. Moncrief, Jr. Trust Attn: Monita Cebell 950 Commerce Street Fort Worth, Texas 76102-5418



Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

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 Entity Cimarex Energy Co. | | | | | 6, 2009 |
|--|--|---|--|---|---|
| Region Well Name | √, ªWell No. | Prospect or Field Name | Property Number | Dilling | AFE No. |
| Permian Mallon 34 Federal | 20 | | | | |
| Location | | County with the county | State **** | Y YA KUMATYO | .Well (1997) |
| N/2N/2 Section 34-19S-34E | | Lea | NM | Oil x Gas | Expl x Prod |
| Estimate Type | 的。 [10] [10] [10] [10] [10] [10] [10] [10] | stiStart Date: St. Es | t Comp Date | Formation | W ESteTD ************************************ |
| Original Estimate Revised Estimate Supplemental Estimate O | | | | Bone Spring | 15,046' |
| Project Description Drill and complete a third Bone Spring horizon | ntal well. 11200 P | ilot 10840 TVD/15046 MD (4500 VS | s). | | |
| | | O-Usl-Car | Africa Carlos D | Con Con | npleted Well Cost |
| Intangibles Drilling Costs | | Dry Hole Cost \$1,659,200 | After Casing P | oint con | \$1,659,200 |
| Completion Costs Total Intangible Costs | | \$1,659,200 | \$1,151,000 \$1,151,00 0 | | \$1,151,000 \$2,810,200 |
| | | V 2[003]200 | | | |
| Tangibles Well Equipment | <u>-</u> | \$36,000 | \$764,275 | | \$800,275 |
| Lease Equipment | | | \$36,500 | | \$36,500 |
| Total Tangible Well Cost | | \$36,000 | \$800,775 | | \$836,775 |
| Plug and Abandon Cost | | \$150,000 | -\$150,000 |) | \$0 |
| Total Well Cost | | \$1,845,200 | \$1,801,77! | 5 | \$3,646,975 |
| Comments on Well Gosts 1. All tubulars, well or lease equipment is price. Well Control Insurance. Unless otherwise indicated below, you, as a riso long as Operator conducts operations here insurance, you must provide a certificate of silater than commencement of drilling operation by insurance procured by Operator. I elect to purchase my own well control insurance well control insurance in the control insurance and clean-up/pollution experiences. Comments on AFE The above costs are estimates only and antic without affecting the authorization for expense actual legal, curative, regulatory and well costs. | on-operating wo cunder and to pay uch insurance accords. You agree the colicy. provides, among the covering drill pate trouble free diture herein gra | rking interest owner, agree to be conveyour prorated share of the premiuse that failure to provide the certificate of the terms, for \$20,000,000 (100) | Price Multiplier. Price Multiplier. Price Multiplier. Povered by Operator's warms therefore. If you do do insurance, as provided in the second of the sec | well control insurance pelect to purchase your is AFE is returned, if avided herein, will result is single Limit coverage for deductible. | procured by Operator own well control railable, but in no event in your being covered or well control and red the estimated costs portionate share of |
| | | Cimarex Energy Co. Appro | val | | |
| Mark Audas Engineer - PB | Doug Park, M | lgr Operations PB | Roger Alexa | nder, Regional Manager PB | |
| | VP2 is kell and | Joint Interest Approval | NEW TO A TO | | |
| Company | Sec. SBV: Value of the second | | · · · · · · · · · · · · · · · · · · · | | |



Project Cost Estimate

Lease Name: Mallon 34 Federal Well No.: 20

| ntangibles (%) | | | | | | | | |
|--|---|----------------------------------|--|--|--|---|---|---|
| というない。 は、大い、一般に動物の対象の動物の対象がある。 は、大い、一般に対象がある。 は、大い、大い、大い、大い、大い、大い、大い、大い、大い、大い、大い、大い、大い、 | | | | | Dry Hole Cost | | After, Casing \ Co | |
| 0 | Sit common free and make a | e-end several set of the second | A Market Safet | a significant said said said | \$50,000 | DICC 100 | Point The | \$50,000 |
| Roads & Location Preparation / Restoration | | | | DIDC.100 | \$50,000 | DICC 105 | | \$1,000 |
| Damages Mud / Fluids Disposal Charges | | | | PIDC,355 | \$65,000 | DICK 235 | \$52,500 | \$117,500 |
| Day Rate 39 DH Days 8 ACP Day | vs @ | 12,000 Per D | Day | PIDC 115 | \$468,000 | DICC 120 | \$96,000 | \$564,000 |
| Misc Preparation Cost (mouse hole, rat hole, pads, pile clust | | 12,000,1 27 2 | | PIDC 120 | \$9,000 | | | \$9,000 |
| Bits | 2013, 111130.7 | | | DIDC 325 | \$23,000 | DICC L35 | \$1,000 | \$24,000 |
| Fuel \$2.55 Per Gallon | 700 | Gallons Per Day | | DIDC.135 | \$90,000 | DICC.130 | \$12,000 | \$102,000 |
| Nater / Completion Fluids | | Per L | Day | DIDC 140 | \$70,200 | DICC 155 | \$61,500 | \$131,700 |
| Mud & Additives | | | | DIDC 145 | \$39,000 | | | \$39,000 |
| Surface Rentals | | Per L | Day | DIPC,150 | \$61,000 | DICC 140 | \$84,000 | \$145,000 |
| Downhole Rentals | | | | DIDC.155 | \$88,000 | MCC 145 | \$74,000 | \$162,000 |
| Formation Evaluation (DST, Coring including evaluation, G& | (G Services) | | | DIDC 150 | | | | \$0 |
| Mud Logging \$8 | 850 Days @ | 32 Per L | Day | PIPC.176 | \$31,000 | | | \$31,000 |
| Open Hole Logging | | | | DIPC.180 | | | | \$15,000 |
| Cementing & Float Equipment | | | | 581 MIG | \$15,000 | | \$50,000 | \$65,000 |
| Tubular Inspections | | | | 19000-100 | \$5,000 | DICC, Lot | \$3,000 | \$8,000 |
| Casing Crews | | | | DIDC 195 | \$10,000 | MCC 165 | \$15,000 | \$25,000 |
| extra Labor, Welding, Etc. | | | | DIDC.200 | \$31,000 | DIC 1.0 | \$5,000 | \$36,000 \$29,000 |
| and Transporation (Trucking) | | Oas I | 200 | DIDC.20% | \$20,000 \$59,000 | DICC 125 | \$9,000 \$26,000 | \$85,000 |
| Supervision | | Per L Per L | | DWs 210 | \$23,000 | DIG: 255 | \$4,000 | \$27,000 |
| Frailer House / Camp / Catering | | reit | Juy | DIDC.,380 | | | \$7,000 | \$18,000 |
| Other Misc Expenses Overhead | | 300 Per L | Dov | DIDC 225 | \$11,000 \$12,000 | DICC 1602 1907-1502 | \$11,000 | \$23,000 |
| Remedial Cementing | | 300, 1672 | Juy | DIDC 23 3 | 312,000 | MC1 115 | 311,000 | \$25,000 |
| MOB/DEMOB | | | | DIDC 240 | \$60,000 | | | \$60,000 |
| Directional Drilling Services | 12 Days @ | 8,200 Per l | Dav | 0000,245 | \$140,000 | | | \$140,000 |
| Dock, Dispatcher, Crane | ==,00,00 | | | DIDC,250 | V2 10/000 | מניב בחנת | | SC |
| Marine & Air Transportation | | | | 0000,75 | | DICC 250 | | SO |
| Solids Control | | Per I | Day | DIDC 260 | \$88,000 | | | \$88,000 |
| Well Control Equip (Snubbing Svcs.) | ····· | | | DIDE 394 | \$90,000 | DICC 246 | \$26,000 | \$116,000 |
| Fishing & Sidetrack Operations | | | | PIPC 270 | \$0 | Dicc.745 | | \$0 |
| Completion Rig | 17 Days @ | 3,400 Per l | Day | | | DICC, E15 | \$70,000 | \$70,000 |
| Coil Tubing | 1 Days @ | 33,000 Per l | Day | | | DICC 260 | \$33,000 | \$33,000 |
| Completion Logging, Perforating, WL Units, WL Surveys | | | | | | DICC 200 | \$10,000 | \$10,000 |
| Stimulation | | | | | | DICC 210 | \$427,000 | \$427,000 |
| Legal / Regulatory / Curative | | | | DIDC.300 | \$1,000 | DICC 230 | | \$1,000 |
| Well Control Insurance \$0.35 Per Foo | ot | | | DIDC.285 | \$5,000 | | | \$5,000 |
| Contingency 5% of Drilling Intangibi | les | | | PIDC,435 | \$79,000 | DICC.220 | \$54,000 | \$133,000 |
| Construction For Well Equipment | | | | | | DWI 4.110 | \$20,000 | \$20,000 |
| Construction For Lease Equipment | | | | | | Direction | \$0 | \$0 |
| | | | | | | | | |
| Construction For Sales P/L | | | | | | DICC 265 | | |
| Construction For Sales P/L | | | | | \$1,659,200 | DICC 265 | \$1,151,000 | |
| Construction For Sales P/L Total Intangible Cost | | | 1. July | | \$1,659,200 | DICC 265 | \$1,151,000 | |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment | Size | | _ | 1177111111 | \$1,659,200 | PICC 265 | \$1,151,000 | |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe | | | / Foot \$0.00 | DWER 150 | \$1,659,200 \$0 | DICC 765 | \$1,151,000 | \$0 \$2,810,200 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment (1994) | Size | Feet \$7 | /Foot | DWFB 150 | | DICC 268 | \$1,151,000 | \$2,810,200 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe | Size | Feet \$7 | /Foot | MAMA | <i>\$</i> 0 | PICC 265 | \$1,151,000 | \$2,810,200 \$0 \$0 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String | Size | Feet \$7 | /Foot | DWFB 150 DWFB 189 DWFB 188 | \$0 \$0 | DICC 768 | \$1,151,000 | \$2,810,200 \$0 \$0 \$0 \$0 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing | Size 20 " | Feet \$7 | Foot \$0.00 | DWFR 150 DWFR 150 DWFR 135 DWFR 140 | \$0 \$0 \$0 | DICC 768 | \$1,151,000 | \$2,810,200 \$0 \$0 \$0 \$0 \$0 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing | Size 20 " | Feet \$7 40.00 | \$0.00 \$0.00 \$0.00 | DWFR 150 DWFR 150 DWFR 135 DWFR 140 | \$0 \$0 \$0 \$0 | DICC 768 | \$1,151,000 | \$2,810,200 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$ |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner | Size 20 " | Feet \$7 40.00 | \$0.00 \$0.00 \$0.00 | DWFR 180 DWFR 180 DWFR 135 DWFR 140 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$0 \$36,000 | DICC 768 | \$1,151,000 | \$2,810,200 \$0 \$0 \$0 \$0 \$1 \$36,000 \$0 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe | Size 20 " | Feet \$7 40.00 | \$0.00 \$0.00 \$0.00 | DWFR 180 DWFR 180 DWFR, 135 DWFR, 140 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DICC (168 | \$1,151,000 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$0 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Production Casing or Liner | Size 20 " 13-3/8" 8-5/8" | Feet \$ / 40.00 | \$0.00 \$0.00 \$0.00 \$24.31 | DWFR 180 DWFR 180 DWFR, 135 DWFR, 140 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | | | \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back | Size 20 " 13-3/8" 8-5/8" | Feet \$ / 40.00 1485.00 11200.00 | \$0.00 \$0.00 \$0.00 \$24.31 | DWFR 180 DWFR 180 DWFR 180 DWFR 140 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWI-A 100 | \$329,000 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 |
| Construction For Sales P/L Total Intangible Cost Tangible -Well Equipment Tasing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back Tubing | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$0.00 \$24.31 \$29.37 | DWFR 180 DWFR 180 DWFR 180 DWFR 140 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWIA 100 | \$329,000 \$66,275 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Orilling Liner | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$0.00 \$24.31 \$29.37 | DWFR 180 DWFR 180 DWFR 180 DWFR 140 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWIA 100 DWIA 100 DWIA 105 | \$329,000 \$66,275 \$82,000 | \$2,810,200 \$0 \$0 \$0 \$0 \$36,000 \$329,000 \$66,275 \$82,000 \$20,000 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Tasing Orive Pipe Conductor Pipe Water String Four foce Casing Orilling Liner Orilling Liner Production Casing or Liner Production Tie-Back Tubing W/C Well Equipment Wellhead, Tree, Chokes iner Hanger, Isolation Packer | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$0.00 \$24.31 \$29.37 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWIA 100 DWIA 105 DWIA 115 | \$329,000 \$66,275 \$82,000 \$20,000 | \$2,810,200 \$0 \$0 \$0 \$0 \$36,000 \$329,000 \$66,275 \$82,000 \$10,000 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Orive Pipe Conductor Pipe Nater String Surface Casing Intermediate Casing Orilling Liner Oriduction Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$0.00 \$24.31 \$29.37 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWIA 100 DWIA 105 DWIA 105 DWIA 115 DWIA 120 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$329,000 \$66,275 \$82,000 \$10,000 \$1,000 |
| construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Tasing Drive Pipe Conductor Pipe Voter String Furface Casing Orilling Liner Production Casing or Liner Production Tie-Back Tubing J/C Well Equipment Vellhead, Tree, Chokes iner Hanger, Isolation Packer Packer, Nipples Driver Pipe Packer, Nipples Driver Pipe Packer Packer, Nipples Particular Pipe Packer Packer, Nipples Particular Pipe Packer Packer, Nipples Particular Pipe Packer Packer, Nipples | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$0.00 \$24.31 \$29.37 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWIA 100 DWIA 105 DWIA 105 DWIA 115 DWIA 120 DWIA 125 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$329,000 \$66,275 \$82,000 \$10,000 \$1,000 \$110,000 |
| construction For Sales P/L Total Intangible Cost angible - Well Equipment Gasing Drive Pipe Conductor Pipe Vater String Furface Casing Orilling Liner Production Casing or Liner Production Tie-Back Fubing Info Well Equipment Vellhead, Tree, Chokes Finer Hanger, Isolation Packer Packer, Nipples Furmping Unit, Engine Info Equipment (BHP, Rods, Anchors) | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA 100 DWFA 105 DWFA 105 DWFA 120 DWFA 120 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$48,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 |
| construction For Sales P/L Total Intangible Cost angible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Furface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back Tubing I/C Well Equipment Wellhead, Tree, Chokes Iner Hanger, Isolation Packer Packer, Nipples Tumping Unit, Engine Ift Equipment (BHP, Rods, Anchors) angible - Lease Equipments | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWEATON DWEATON DWEATON DWEATON DWEATON DWEATON DWEATON DWEATON DWEATON DWEATON | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$36,000 \$329,000 \$10,000 \$110,000 \$182,000 \$110,000 \$148,000 |
| construction For Sales P/L otal Intangible Cost angible - Well Equipment Casing Orive Pipe Conductor Pipe Voter String Urfoce Casing Intermediate Casing Orilling Liner Orilling Liner Oroduction Casing or Liner Oroduction Tie-Back Cubing I/C Well Equipment Vellhead, Tree, Chokes iner Hanger, Isolation Packer Orocker, Nipples Cumping Unit, Engine ift Equipment (BHP, Rods, Anchors) Ingible Lease Equipment | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA 100 DWFA 100 DWFA 100 DWFA 120 DWFA 120 DWF | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$36,000 \$329,000 \$329,000 \$10,000 \$10,000 \$110,000 \$98,000 \$48,000 |
| construction For Sales P/L otal Intangible Cost angible - Well Equipment Casing Orive Pipe Conductor Pipe Voter String Urfoce Casing Intermediate Casing Orilling Liner Orilling Liner Oroduction Casing or Liner Oroduction Tie-Back Cubing I/C Well Equipment Vellhead, Tree, Chokes iner Hanger, Isolation Packer Orocker, Nipples Cumping Unit, Engine Ift Equipment (BHP, Rods, Anchors) Ingible Lease Equipment I/C Lease Equipment Industry Tanks Steps, Stairs | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA.100 DWFA.105 DWFA.105 DWFA.105 DWFA.106 DWFA.106 DWFA.100 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$36,000 \$329,000 \$10,000 \$110,000 \$110,000 \$110,000 \$48,000 \$48,000 |
| construction For Sales P/L Total Intangible Cost angible - Well Equipment Gasing Drive Pipe Conductor Pipe Voter String Four of Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Furbing I/C Well Equipment Vellhead, Tree, Chokes Finer Hanger, Isolation Packer Packer, Nipples Furmping Unit, Engine Fift Equipment (BHP, Rods, Anchors) angible Lease Equipment Four Lease Equipment Fo | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA, 100 DWFA, 100 DWFA, 105 DWFA, 105 DWFA, 109 DWFA, | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$20,000 \$15,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$36,000 \$329,000 \$46,275 \$82,000 \$10,000 \$110,000 \$110,000 \$48,000 \$20,000 \$48,000 \$520,000 \$48,000 \$15,000 |
| construction For Sales P/L Total Intangible Cost angible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Four Cosing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing I/C Well Equipment Wellhead, Tree, Chokes Iner Hanger, Isolation Packer Packer, Nipples Tymping Unit, Engine Ift Equipment (BHP, Rods, Anchors) Tymping Liner Tymping Liner Tymping Liner Tymping Unit, Engine Tymping Uni | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA, 100 DWFA, 100 DWFA, 105 DWFA, 105 DWFA, 105 DWFA, 109 DWFA, 100 DWFA, | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 | \$2,810,200 \$6 \$6 \$6 \$36,000 \$66,27! \$82,000 \$10,000 \$10,000 \$110,000 \$48,000 \$20,000 \$48,000 \$15,000 \$15,000 |
| construction For Sales P/L Total Intangible Cost angible Well Equipment Casing Drive Pipe Conductor Pipe Vater String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Surbing V/C Well Equipment Vellhead, Tree, Chokes Siner Hanger, Isolation Packer Packer, Nipples Sumping Unit, Engine Sift Equipment (BHP, Rods, Anchors) Angible Lease Equipment Surks, Tanks Steps, Stairs Stattery (Heater Treater, Separator, Gas Treating Equipment Surfshore Production Structure for Facilities | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA.100 DWFA.100 DWFA.100 DWFA.100 DWFA.100 DWFA.100 DWFA.100 DFG.100 DFG.115 DFG.120 DFG.125 DFG.125 DFG.125 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$20,000 \$15,000 | \$2,810,200 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Drive Pipe Conductor Pipe Water String Durface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Casing or Liner Production Tie-Back Tubing W/C Well Equipment Wellhead, Tree, Chokes Jiner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Jift Equipment (BHP, Rods, Anchors) Jangible Lease Equipment Janks, Tanks Steps, Stairs Stattery (Heater Treater, Separator, Gas Treating Equipment Joffshore Production Structure for Facilities Pipeline to Sales | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA, 100 DWFA, 100 DWFA, 105 DWFA, 105 DWFA, 105 DWFA, 109 DWFA, 100 DWFA, | \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$48,000 \$48,000 \$20,000 \$15,000 \$15,000 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$36,000 \$329,000 \$10,000 \$110,000 \$110,000 \$48,000 \$20,000 \$15,000 \$15,000 \$20,000 |
| Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Orive Pipe Conductor Pipe Nater String Surface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA.100 DWFA.100 DWFA.100 DWFA.100 DWFA.100 DWFA.100 DWFA.100 DFG.100 DFG.115 DFG.120 DFG.125 DFG.125 DFG.125 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$20,000 \$15,000 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$36,000 \$329,000 \$10,000 \$110,000 \$110,000 \$48,000 \$20,000 \$15,000 \$15,000 \$20,000 \$15,000 |
| Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Drive Pipe Conductor Pipe Water String Durface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Casing or Liner Production Tie-Back Tubing W/C Well Equipment Wellhead, Tree, Chokes Jiner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Jift Equipment (BHP, Rods, Anchors) Jangible Lease Equipment Janks, Tanks Steps, Stairs Stattery (Heater Treater, Separator, Gas Treating Equipment Joffshore Production Structure for Facilities Pipeline to Sales | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 150 DWFR 150 DWFR 150 DWFR 145 DWFR 145 DWFR 145 DWFR 145 DWFR 145 | \$0 \$0 \$0 \$0 \$36,000 \$0 | DWFA 100 | \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$15,000 \$15,000 \$15,000 \$1,500 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$36,000 \$329,000 \$10,000 \$110,000 \$110,000 \$110,000 \$110,000 \$110,000 \$110,000 \$48,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 |
| construction For Sales P/L otal Intangible Cost angible Well Equipment Casing Casing Conductor Pipe Vater String Confidence Casing Confidence Casing Confidence Conduction Casing or Liner Conduction Casing or Liner Conduction Tie-Back Cubing Color Equipment Conduction Tie-Back Cubing Color Equipment Conduction Tie-Back Cubing Color Equipment Color | Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8" | 1485.00 11200.00 5000.00 | \$0.00 \$0.00 \$24.31 \$29.37 \$8.03 | DWFR 180 DWFR 183 DWFR 184 | \$0 \$0 \$0 \$36,000 \$0 \$36,000 | DWFA 100 | \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$48,000 \$48,000 \$20,000 \$15,000 \$15,000 | \$2,810,200 \$0 \$0 \$0 \$36,000 \$36,000 \$329,000 \$10,000 \$110,000 \$110,000 \$48,000 \$20,000 \$15,000 \$15,000 \$20,000 \$15,000 |



Authorization For Expenditure

| Company Entity Cimarex Energy Co. | | Date | Dated July 16, 2009 |
|--|--|--|---|
| Region Well Name | Well No. Prospect or Field Name | Property Number | To And alling AFF No. 2017 |
| Permian Mallon 34 Federal | 20 | | |
| Location | | | |
| N/2N/2 Section 34-19S-34E | Fea | NM Oil | x Expl x |
| | | Gas | Prod |
| Estimate Type Original Estimate | Est Start Date | st-Comp Date: 性學學學學學是在 | nemation & Fig. 1. TD |
| Revised Estimate O | - | Во | ne Spring 15,046' |
| Supplemental Estimate O Project Description | | AND THE RESIDENCE OF THE PROPERTY OF THE PROPE | nn adament er physical (1730) senney 2011 er 2 |
| Drill and complete a third Bone Spring horizontal w | | | |
| Intangibles Drilling Costs | Dry Hole Cost \$1,659,200 | After Casing Point | Completed Well Cost \$1,659,200 |
| Completion Costs Total Intangible Costs | \$1,659,200 | \$1,151,000 \$1,151,000 | \$1,151,000 \$2,810,200 |
| | | | |
| Tangibles Well Equipment | \$36,000 | \$764,275 | \$800,275 |
| Lease Equipment Total Tangible Well Cost | \$36,000 | \$36,500 \$800,775 | \$36,500 \$836,775 |
| Plug and Abandon Cost | \$150,000 | | \$0 |
| | | -\$150,000 | |
| Total Well Cost | \$1,845,200 | \$1,801,775 | \$3,646,975 |
| 1. All tubulars, well or lease equipment is priced b Well Control Insurance | y COPAS and CEPS guidelines using the Histor | ic Price Multiplier. | |
| Unless otherwise indicated below, you, as a non-operation of so long as Operator conducts operations hereunder insurance, you must provide a certificate of such in later than commencement of drilling operations. You by insurance procured by Operator. ☐ I elect to purchase my own well control insurance policy. Well control insurance procured by Operator, provided in the procured by Operator, provided in the procured by Operator, provided insurance procured by Operator, provided in the procured by Operator. | er and to pay your prorated share of the prem nsurance acceptable to Operator, as to form a You agree that failure to provide the certificat | iums therefore. If you elect to p nd limits, at the time this AFE is e of insurance, as provided here | urchase your own well control returned, if available, but in no event in, will result in your being covered |
| related redrilling and clean-up/pollution expense of | covering drilling (through completion) with a | 0% W.I.) of Combined Single Lin 61,000,000 (100% W.I.) deductible | e. |
| The above costs are estimates only and anticipate without affecting the authorization for expenditure actual legal, curative, regulatory and well costs under the costs are constructed in the costs and costs are constructed. | trouble free operations without any foreseea e herein granted. By approval of this AFE, the | ble change in plans. The actual of working interest owner agrees | costs may exceed the estimated costs to pay its proportionate share of |
| Prepared by | Cimarex Energy Co. Appr | | |
| Mark Audas Engineer - PB | Doug Park, Mgr Operations PB | Roger Alexander, Regio | 3 2 2 2 |
| | | | |
| Company | Joint Interest Approva | II - Marie Date Date Date Date Date Date Date Dat | |
| | | | |



Project Cost Estimate

Lease Name: Mailon 34 Federal Well No.: 20

| Lease Name: Mallon 34 Federal | | | | | | We | ll No.: | 20 |
|---|---------------------|---------------------------------------|--|--------------|---------------------------------------|----------------|---|--------------|
| | | | | | Dry Hole Cost | | After Casing Co | mpleted Well |
| Intangibles, And Annual Street, 1997 | | | | | A-Marie A-M | | PC Point | |
| Roads & Location Preparation / Restoration | | | | DIDC.100 | \$50,000 | DICC.100 | | \$50,000 |
| Damages | | | | DIDC:105 | \$1,000 | DICC.10% | | \$1,000 |
| Mud / Fluids Disposal Charges | | | | DIDC255 | \$65,000 | DICC.235 | \$52,500 | \$117,500 |
| Day Rate 39 DH Days 8 ACP | Days @ | 12,000 P | er Day | DIDC.115 | \$468,000 | DICC DO | \$96,000 | \$564,000 |
| Misc Preparation Cost (mouse hole, rat hole, pads, pile c | lusters, misc.) | | | DIDC.120 | | | | \$9,000 |
| Bits | | | | DIDC.125 | \$23,000 | DICC.125 | \$1,000 | \$24,000 |
| Fuel \$2.55 Per Gallon | 700 | Gallons Per Day | | DIDC.135 | \$90,000 | DICC.130 | \$12,000 | \$102,000 |
| Water / Completion Fluids | | P | er Day | DIDC.140 | \$70,200 | DICC.135 | \$61,500 | \$131,700 |
| Mud & Additives | | | | DIDC.145 | | | | \$39,000 |
| Surface Rentals | | P | er Day | DIDC.150 | \$61,000 | DICC.140 | \$84,000 | \$145,000 |
| Downhole Rentals | | | | DIDC.155 | \$88,000 | DICC.145 | \$74,000 | \$162,000 |
| Formation Evaluation (DST, Coring including evaluation, | | | | DIDC.160 | | | | \$0 |
| Mud Logging | \$850 Days @ | 32 P | er Day | DIDC.170 | \$31,000 | | | \$31,000 |
| Open Hole Logging | | | | DIDC.180 | \$15,000 | | | \$15,000 |
| Cementing & Float Equipment | | | | DIDC.185 | \$15,000 | DICC.155 | \$50,000 | \$65,000 |
| Tubular Inspections | | | | DIDC. 190 | \$5,000 | DICC.160 | \$3,000 | \$8,000 |
| Casing Crews | | | | DIDC.195 | \$10,000 | DICC.165 | \$15,000 | \$25,000 |
| Extra Labor, Welding, Etc. | | | | DIDC.200 | \$31,000 | DICC.170 | \$5,000 | \$36,000 |
| Land Transporation (Trucking) | | | | DiDC.205 | \$20,000 | DICC 175 | \$9,000 | \$29,000 |
| Supervision | | F | er Day | DIDC.210 | \$59,000 | DICC.130 | \$26,000 | \$85,000 |
| Trailer House / Camp / Catering | | P | er Day | DIDC.280 | \$23,000 | DICC 255 | \$4,000 | \$27,000 |
| Other Misc Expenses | | | | DIDC.220 | \$11,000 | DICC 190 | \$7,000 | \$18,000 |
| Overhead | | 300 P | Per Day | DIDC.225 | \$12,000 | DICC.195 | \$11,000 | \$23,000 |
| Remedial Cementing | | | | DIDC.231 | | DECC.215 | *************************************** | \$0 |
| MOB/DEMOB | | | | DIDC.240 | \$60,000 | | | \$60,000 |
| Directional Drilling Services | 12 Days @ | 8,200 F | Per Day | DIDC.245 | \$140,000 | | | \$140,000 |
| Dock, Dispatcher, Crane | | | | DIDC.250 | | DICC.230 | | \$0 |
| Marine & Air Transportation | | | | DIDC.275 | | DICC 250 | | \$0 |
| Solids Control | | | Per Day | DIDC.260 | \$88,000 | | | \$88,000 |
| Well Control Equip (Snubbing Svcs.) | | | | DIDC.265 | \$90,000 | DICC.240 | \$26,000 | \$116,000 |
| Fishing & Sidetrack Operations | | | | DIDC:270 | \$0 | DICC.245 | | \$0 |
| Completion Rig | 17 Days @ | 3,400 F | Per Day | | | DICC.115 | \$70,000 | \$70,000 |
| Coil Tubing | 1 Days @ | 33,000 F | Per Day | | | DICC.260 | \$33,000 | \$33,000 |
| Completion Logging, Perforating, WL Units, WL Surveys | | | | | | DICC.200 | \$10,000 | \$10,000 |
| Stimulation | | | | | | DICC.210 | \$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 Intan | gibles | | | DIDC 435 | \$79,000 | DICC.220 | \$54,000 | \$133,000 |
| Construction For Well Equipment | | | | | | DWFA.110 | \$20,000 | \$20,000 |
| Construction For Lease Equipment | | | | | | DLEQ.110 | \$0 | \$0 |
| Construction For Sales P/L | | | | | | DICC.265 | | \$0 |
| Total Intangible Cost | | | | | \$1,659,200 | | \$1,151,000 | \$2,810,200 |
| | | | | | | | | |
| Tangible - Well Equipment 1. 3.35 | | 新华公司 | | | | | THE SHIP HAVE | |
| Casing | Size | Feet | \$ / Foot | | | | | |
| Drive Pipe | 20 " | 40.00 | \$0.00 | DWEB.150 | \$0 | | | \$0 |
| Conductor Pipe | | | | DWfB.130 | \$0 | | | \$0 |
| Water String | | | | DW(B.135 | \$0 | | | \$0 |
| Surface Casing | 13-3/8" | | \$0.00 | DW(B.140 | \$0 | | | \$0 |
| Intermediate Casing | 8-5/8" | 1485.00 | \$24.31 | DWIB.145 | \$36,000 | | | \$36,000 |
| Drilling Liner | | | | DWfB.145 | \$0 | | | \$0 |
| Drilling Liner | | | · | D\VEB.145 | \$0 | | | \$0 |
| Production Casing or Liner | 7" | 11200.00 | \$29.37 | | | DWEA.100 | \$329,000 | \$329,000 |
| Production Tie-Back | 3 1/2" | 5000.00 | · · · · · · · · · · · · · · · · · · · | | | DWFA.100 | \$66,275 | \$66,275 |
| Tubing | 2 7/8" | 10200.00 | \$8.03 | | | DWFA.105 | \$82,000 | \$82,000 |
| N/C Well Equipment | | | , | | | DWEA.115 | \$20,000 | \$20,000 |
| Wellhead, Tree, Chokes | | | | OWFB.115 | · · · · · · · · · · · · · · · · · · · | DWEA.120 | \$10,000 | \$10,000 |
| Liner Hanger, Isolation Packer | | | | DWI B.100 | | DWEA.125 | \$1,000 | \$1,000 |
| Packer, Nipples | | | | | | DWFA.130 | \$110,000 | \$110,000 |
| Pumping Unit, Engine | | · · · · · · · · · · · · · · · · · · · | | | | DLEQ.100 | \$98,000 | \$98,000 |
| Lift Equipment (BHP, Rods, Anchors) | | · | | | | DLEQ.105 | \$48,000 | \$48,000 |
| Tangible - Lease Equipment | 37.072.005) | | | | | 1460 a 1670 in | | |
| N/C Lease Equipment | | | | | | DLFQ.115 | \$0 | \$0 |
| Tanks, Tanks Steps, Stairs | | | | | | DH Q.120 | \$20,000 | \$20,000 |
| Battery (Heater Treater, Separator, Gas Treating Equipm | nent) | | * | | | DIFO.125 | \$15,000 | \$15,000 |
| Flow Lines (Line Pipe from wellhead to central facility) | <u> </u> | | | | | DHQ.130 | \$1,500 | \$1,500 |
| Offshore Production Structure for Facilities | | | | | | DWFA.135 | 7 -,555 | \$0 |
| Pipeline to Sales | | | ·- · · · · · · · · · · · · · · · · · · | | | DWFA.140 | | \$0 |
| Total Tangibles | | | | | \$36,000 | 4 | \$800,775 | \$836,775 |
| | | | | | 7-2,000 | | | +330,773 |
| P&A Costs | | | | DIDC 295 | \$150,000 | DICC.275 | -\$150,000 | 201 |
| | | | | 1 2000-295 | \$130,000 | g - DR C.275 | -\$130,000 | \$0 |
| Total Cost | | | | | \$1 0AF 300 | | £1 901 77F | 63 646 03- |
| | | | ······································ | | \$1,845,200 | | \$1,801,775 | \$3,646,975 |
| | | | | | | | | |

Cimarex Energy Co.

600 N. Marienfeld St. Suite 600 Midland, Texas 79701

PHONE 432.571.7800

July 17, 2009



<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc. Attn: Thomas M. Beall P.O. Box 3098 Midland, Texas 79702

<u>Via: E-mail U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al. Attn: John Stroud 13727 Noel Road, Suite 500 Dallas, Texas 75240

<u>Via: E-mail and U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources Attn: Alan Byars/Jerry M. Gahr P.O. Box 11044 Midland, Texas 79702

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4103</u>

Michael J. Moncrief 2008 Trust A Attn: Jerry Goodwin, CPA 777 Taylor Street, Suite 1030 Fort Worth, Texas 76102

Re: Mallon 34 Federal No. 19 S/2N/2 Section 34-T19S-34E Lea County, New Mexico

Dear Working Interest Owners:

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 in the drilling of the well, please sign 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,

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4066</u>

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

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4035</u>

U.S. Trust, Bank of America Attn: Janet M. Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113-2546

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4042</u>

W.A. Moncrief, Jr. Trust Attn: Monita Cebell 950 Commerce Street Fort Worth, Texas 76102-5418



Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

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

| | | | - | | | Date Prepared July: | 16, 2009 |
|--|--|---|---|---|---|--|--|
| Region | Well-N. | ime Company | Well Note. | Prospect or Field Name | Property Number | Park Dulling | KALENO: T. T. T. T. |
| Permian | Mallon 34 | Federal | 19 | | | | |
| ation | ANSA MASTER | | | County | | | |
| N/2 Section 34-1 | .9S-34E | | | Lea | NM ! | Oil x Gas | Expl x Prod |
| | | | N. SOUND YE | st Start Date (1995) | t-Comp Date | ្តីវេទ្ធិ Formation និង | The Section of the Se |
| iginal Estimate vised Estimate | _ | 0 | | | ! | Bone Spring | 15,046' |
| oplemental Estima | | 0 | | | | | |
| | | | | lot 10840 TVD/15046 MD (4500 V | | | |
| · and complete a | tima bone spri | ing noncontai | Well. III. | 100 100 10 10 10 10 10 10 10 10 10 10 10 | ,,. | | |
| | | | | | | | |
| | | | | | | | |
| angibles | | | | Dry Hole Cost | After Casing Po | oint Coi | mpleted Well Cost |
| lling Costs mpletion Costs | · · · · · · · · · · · · · · · · · · · | | | \$1,659,200 | \$1,151,000 | , | \$1,659,200 \$1,151,000 |
| tal Intangible Cos | its | | | \$1,659,200 | \$1,151,000 | | \$2,810,200 |
| | | | | | | | |
| ngibles ell Equipment | | | | \$36,000 | \$764,275 | | \$800,275 |
| ise Equipment | ****** | | | | \$36,500 | | \$36,500 |
| tal Tangible Well | Cost | | | \$36,000 | \$800,775 | | \$836,775 |
| ig and Abandon C | Cost | | | \$150,000 | -\$150,000 | 1 | <u> </u> |
| | | | | \$150,000 | \$130,000 | | \$0 |
| mmehts on Well (| | | | \$1,845,200 CEPS guidelines using the Historic | \$1,801,775 | i | \$3,646,975 |
| ell Control Insurance procure insurance procure insurance procure insurance procure il elect to purchase ell control insurance | dicated below, y conducts operat provide a certicement of drillinged by Operator my own well controlled procured by | you, as a non- tions hereund ficate of such ng operations. | operating wor der and to pay insurance acc You agree the | \$1,845,200 | \$1,801,775 Price Multiplier. overed by Operator's warms therefore. If you e d limits, at the time thi of insurance, as provided with the control of the complex of the com | vell control insurance elect to purchase your is AFE is returned, if a ded herein, will result | \$3,646,975 procured by Operato own well control vailable, but in no even in your being covered. |
| ell Control Insuranties otherwise incurance, you must ter than commence insurance procured insurance ell control insurance lated redrilling and comments on Al Emperature of the control insuranties of the contro | or lease equipment of lease equipment of drilling the driving of the drilling | you, as a non- tions hereund ficate of such ag operations. Operator, pro ution expense and anticipat for expenditu | operating wor der and to pay insurance acc. You agree the | \$1,845,200 I CEPS guidelines using the Historic line of the premise path of the premise path of the provide the certificate of the provide the pro | \$1,801,775 Price Multiplier. P | vell control insurance elect to purchase your is AFE is returned, if an ided herein, will result ingle Limit coverage for leductible. | \$3,646,975 procured by Operato own well control vailable, but in no ever in your being covered or well control and exceed the estimated coportionate share of |
| ell Control Insurantes on Veil of All tubulars, well control Insurantes of the Control Insurantes of the Control Insurance procured insurance procured insurance procured insurance procured insurantes of the Control Insurantes of Alexantes | or lease equipment of lease equipment of drilling the conducts operator of drilling the conducts operator of the conducts operator of the conducts of the cond | you, as a non- tions hereund ficate of such ag operations. Operator, pro ution expense and anticipat for expenditu | operating worder and to pay insurance acc. You agree the overing drill the trouble free are herein grander term of the overing term. | \$1,845,200 I CEPS guidelines using the Historic description of the premise path of the premise path of the premise path of the provide the certificate of the provide the provide the provide the certificate of the provide th | \$1,801,775 Price Multiplier. P | vell control insurance elect to purchase your is AFE is returned, if an ided herein, will result ingle Limit coverage for leductible. | \$3,646,975 procured by Operato own well control vailable, but in no even in your being covered or well control and the estimated coportionate share of |
| ell Control Insurance long as Operator of Surance, you must der than commence insurance procured I elect to purchase ell control insurance lated redrilling and lated redrilling | or lease equipmedicated below, yeonducts operate provide a certicement of drillinged by Operator my own well controlled by Operator occupied by delean-up/pollinged by Operator occupied by delean-up/pollinged by Operator occupied by Operator occupied by delean-up/pollinged by Operator occupied by Operat | you, as a non- tions hereund ficate of such ag operations. Operator, pro ution expense and anticipat for expenditu | operating worder and to pay insurance acc. You agree the your ovides, among e covering drill the trouble free ure herein grander term of the Drilling and | \$1,845,200 I CEPS guidelines using the Historic line interest owner, agree to be convolved to the premise of the premise petable to Operator, as to form an at failure to provide the certificate line other terms, for \$20,000,000 (100 ling (through completion) with a \$100 completion) with a \$100 completion without any foreseeable ted. By approval of this AFE, the she joint operating agreement, regular completions without any foreseeable ted. By approval of this AFE, the she joint operating agreement, regular completions. | \$1,801,775 Price Multiplier. P | rell control insurance elect to purchase your is AFE is returned, if and its ded herein, will result ingle Limit coverage for leductible. | \$3,646,975 procured by Operato own well control vailable, but in no ever in your being covered or well control and exceed the estimated coportionate share of covering this well. |
| All tubulars, well All tubulars, well Control insurar less otherwise inc long as Operator urance, you must er than commenc insurance procure I elect to purchase ell control insuran ated redrilling and minents on Ale e above costs are thout affecting the tual legal, curative | or lease equipmedicated below, yeonducts operate provide a certicement of drillinged by Operator my own well controlled by Operator occupied by delean-up/pollinged by Operator occupied by delean-up/pollinged by Operator occupied by Operator occupied by delean-up/pollinged by Operator occupied by Operat | you, as a non- tions hereund ficate of such ag operations. Operator, pro ution expense and anticipat for expenditu | operating worder and to pay insurance acc. You agree the your ovides, among e covering drill the trouble free ure herein grander term of the Drilling and | \$1,845,200 I CEPS guidelines using the Historic line interest owner, agree to be convolutionally be convoluted to the premise per provide the certificate line in the provide the provide the provide the provide line in the provide the provide line in | \$1,801,775 Price Multiplier. Provided Signature of Combined Signat | vell control insurance elect to purchase your is AFE is returned, if and its ded herein, will result ingle Limit coverage for leductible. | \$3,646,975 procured by Operato own well control vailable, but in no ever in your being covered or well control and exceed the estimated coportionate share of covering this well. |
| ell Control Institution in less otherwise incommence, you must ter than commence insurance procure I elect to purchase tell control insurance lated redrilling and comments on Alice above costs are ithout affecting the | or lease equipmedicated below, yeonducts operate provide a certicement of drillinged by Operator my own well controlled by Operator occupied by delean-up/pollinged by Operator occupied by delean-up/pollinged by Operator occupied by Operator occupied by delean-up/pollinged by Operator occupied by Operat | you, as a non- tions hereund ficate of such ag operations. Operator, pro ution expense and anticipat for expenditu | operating worder and to pay insurance acc. You agree the your ovides, among e covering drill the trouble free ure herein grander term of the Drilling and | \$1,845,200 I CEPS guidelines using the Historic description interest owner, agree to be conjugate to operator, as to form an at failure to provide the certificate description of the premiser of the premise | \$1,801,775 Price Multiplier. Provided Signature of Combined Signat | vell control insurance elect to purchase your is AFE is returned, if and its ded herein, will result ingle Limit coverage for leductible. | \$3,646,975 procured by Operato own well control vailable, but in no ever in your being covered or well control and exceed the estimated coportionate share of covering this well. |



Intangibles:

Project Cost Estimate

ease Name: Malion 34 Federal Well No.: 19

| Roads & Location Preparation / Restoration | STAN STANKE OF THE STANKE STANKE STANKE | | | DIDC.100 | \$50,000 | מוככ, נמח | Point to 1 | \$50,000 |
|---|---|-------------------|-------------------|----------------------|--------------------------------------|---|--|--|
| Damages Mud / Fluids Disposal Charges | | | | DIDC 105 DIDC 255 | \$1,000 \$65,000 | DICC 105 DICC 235 | \$52,500 | \$1,000 \$117,500 |
| | ACP Days @ | 12,000 P | Per Day | DIDC.: 15 | \$468,000 | DICC 120 | \$96,000 | \$564,000 |
| Misc Preparation Cost (mouse hole, rat hole, pads, p | | ,,,,,, | | MDC.126 | | | | \$9,000 |
| Bits | | | | DIDCLES | \$23,000 | DICC 125 | \$1,000 | \$24,000 |
| Fuel \$2.55 Per Gallon | 700 | Gallons Per Day | y | DIDC 134 | \$90,000 | DICL 130 | \$12,000 | \$102,000 |
| Water / Completion Fluids | | F | Per Day | DIDC.140 | \$70,200 | DICC EBS | \$61,500 | \$131,700 |
| Mud & Additives | | | | DIDC.145 | \$39,000 | | | \$39,000 |
| Surface Rentals | | | Per Day | DIDC 150 | \$61,000 | DICC.140 | \$84,000 | \$145,000 |
| Downhole Rentals | | | | DHPC.155 | \$88,000 | DICC 145 | \$74,000 | \$162,000 |
| Formation Evaluation (DST, Coring including evaluat | | 22 (| Per Day | DIDC 16C | \$31,000 | | <i> }}} }} </i> | \$0 \$31,000 |
| Mud Logging | \$850 Days @ | 32 F | Per Day | DIDC 100 | \$15,000 | | | \$15,000 |
| Open Hole Logging Cementing & Float Equipment | | | | DIDC.185 | \$15,000 | DICC.155 | \$50,000 | \$65,000 |
| Tubular Inspections | | | | DIDC.190 | \$5,000 | DICC.160 | \$3,000 | \$8,000 |
| Casing Crews | | | | DID(195 | \$10,000 | DICC 165 | \$15,000 | \$25,000 |
| Extra Labor, Welding, Etc. | | | | DIDC 200 | \$31,000 | DICC 170 | \$5,000 | \$36,000 |
| Land Transporation (Trucking) | | | | DIDC205 | \$20,000 | DICULI75 | \$9,000 | \$29,000 |
| Supervision | | ļ | Per Day | DIDC 21d | \$59,000 | OfCC180 | \$26,000 | \$85,000 |
| Trailer House / Camp / Catering | | F | Per Day | DIDCL280 | \$23,000 | pjec 255 | \$4,000 | \$27,000 |
| Other Misc Expenses | | | | סוות | \$11,000 | DICC, 190 | \$7,000 | \$18,000 |
| Overhead | | 300 F | Per Day | DIDC 225 | \$12,000 | DICC.195 | \$11,000 | \$23,000 |
| Remedial Cementing | | | | DIDC 233 | | DRC215 | mmm | \$0 |
| MOB/DEMOB | | | n. c | DIDC 246 | \$60,000 | | | \$60,000 |
| Directional Drilling Services | 12 Days @ | 8,200 | Per Day | DIDC 245 | \$140,000 | | | \$140,000 |
| Dock, Dispatcher, Crane | | | | DEPCLISE | | DICC 230 | | \$0 \$0 |
| Marine & Air Transportation Solids Control | | | Par Day | DIDU 275 | \$88,000 | | | \$88,000 |
| Well Control Equip (Snubbing Svcs.) | | ! <u>'</u> | Per Day | DIDC.266 | \$90,000 | DICC.240 | \$26,000 | \$116,000 |
| Fishing & Sidetrack Operations | | | | DIDC.270 | \$30,000 | DICC 245 | \$20,000 | \$0 |
| Completion Riq | 17 Days @ | 3,400 / | Per Day | | | DICC.115 | \$70,000 | \$70,000 |
| Coil Tubing | 1 Days @ | 33,000 / | | | | DICC 260 | \$33,000 | \$33,000 |
| Completion Logging, Perforating, WL Units, WL Surv | | | | | | DICC.200 | \$10,000 | \$10,000 |
| Stimulation | | | | | | DICC 210 | \$427,000 | \$427,000 |
| Legal / Regulatory / Curative | | | | DIDC 300 | \$1,000 | DICC.280 | | \$1,000 |
| | Per Foot | | | DIDC285 | \$5,000 | | | \$5,000 |
| Contingency 5% of Drilling In | ntangibles | | | 0100,435 | \$79,000 | DICC 220 | \$54,000 | \$133,000 |
| Construction For Well Equipment | | | | | | DWFA.110 | \$20,000 | \$20,000 |
| Construction For Lease Equipment | | | | | | DLEQ.110 | \$0 | \$0 |
| Construction For Sales P/L | | | | | | PICC 365 | | \$0 |
| Total Intangible Cost | | | | | \$1,659,200 | | \$1,151,000 | \$2,810,200 |
| Tangible - Well Equipment | | A three policy of | | enienien. | er i recerción de | in in the second | | i i i i i i i i i i i i i i i i i i i |
| Casing | Size | Feet | \$ / Foot | | | | | |
| Drive Pipe | 20 " | 40.00 | \$0.00 | | \$0 | | <i> </i> | \$0 |
| Conductor Pipe | | | | DWFB.130 | \$0 | | | \$0 |
| Water String Surface Cosing | 13-3/8" | | ć0.00 | DWF8.135 DWF8.140 | \$0 \$0 | | <i>#####</i> | \$0 \$0 |
| Surface Casing Intermediate Casing | 8-5/8" | 1485.00 | \$0.00 \$24.31 | | \$36,000 | | <i>######</i> | \$36,000 |
| Drilling Liner | 0-3/6 | 1405.00 | 724.31 | DWFB.145 | \$30,000 | | <i>9999999</i> 5— | \$0 |
| Drilling Liner | | | | DW18 145 | \$0 | | | \$0 |
| Production Casing or Liner | 7" | 11200.00 | \$29.37 | | | DWFA.100 | \$329,000 | \$329,000 |
| Production Tie-Back | 3 1/2" | 5000.00 | 7-0-0-1 | | | DWEA 100 | \$66,275 | \$66,275 |
| Tubing | 2 7/8" | 10200.00 | \$8.03 | | | DWEA 105 | \$82,000 | \$82,000 |
| N/C Well Equipment | | | | | | DWEA L15 | \$20,000 | \$20,000 |
| Wellhead, Tree, Chokes | | | | DWEB.115 | | DWFA L20 | \$10,000 | \$10,000 |
| Liner Hanger, Isolation Packer | | | | DW18.100 | | DWIA Dir | \$1,000 | \$1,000 |
| Packer, Nipples | | | | | | DW(A 130 | \$110,000 | \$110,000 |
| Pumping Unit, Engine | | | | | | DH Q 100 | \$98,000 | \$98,000 |
| Lift Equipment (BHP, Rods, Anchors) | | | AND SHOW | | | DIFOLUS | \$48,000 | \$48,000 |
| | | A L. A | SEL ST. | annin. | million | | 60 | |
| · · · · · · · · · · · · · · · · · · · | The first of the second | | | | | DUFQ.115 | \$0 | \$0 |
| N/C Lease Equipment | The first the second of the first | | | | | | | ¢ 30, 000 |
| N/C Lease Equipment Tanks, Tanks Steps, Stairs | | | | | | DIEQ.120 | \$20,000 | |
| N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equ | uipment) | | | | | DIEQ.120 PHO.US | \$20,000 \$15,000 | \$15,000 |
| N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equ Flow Lines (Line Pipe from wellhead to central facilit | uipment) | | | | | DEQ.120 DEO.125 DEG 120 | \$20,000 | \$15,000 \$1,500 |
| N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equ Flow Lines (Line Pipe from wellhead to central facilit Offshore Production Structure for Facilities | uipment) | | | | | DEQ.120 DEQ.125 DEG.130 DWEALES | \$20,000 \$15,000 | \$15,000 \$1,500 \$0 |
| Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equ Flow Lines (Line Pipe from wellhead to central facilit | uipment) | | | | \$36,000 | DEQ.120 DEO.125 DEG 120 | \$20,000 \$15,000 | \$15,000 \$1,500 \$0 \$0 |
| N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equ Flow Lines (Line Pipe from wellhead to central facilit Offshore Production Structure for Facilities Pipeline to Sales Total Tangibles | uipment) | | | DIDE SOL | | DEO, 120 DEO, 125 DEO 130 DWEA, 135 DWEA, 140 | \$20,000 \$15,000 \$1,500 \$800,775 | \$15,00 \$1,50 \$1,50 \$1,50 \$1,50 \$1,50 \$1,50 |
| N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equ Flow Lines (Line Pipe from wellhead to central facilit Offshore Production Structure for Facilities Pipeline to Sales | uipment) | | | DIDC 201 | \$36,000 \$150,000 \$1,845,200 | DEO, 120 DEO, 125 DEO 130 DWEA, 135 DWEA, 140 | \$20,000 \$15,000 \$1,500 | \$20,000 \$15,000 \$1,500 \$0 \$0 \$836,775 \$0 \$3,646,975 |



Authorization For Expenditure

| Company Entity () (Company Entity () (Company Energy Co. | | | The first of a | | | | Date Prepare | July 16, | 2009 |
|--|---|--|--|--|---|--|--|---|--|
| Region | n iswell | lame, The Control | Well No. | , Prospect or Field Nan | ie in in | Property Number | | Drilling A | FE No. 17 Leg 19 - 19 - 19 - 19 |
| Permian | Mallon 34 | | 19 | | | <u>.</u> | | | |
| Location Towns | nar a del mascret. | | nexunery of | Gounty - | | 9/4/15tata######## | | V. ŽeTvoe v | Vell |
| S/2N/2 Section 34-19 | · · · · · · · · · · · · · · · · · · · | , 1 J. 1 J | * | Lea | | NM | Oil Gas | x E | xpl x Prod |
| 25 To 15 Lab. Specifically and | the state of the state of the state of the | | | Est Start Date | - C - C - C - C - C - C - C - C - C - C | | | | |
| Estimate Type Original Estimate | 1 344 1 1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | © | न विकास | Est.Start.Date: 1800 New York | eret Esteru | omb hateas see also | sas at Found | 1000,413,45 | ESTOTO COMP |
| Revised Estimate | to | 0 | | | | | Bone Sp | ring | 15,046' |
| Supplemental Estima | | | | | | nume in comment of the internal of the interna | | | THE STATE OF THE S |
| | | | | Pilot 10840 TVD/15046 MD | | Part of the second seco | | it in a fact that | A samuel same |
| Intangibles Drilling Costs | | | | Dry Hole Cost \$1,659,200 | | After Casing P | oint | | eted Well Cost 1,659,200 |
| Completion Costs | | | | ¢1 650 200 | | \$1,151,000 | | | 1,151,000 |
| Total Intangible Cost | <u>s</u> | | | \$1,659,200 | | \$1,151,000 |) | | 2,810,200 |
| Tangibles | | | | \$36,000 | | 67/A 37E | | | ¢000 275 |
| Well Equipment Lease Equipment | | | | | | \$764,275 \$36,500 | | | \$800,275 \$36,500 |
| Total Tangible Well | Cost | | | \$36,000 | | \$800,775 | | | \$836,775 |
| Plug and Abandon C | ost | | | \$150,000 | | -\$150,000 | | | \$0 |
| Total Well Cost | | | | \$1,845,200 | | \$1,801,775 | | | 3,646,975 |
| 1. All tubulars, well o | or lease equip | ment is priced b | y COPAS an | d CEPS guidelines using the | Historic Pr | ice Multiplier. | | | |
| Unless otherwise ind so long as Operator of insurance, you must later than commence by insurance procure I elect to purchase of the source o | icated below, conducts oper provide a cert ement of drilli ed by Operato my own well contr ce procured be | you, as a non-op ations hereunde tificate of such in ng operations. Non. r. rol insurance policy. y Operator, prov | perating wo er and to pa isurance ac You agree th ides, amon | orking interest owner, agree y your prorated share of the ceptable to Operator, as to nat failure to provide the ce g other terms, for \$20,000,0 ling (through completion) w | to be cove e premiums form and li rtificate of | red by Operator's was therefore. If you emits, at the time thinsurance, as provided. W.I.) of Combined Si | vell control ins elect to purcha is AFE is return ded herein, wi ingle Limit cov | surance pro use your ow ned, if avail Il result in y | cured by Operator on well control able, but in no event rour being covered |
| The above costs are owithout affecting the | estimates only authorization | y and anticipate of for expenditure | trouble free herein gra | e operations without any fo nted. By approval of this A the joint operating agreeme | reseeable of FE, the wor ent, regulat | hange in plans. The king interest owner cory order or other a | e actual costs agrees to pay | its proport | tionate share of |
| Prepared by. | 10.74 M 1600 | Howard programme | Dulling an | Cimarex Energy Co. | Approva | Rogional N | rana jula sa | 经支撑 | |
| Mark Audas Engineer - PB | . | | Doug Park, M | fgr Operations PB | | Roger Alexan | der, Regional Ma | nager PB | |
| | | | | Joint Interest Ap | proval | | | | |
| Company என்ற | AND SALES OF | | By The Park | Charles De La Rock | | Wastic Date (P | · Makini si si | PAR ST | |
| | | | ! | | | | | | |



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

19

| Januari birang kangang ang kangang an | | | | v Hole Cost | | After Casing * Co | mpleted Well |
|--|---------------------------------------|-----------------------|--|-------------|-------------|-------------------|--------------|
| intangibles : The same of the | CARL PARTY. | CALL COLLEGE | | | | Point | (i. Cost |
| Roads & Location Preparation / Restoration | | | DIDC.100 | \$50,000 | DICC.100 | | \$50,000 |
| Damages | | | DIDC.105 | \$1,000 | DICC 105 | | \$1,000 |
| Mud / Fluids Disposal Charges | | | INDC.255 | \$65,000 | DICC 235 | \$52,500 | \$117,500 |
| Day Rate 39 DH Days 8 ACP | Days @ | 12,000 Per Day | DIDC.135 | \$468,000 | DICC 120 | \$96,000 | \$564,000 |
| Misc Preparation Cost (mouse hole, rat hole, pads, pile c | lusters, misc.) | | DIDC:120 | | | | \$9,000 |
| Bits | · · · · · · · · · · · · · · · · · · · | | DIDC 15g | \$23,000 | DICC.125 | \$1,000 | \$24,000 |
| Fuel \$2.55 Per Gallon | 700 G | allons Per Day | DIDC.135 | \$90,000 | DICC.130 | \$12,000 | \$102,000 |
| Water / Completion Fluids | | Per Day | DIDC 140 | \$70,200 | DICC 135 | \$61,500 | \$131,700 |
| Mud & Additives | | | PIDC 145 | \$39,000 | | | \$39,000 |
| Surface Rentals | | Per Day | DIDC.150 | \$61,000 | DICC.140 | \$84,000 | \$145,000 |
| Downhole Rentals | | | DIDC:155 - | \$88,000 | DIC(145 | \$74,000 | \$162,000 |
| Formation Evaluation (DST, Coring including evaluation, | PIPC.160 | | | | \$0 | | |
| Mud Logging | DIDC.176 | \$31,000 | | | \$31,000 | | |
| Open Hole Logging | DIDC 180 | \$15,000 | | | \$15,000 | | |
| Cementing & Float Equipment | DIDC:185 | \$15,000 | DICC.155 | \$50,000 | \$65,000 | | |
| Tubular Inspections | | | DIDC.190 | \$5,000 | DICC. 160 | \$3,000 | \$8,000 |
| Casing Crews | | | DIDC 195 | \$10,000 | DICC 165 | \$15,000 | \$25,000 |
| Extra Labor, Welding, Etc. | | | DIDC.200 | \$31,000 | DICC.170 | \$5,000 | \$36,000 |
| Land Transporation (Trucking) | | | DIDC.205 | \$20,000 | DICC 175 | \$9,000 | \$29,000 |
| Supervision | | Per Day | DIDC.210 | \$59,000 | DICC.130 | \$26,000 | \$85,000 |
| Trailer House / Camp / Catering | | Per Day | DIDC 280 | \$23,000 | DICC.255 | \$4,000 | \$27,000 |
| Other Misc Expenses | | | DIDCJ220 | \$11,000 | DICC.190 | \$7,000 | \$18,000 |
| Overhead | T | 300 Per Day | PIDC225 | \$12,000 | DICC.195 | \$11,000 | \$23,000 |
| Remedial Cementing | | | DIDC 231 | | DICC 215 | : | \$0 |
| MOB/DEMOB | | | DIDC.240 | \$60,000 | | | \$60,000 |
| Directional Drilling Services | 12 Days @ | 8,200 Per Day | DIDC.245 | \$140,000 | | | \$140,000 |
| Dock, Dispatcher, Crane | | | PIPC.250 | | DICC.230 | | \$0 |
| Marine & Air Transportation | | | DIDC.275 | | DICC.250 | | \$0 |
| Solids Control | | Per Day | DIDC.260 | \$88,000 | | | \$88,000 |
| Well Control Equip (Snubbing Svcs.) | | · | DIDC.265 | \$90,000 | DICC 240 | \$26,000 | \$116,000 |
| Fishing & Sidetrack Operations | | | PIDC 2.76 | \$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'60 | \$33,000 | \$33,000 |
| Completion Logging, Perforating, WL Units, WL Surveys | <u> </u> | 00,000,100,000, | | | DICC.200 | \$10,000 | \$10,000 |
| Stimulation | | | ~ <i>\\\\\\\</i> | | DICC.210 | \$427,000 | \$427,000 |
| Legal / Regulatory / Curative | | | DIDC.300 | \$1,000 | | \$427,000 | \$1,000 |
| Well Control Insurance \$0.35 Per | Foot | | DIDC 285 | | | | \$5,000 |
| Contingency 5% of Drilling Intan | | | DIDC.435 | \$79,000 | DICC.220 | \$54,000 | \$133,000 |
| Construction For Well Equipment | 9,2.03 | | | | DW(A.110 | \$20,000 | \$20,000 |
| Construction For Lease Equipment | | | - 7//////////////////////////////////// | | DHQ.110 | \$20,000 | \$20,000 |
| Construction For Sales P/L | | | | | DICC265 | | \$0 |
| Total Intangible Cost | | | | \$1,659,200 | 120 5.7 0.0 | \$1,151,000 | \$2,810,200 |
| The state of the s | | | | 72,000,200 | | +2,232,000 | 72,010,200 |

| Total mitoligible cost | | | | | | | V -// | |
|--|------------------------|--------------------------|--|-----------|--|---------|------------------|--|
| | | | | | | | | |
| Tangible - Well Equipment | day and hard hardwards | A CONTRACTOR OF | A STATE OF THE STA | | FEMALE WAY | - 30 | 为部分学科 | Cara Bank Land |
| Casing | Size | Feet | \$ / Foot | | | | | |
| Drive Pipe | 20 " | 40.00 | \$0.00 | DWEB.150 | \$0 | | | \$0 |
| Conductor Pipe | | | | DWFB.130 | \$0 | | | \$0 |
| Water String | | | | DW18.135 | \$0 | | | \$0 |
| Surface Casing | 13-3/8" | | \$0.00 | DWF8.140 | \$0 | | | \$0 |
| Intermediate Casing | 8-5/8" | 1485.00 | \$24.31 | DW/FB.145 | \$36,000 | | | \$36,000 |
| Drilling Liner | | | | DW18.145 | \$0 | | | \$0 |
| Drilling Liner | | | | DWEB 145 | \$0 | | | \$0 |
| Production Casing or Liner | 7" | 11200.00 | \$29.37 | | W. DW | FA.100 | \$329,000 | \$329,000 |
| Production Tie-Back | 3 1/2" | 5000.00 | | | DW (MINIMA) | FA.100 | \$66,275 | \$66,275 |
| Tubing | 2 7/8" | 10200.00 | \$8.03 | | DW MINIMIN | FA.105 | \$82,000 | \$82,000 |
| N/C Well Equipment | | | | | DW WILLIAM | FA 115 | \$20,000 | \$20,000 |
| Wellhead, Tree, Chokes | | | | DWEB.115 | DW | FA 120 | \$10,000 | \$10,000 |
| Liner Hanger, Isolation Packer | | | | DWEB.100 | DW | EA.125 | \$1,000 | \$1,000 |
| Packer, Nipples | | | | | DW MINIME | f:4.130 | \$110,000 | \$110,000 |
| Pumping Unit, Engine | | | | | ///////// DLE | Q.100 | \$98,000 | \$98,000 |
| Lift Equipment (BHP, Rods, Anchors) | | | ., | | | Q 105 | \$48,000 | \$48,000 |
| Tangible - Lease Equipment | President Action | The second second second | Section 1 | 17 mg | 14 July 2014 | 146 | PAPER NO. | A PARTY OF THE PROPERTY OF THE |
| N/C Lease Equipment | | | | | | Q:115 | \$0 | \$0 |
| Tanks, Tanks Steps, Stairs | | | | | PLE | Q.120 | \$20,000 | \$20,000 |
| Battery (Heater Treater, Separator, Gas Treating Equipme | nt) | | | | ///////////// Dil | Q.125 | \$15,000 | \$15,000 |
| Flow Lines (Line Pipe from wellhead to central facility) | | | | | ////////////////////////////////////// | Q.130 | \$1,500 | \$1,500 |
| Offshore Production Structure for Facilities | | | | | ////////////////////////////////////// | EA.135 | | \$0 |
| Pipeline to Sales | | | | | DW MINIMINI | FA.140 | | \$0 |
| Total Tangibles | | | | | \$36,000 | | \$800,775 | \$836,775 |
| P&A Costs | | | | | Ć150.000 | | Ć1E0 000 | |
| FOM CUSIS | | | | PADC.295 | \$150,000 DK | C.275 | -\$150,000 | |
| Total Cost | | | | | \$1,845,200 | | \$1,801,775 | \$3,646,975 |

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

الحرب بشرب بربانا بالأبانا بالمالا



July 17, 2009

<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc. Attn: Thomas M. Beall P.O. Box 3098 Midland, Texas 79702

Via: E-mail U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al. Attn: John Stroud 13727 Noel Road, Suite 500 Dallas, Texas 75240

<u>Via: E-mail and U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources Attn: Alan Byars/Jerry M. Gahr P.O. Box 11044 Midland, Texas 79702

<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4097

Providence Minerals, LLC 14860 Montfort Drive, Suite 209 Dallas, Texas 75254

Re: Mallon 34 Federal Com No. 18 S/2S/2 Section 34-T19S-34E Lea County, New Mexico

Dear Working Interest Owners:

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4066</u>

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

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4035</u>

U.S. Trust, Bank of America Attn: Janet M. Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113-2546

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4042</u>

W.A. Moncrief, Jr. Trust Attn: Monita Cebell 950 Commerce Street Fort Worth, Texas 76102-5418

<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4103

Michael J. Moncrief 2008 Trust A Attn: Jerry Goodwin, CPA 777 Taylor Street, Suite 1030 Fort Worth, Texas 76102

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 in the drilling of the well, please sign 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 Section 34 of the above-captioned township and range.

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

Sincerely,

Cimprex Energy Co.

Hayden P. Tresner

Landman



Authorization For Expenditure

| Region Well Name | Well No. Prospect or Field Name | Property Number | Drilling AFE No. |
|--|--|--|--|
| Permian Mallon 34 Federal C | om 18 | | |
| | County *** | State | |
| cation 2S/2 Section 34-19S-34E | Lea | NM Oil | x Expl x |
| 23/2 Section 34-153-34c | | Gas | Prod |
| | Est Start Date | omp Date | ation 📆 🚶 Est. TD 📆 |
| | | Bone | Spring 15,046' |
| | | and the second of the second o | |
| oject Description | | | |
| | izontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS). | | |
| | | | |
| | | | |
| | | | |
| tangibles | Dry Hole Cost | After Casing Point | Completed Well Cost |
| rilling Costs ompletion Costs | \$1,659,200 | \$1,151,000 | \$1,659,200 \$1,151,000 |
| otal Intangible Costs | \$1,659,200 | \$1,151,000 | \$2,810,200 |
| angibles | | · · · · · · · · · · · · · · · · · · · | |
| /ell Equipment | \$36,000 | \$764,275 | \$800,275 |
| ease Equipment otal Tangible Well Cost | \$36,000 | \$36,500 \$800,775 | \$36,500 \$836,775 |
| , and rungible even cost | V 33/660 | 7300,773 | 7050,775 |
| ug and Abandon Cost | \$150,000 | -\$150,000 | \$0 |
| otal Well Cost | \$1,845,200 | \$1,801,775 | \$3,646,975 |
| | priced by COPAS and CEPS guidelines using the Historic Pr | | |
| All tubulars, well or lease equipment is /ell Control Insurance nless otherwise indicated below, you, as o long as Operator conducts operations h surance, you must provide a certificate of ter than commencement of drilling oper y insurance procured by Operator. I elect to purchase my own well control insurance. | priced by COPAS and CEPS guidelines using the Historic Properties of the Historic Properties of the premium of such insurance acceptable to Operator, as to form and light acceptance of the certificate of the provide the certificate of the policy. | ered by Operator's well control is s therefore. If you elect to purc imits, at the time this AFE is retu insurance, as provided herein, v | nsurance procured by Operato hase your own well control irned, if available, but in no evo will result in your being covered |
| Vell Control Insurance Inless otherwise indicated below, you, as plong as Operator conducts operations has urance, you must provide a certificate of the than commencement of drilling oper y insurance procured by Operator. I elect to purchase my own well control insurance lected to the control insurance of the control i | priced by COPAS and CEPS guidelines using the Historic Properties of the Historic Properties of the premium of such insurance acceptable to Operator, as to form and literations. You agree that failure to provide the certificate of | ered by Operator's well control is therefore. If you elect to purcimits, at the time this AFE is retuinsurance, as provided herein, when the complex control in the control | nsurance procured by Operato hase your own well control irned, if available, but in no ev will result in your being covere |
| Vell Control Insurance Vell Control Insurance Inless otherwise indicated below, you, as o long as Operator conducts operations hasurance, you must provide a certificate of a certificate of the commencement of drilling operator insurance procured by Operator. I elect to purchase my own well control insurance lated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated redrilling and clean-up/pollution elections of the control insurance procured by Operatelated Pollution elections of the control insurance procured by Operatelated Pollution elections of the control insurance procured by Operatelated Pollution elections of the control insurance procured by Operatelated Pollution elec | priced by COPAS and CEPS guidelines using the Historic Properties of the premium of such insurance acceptable to Operator, as to form and ligations. You agree that failure to provide the certificate of the properties of the provide the certificate of the provides, among other terms, for \$20,000,000 (100%). | ered by Operator's well control is therefore. If you elect to purcimits, at the time this AFE is retuinsurance, as provided herein, www.l.) of Combined Single Limit composed (100% W.l.) deductible. | nsurance procured by Operato hase your own well control irned, if available, but in no ev will result in your being covere overage for well control and overage for well control and |
| Well Control Insurance Unless otherwise indicated below, you, as o long as Operator conducts operations hasurance, you must provide a certificate of ater than commencement of drilling operator insurance procured by Operator. I elect to purchase my own well control insurance leated redrilling and clean-up/pollution eleated redrilling and clean-up/pollution eleated redrilling and selections of the above costs are estimates only and are without affecting the authorization for expectations. | priced by COPAS and CEPS guidelines using the Historic Properties of the premium of such insurance acceptable to Operator, as to form and literations. You agree that failure to provide the certificate of nace policy. Interpretation of the premium of the provide the certificate of the provides, among other terms, for \$20,000,000 (100%) expense covering drilling (through completion) with a \$1,000 per policy. Inticipate trouble free operations without any foreseeable of penditure herein granted. By approval of this AFE, the work costs under term of the joint operating agreement, regular | ered by Operator's well control is therefore. If you elect to purcimits, at the time this AFE is retuinsurance, as provided herein, www.l.) of Combined Single Limit composed (100% W.l.) deductible. | nsurance procured by Operato hase your own well control urned, if available, but in no even will result in your being covered overage for well control and so may exceed the estimated coay its proportionate share of greement covering this well. |
| Vell Control Insurance Inless otherwise indicated below, you, as a long as Operator conducts operations he issurance, you must provide a certificate of iter than commencement of drilling operator insurance procured by Operator. I elect to purchase my own well control insurance lated redrilling and clean-up/pollution elected redrilling the authorization for expectual legal, curative, regulatory and well- | priced by COPAS and CEPS guidelines using the Historic Properties of the premium of such insurance acceptable to Operator, as to form and literations. You agree that failure to provide the certificate of nace policy. Interpretation of the premium of the provide the certificate of the provides, among other terms, for \$20,000,000 (100%) expense covering drilling (through completion) with a \$1,000 per policy. Inticipate trouble free operations without any foreseeable of penditure herein granted. By approval of this AFE, the work costs under term of the joint operating agreement, regular | ered by Operator's well control is therefore. If you elect to purcismits, at the time this AFE is retuinsurance, as provided herein, which will be control of the control o | nsurance procured by Operator hase your own well control arned, if available, but in no evolution in the surface of the surfac |
| All tubulars, well or lease equipment is rell Control Insurance nless otherwise indicated below, you, as a long as Operator conducts operations his surance, you must provide a certificate of ter than commencement of drilling operator. I elect to purchase my own well control insurance elected insurance procured by Operator. Tell control insurance procured by Operator elected redrilling and clean-up/pollution elected redrilling and clean-up/pollution elected insurance procured by Operator elected redrilling and clean-up/pollution elected redrilling and clean-up/pollution elected redrilling the authorization for expectual legal, curative, regulatory and well epared by | priced by COPAS and CEPS guidelines using the Historic Properties of the premium of such insurance acceptable to Operator, as to form and literations. You agree that failure to provide the certificate of expense covering drilling (through completion) with a \$1,000 per provide the certificate of expense covering drilling (through completion) with a \$1,000 per provide the certificate of expense covering drilling (through completion) with a \$1,000 per provide the certificate of expense covering drilling (through completion) with a \$1,000 per provide the certificate of expense covering drilling (through completion) with a \$1,000 per provide the certificate of expense covering drilling (through completion) with a \$1,000 per provide the certificate of the provide the cer | ered by Operator's well control is therefore. If you elect to purcimits, at the time this AFE is retuinsurance, as provided herein, www.l.) of Combined Single Limit co. 20,000 (100% W.l.) deductible. The actual cost riving interest owner agrees to potory order or other applicable and Regional Manager. | nsurance procured by Operator hase your own well control arned, if available, but in no evolution in the sult in your being covered overage for well control and as may exceed the estimated coay its proportionate share of greement covering this well. |



Mud / Fluids Disposal Charges

Water / Completion Fluids Mud & Additives

Mud Logging

Extra Labor, Welding, Etc.

Land Transporation (Trucking)

Trailer House / Camp / Catering Other Misc Expenses

Directional Drilling Services

Marine & Air Transportation

Legal / Regulatory / Curative

Well Control Insurance

Well Control Equip (Snubbing Svcs.)

Fishing & Sidetrack Operations

Dock, Dispatcher, Crane

Cementing & Float Equipment

Tubular Inspections

Surface Rentals

Downhole Rentals

Open Hole Logging

Casing Crews

Supervision

Overhead

Remedial Cementing MOB/DEMOB

Solids Control

Coil Tubing

.Stimulation

Contingency

Mallon 34 Federal Com

Project Cost Estimate Well No .: 18 \$50,000 (1977-1797) \$50,000 Roads & Location Preparation / Restoration \$1,000 197 \$1,000 \$52,500 page 150 \$65,000 \$117,500 Day Rate 39: DH Days 8: ACP Days @ \$96,000 \$564,000 \$468.000 \$9,000 Misc Preparation Cost (mouse hole; rat hole, pads, pile clusters, misc.) \$9,000 524,000 \$23,000 \$1,000 \$12,000 \$102,000 Per Day \$61,500 \$70,200 \$131,700 \$39,000 \$39,000 \$84,000 \$145,000 \$162,000 \$88,000 Formation Evaluation (DST, Coring including evaluation, G&G Services) 50 \$31,000 \$31.000: \$15,000 \$15,000 \$65,000 \$15,000 PECTOD \$50,000 \$8,000 \$5,000 (96) 16 \$3.000 \$25 000 \$10,000 \$15,000 \$31,000 \$5,000 \$36,000 \$29,000 \$20,000 \$9,000: Per Day \$26,000 585,000 \$59,000 \$4,000 \$23.000; 100 \$27,000 \$18,000 \$11,000 \$7,000 \$12,000 523 000 **300**[Per Day \$11,000 sn. \$60,000 \$140,000 12 Days (a) **8,200** (Per Day \$0 50 \$88,000 \$88,000 \$90,000 \$26,000 \$116,000 50 Completion Rig 17' Days @ 3,400 Per Day \$70,000 570,000 **33,000** Per Day 1: Days @ \$33,000; \$33,000 \$10,000 Completion Logging, Perforating, WL Units, WL Surveys \$10,000 \$427,000 5427 000 \$1,000 \$5,000 \$0.35 Per Foot \$5,000 5% of Drilling Intangibles \$79,000 \$54,000 \$133,000 \$20,000 \$20,000

| Construction For Well Equipment | | | | | 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2 | \$20,000 | \$20,000 |
|--|--|----------------|-------------------|-----------------------------|---|---|---------------|
| Construction For Lease Equipment | | | | | | \$0 | \$0 |
| Construction For Sales P/L | | | | | | | 50 |
| Total Intangible Cost | | | | | \$1,659,200 | \$1,151,000 | \$2,810,200 |
| Tangible - Well Equipment | Carlotter and the | ensignation of | 学的 (水果) 为 | STEELEN S | | 展习证实外推定 3.3 | BANGER CO. |
| Casing | Size | Feet | | 70 10 10 10 10 10 | | 100000000000000000000000000000000000000 | |
| Drive Pipe | 20 " | 40.00 | | , billib red Assassasian | \$0 | | \$0 |
| Conductor Pipe | , | | | 0.5 - 5 1 0 - | ŞO 🦠 | | 50 |
| Water String | | ! | | iii. Sanan kata ka | \$0 | | \$0 |
| Surface Casing | 13-3/8" | | \$0.00 | Teper will | \$0: <i>/////</i> | | 50 |
| Intermediate Casing | 8-5/8" | 1485.00 | \$24.31 | Mark In 1997 | \$36,000 | | \$36,000 |
| Drilling Liner | | | | BASE IN T | \$0 | | - \$0 |
| Drilling Liner | | : | | nad be ^{rr} | \$0 | | 50 |
| Production Casing or Liner | 7" | 11200.00 | \$29.37 | S4324 | | \$329,000 | \$3.29,000 |
| Production Tie-Back | 3 1/2" | 5000.00 | | | | \$66,275 | \$60 275 |
| Tubing | 2 7/8" | 10200.00 | \$8.03 | | | \$82,000 | \$82,000 |
| N/C Well Equipment | | | | | A STATE OF THE | \$20,000 | \$20 000 |
| Wellhead, Tree, Chokes | | | | 1. 14P 11F | 1 1 1 1 1 | \$10,000 | \$10,000 |
| Liner Hanger, Isolation Packer | | | | no es es T | in the first are | \$1,000 | \$1,000 |
| Packer, Nipples | | | | 23.22.23.23. | 777777777777 382466305574; VII. 1 VII. | \$110,000 | \$110 000 |
| Pumping Unit, Engine | and the second s | | | | | \$98,000 | \$98,000 |
| Lift Equipment (BHP, Rods, Anchors) | A | | | | | \$48,000 | \$48,000 |
| Tangible - Lease Equipment | A STEEL WATER | | Security Security | rate in the second | Secretary and party | 建筑等的设置 | Althorate and |
| N/C Lease Equipment | | | | 18 4 7 7 | PHO 115 | \$0 | \$0 |
| Tanks, Tanks Steps, Stairs | and here we are received to the same of th | | - • | | | \$20,000 | \$20,000 |
| Battery (Heater Treater, Separator, Gas Treating Equipm | ent) | • | | | | \$15,000 | \$15,000 |
| Flow Lines (Line Pipe from wellhead to central facility) | | | | | | \$1,500 | \$1,500 |
| Offshore Production Structure for Facilities | | | | | | | รูง |
| Pipeline to Sales | | | | | | | 50 |
| Total Tangibles | | | | | \$36,000 | \$800,775 | \$836,775 |
| | | | | | | | |
| P&A Costs | | | | 1077 1079 | \$150,000 | \$150,000 | \$0 |
| Total Cost | | | | | \$1,845,200 | \$1,801,775 | \$3,646,975 |



Authorization For Expenditure

| Company Entity Cimarex Energy Co. | | Date Prepar | ed July 16, 2009 |
|--|--|---|--|
| Region Well Name | Well No. Prospect or Field Name | Property Number | Drilling AFE No. |
| Permian Mallon 34 Federal Com | 18 | | |
| Location | County | State | Type Well |
| S/25/2 Section 34-195-34E | Lea | NM Oil Gas | ж Expl ж Prod |
| Manning 224 Exercises to the Francis of the State of the | mandal Biografication and management of the Control | | |
| Estimate Type Original Estimate | Est Start Date | • | ation Est. TD |
| Revised Estimate O Supplemental Estimate O | | Bone S | Spring 15,046' |
| Project Description | | | |
| Drill and complete a third Bone Spring horizonta | | | |
| : | | | |
| | | | |
| Intangibles | Dry Hole Cost | After Casing Point | Completed Well Cost |
| Drilling Costs | \$1,659,200 | After Casing Point | \$1,659,200 |
| Completion Costs | 44 650 200 | \$1.151,000 | \$1.151,000 |
| Total Intangible Costs | \$1,659,200 | \$1,151,000 | \$2,810,200 |
| Tangibles | | | |
| Well Equipment | \$36,000 | \$764,275 \$36,500 | \$800,275 \$36,500 |
| Lease Equipment Total Tangible Well Cost | \$36,000 | \$30,775 | \$836,775 |
| | | | |
| Plug and Abandon Cost | \$150,000 | -\$150,000 | \$0 |
| Total Well Cost | \$1,845,200 | \$1,801,775 | \$3,646,975 |
| 1. All tubulars, well or lease equipment is price | · · · · · · · · · · · · · · · · · · · | storic Price Multiplier. | |
| Well Control Insurance: Unless otherwise indicated below, you, as a nor so long as Operator conducts operations hereur insurance, you must provide a certificate of suclater than commencement of drilling operation by insurance procured by Operator. I elect to purchase my own well control insurance poles. | n-operating working interest owner, agree to nder and to pay your prorated share of the p h insurance acceptable to Operator, as to fo s. You agree that failure to provide the certi | remiums therefore. If you elect to purc rm and limits, at the time this AFE is retu | hase your own well control irned, if available, but in no event |
| Well control insurance procured by Operator, p | rovides, among other terms, for \$20,000,000 | (100% W.I.) of Combined Single Limit c | overage for well control and |
| related redrilling and clean-up/pollution expens | se covering drilling (through completion) wit | n a \$1,000,000 (100% W.I.) deductible. | |
| Name of the Control o | | STREET, | TO SURVIVATION OF A STATE OF THE PART HAVE THE PART OF |
| Comments on AFE. The above costs are estimates only and anticipal without affecting the authorization for expendinactual legal, curative, regulatory and well costs. | ate trouble free operations without any fore ture herein granted. By approval of this AFE | eeable change in plans. The actual cost the working interest owner agrees to p | s may exceed the estimated costs ay its proportionate share of |
| A ALL COMPANIES CONTRACTOR OF THE ALL CONTRA | | | |
| The state of the s | Cimarex Energy Co. A | palamente des la mara esta esta esta en esta en la companya de la companya de la companya de la companya de la | THE WAS PROVED AS THE PARTY OF THE PROPERTY OF THE PARTY |
| Prepared by | Drilling and Completion Manager | Regional Manager | The state of the s |
| Mark Audas Engineer - PB | Doug Park, Mgr Operations PB | Roger Alexander, Regional I | Manager PB |
| | Joint Interest App | oval | |
| Company | By By | Date | |
| | : | · | |



Project Cost Estimate

rase Name: Mallon 34 Federal Com Well No.: 18

| \$1,000 196 25 \$3,000 | \$8,000 |
|--|---|
| \$15,000 DEC 100 \$50,000 \$5,000 \$3,000 | \$65,000 \$8,000 |
| \$10,000 (10) \$15,000 | \$25,000 |
| \$31,000 586 136 \$5,000 | \$36,000 |
| \$20,000 100 174 \$9,000 | \$29,000 |
| 6 \$59,000 BR 100 \$26,000 \$4,000 \$4,000 | \$85,000 \$27,000 |
| \$11,000 (16) \$7,000 | \$18,00 |
| \$12,000 596 597 \$11,000 | \$23,00 |
| par tir | \$ |
| \$60,000 | \$60,00 |
| \$140,000 | \$140,00 |
| 1 Det 170 | \$ |
| \$88,000 | \$ \$88.00 |
| \$88,000 \$26,000 \$26,000 | \$116,00 |
| SO 1967 / 19 | \$110,00 |
| 570,000 | \$70,00 |
| \$33,000 | \$33,00 |
| (0.000) | \$10,00 |
| 5427,000 | \$427,00 |
| \$1,000 IF | \$1,000 \$5,000 |
| \$5,000 90 29 \$54,000 | \$133,00 |
| THE PARTY OF THE P | 2133,00 |
| | \$20,00 |
| \$0 bird tid | \$20,00 <u>.</u> \$ |
| SO PRESENTED THE SO | \$I |
| \$0 | \$(|
| SO PRESENTED THE SO | \$I |
| \$1,659,200 \$1,151,000 | \$I |
| \$1,659,200 \$1,151,000 | \$1 \$2,810,20 |
| \$1,659,200 \$1,151,000 | \$I |
| \$1,659,200 \$1,151,000 | \$1 \$2,810,20 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 | \$1 \$2,810,20 \$5,810,20 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 | \$1 \$2,810,200 \$2,810,200 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 | \$1,810,200 \$2,810,200 \$5,810,200 \$5,91 \$5,91 \$5,91 \$5,91 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 | \$1,810,200 \$2,810,200 \$1,810,200 \$1,810,000 \$1,810,000 \$1,810,000 \$1,810,000 \$1,810,000 \$1,810,000 \$1,810,000 \$1,810,000 \$1,810,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 50 \$0 50 \$0 50 \$0 50 \$0 50 \$0 40 \$0 50 \$0 40 \$0 50 \$0 50 \$0 50 \$0 50 \$0 50 \$0 50 \$0 50 \$0 50 \$0 50 \$0 | \$1,810,200 \$2,810,200 \$1,810,200 \$1,910,000 \$1,910,000 \$1,910,000 \$1,910,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$ | \$2,810,200 \$2,810,200 \$5,810,200 \$5,910 \$5,910,000 \$6,0,27 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$ | \$1,810,200 \$2,810,200 \$2,810,200 \$5,500 \$5,500 \$5,500 \$5,500 \$5,500 \$6,000 \$6,000 \$6,000 \$82,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$ | \$2,810,20 \$2,810,20 \$ \$ \$ \$ \$36,00 \$ \$ \$329,00 \$66,27 \$82,00 \$20,00 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$ | \$2,810,20 \$2,810,20 \$5,810,20 \$5,50 \$5,50 \$36,00 \$5,50 \$329,00 \$66,27 \$82,00 \$70,00 \$10,00 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 | \$2,810,20 \$2,810,20 \$ \$ \$ \$ \$36,00 \$ \$ \$329,00 \$66,27 \$82,00 \$20,00 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$ | \$2,810,200 \$2,810,200 \$5,810,200 \$5,810,000 \$3329,000 \$66,27 \$82,000 \$70,000 \$10,000 \$10,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$1,151,0 | \$2,810,200 \$2,810,200 \$5,810,200 \$5,810,000 \$3329,000 \$66,27 \$82,000 \$10,000 \$10,000 \$110,000 \$98,000 \$48,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$1,151,0 | \$2,810,200 \$2,810,200 \$5,50 \$36,000 \$329,000 \$66,27 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$1,151,0 | \$2,810,200 \$2,810,200 \$5,50 \$5,50 \$36,000 \$5,50 \$329,000 \$66,27 \$82,00 \$20,000 \$10,000 \$110,000 \$110,000 \$110,000 \$48,000 \$48,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 \$00 \$00 \$00 \$00 \$00 \$00 \$00 \$00 | \$2,810,200 \$2,810,200 \$5,500 \$5,500 \$36,000 \$36,000 \$66,27 \$82,000 \$10,000 \$10,000 \$110,000 \$110,000 \$110,000 \$110,000 \$110,000 \$120,000 \$ |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$1,151,000 \$0,0 | \$2,810,200 \$2,810,200 \$5,500 \$5,500 \$36,000 \$36,000 \$66,27 \$82,000 \$10 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 | \$2,810,200 \$2,810,200 \$52,810,200 \$5,500 \$36,000 \$36,000 \$36,27 \$82,000 \$10,000 \$10,000 \$10,000 \$110,000 \$110,000 \$48,000 \$48,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 | \$2,810,200 \$2,810,200 \$52,810,200 \$5 \$5 \$36,000 \$366,27 \$82,000 \$10,000 \$10,000 \$110,000 \$10,000 \$48,000 \$48,000 \$15,0 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 | \$2,810,200 \$2,810,200 \$52,810,200 \$5 \$5 \$36,000 \$366,27 \$82,000 \$10,000 \$10,000 \$110,000 \$48,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 | \$2,810,200 \$2,810,200 \$52,810,200 \$5 \$5 \$36,000 \$366,27 \$82,000 \$10,000 \$10,000 \$110,000 \$10,000 \$48,000 \$48,000 \$15,0 |
| \$1,659,200 \$1,151,000 \$1,659,200 \$1,151,000 \$0 | \$2,810,200 \$2,810,200 \$52,810,200 \$5 \$5 \$36,000 \$366,27 \$82,000 \$10,000 \$10,000 \$110,000 \$48,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000 |
| \$1,659,200 \$0 | \$1,151,000 A 100 \$329,000 A 100 \$66,275 A 100 \$82,000 5 100 \$10,000 6 100 \$10,000 6 100 \$98,000 6 100 \$98,000 6 100 \$98,000 6 100 \$48,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$15,000 6 100 \$1,500 |

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE. NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone) (505) 660-6612 (Cell) (505) 982-2151 (Fax)

iamesbruc@aol.com

August 13, 2009

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the N½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,

James Bruce

Attorney for Cimarex Energy Co.

EXHIBIT A

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

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

Michael J. Moncrief 2008 Trust A Attention: Jerry Goodwin, CPA Suite 1030 777 Taylor Street Fort Worth, Texas 76102

Lee Wiley Moncrief Trust c/o U.S. Trust, Bank of America Attention: Janet Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113

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

W.A. Moncrief, Jr. Trust Attention: Monica Cebell 950 Commerce Street Fort Worth, Texas 76102

MGT Partners I, L.P., et al. Suite 500 13727 Noel Road Dallas, Texas 75240

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

| Case | No. | |
|------|-----|--|

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the N½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

- 1. Applicant is an interest owner in the N½N½ of Section 34, and has the right to reenter or drill a well thereon.
- 2. Applicant proposes to drill the Mallon 34 Fed. Well No. 20 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate N½N½ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the NW½NW¾, and a terminus at an orthodox location in the NE¾NE¾, of Section 34.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½N½ of Section 34 for the purposes set forth herein.
- 4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the N½N½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N½N½ of Section 34;
- B. Pooling all mineral interests in the $N\frac{1}{2}N\frac{1}{2}$ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

ames Bruce

Rost Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Cimarex Energy Co.

WALLELE FIRE FRAME

James Bruce
P.O. Box 1056
Santa Fc. New Mexico 87504,



2868 h2E2 0000 0E2E 9002

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

78118+877A

PO/17/20

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone) (505) 660-6612 (Cell) (505) 982-2151 (Fax)

iamesbruc@aol.com

July 28, 2009

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the S½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,

lames Bruce

Attorney for Cimarex Energy Co.

EXHIBIT A

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

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

Michael J. Moncrief 2008 Trust A Attention: Jerry Goodwin, CPA Suite 1030 777 Taylor Street Fort Worth, Texas 76102

Lee Wiley Moncrief Trust c/o U.S. Trust, Bank of America Attention: Janet Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113

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

W.A. Moncrief, Jr. Trust Attention: Monica Cebell 950 Commerce Street Fort Worth, Texas 76102

MGT Partners I, L.P., et al. Suite 500 13727 Noel Road Dallas, Texas 75240

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

| Case | No. | |
|------|-----|--|

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

- 1. Applicant is an interest owner in the S½N½ of Section 34, and has the right to reenter or drill a well thereon.
- 2. Applicant proposes to drill the Mallon 34 Fed. Well No. 19 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate S½N½ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SE¼NE¼, and a terminus at an orthodox location in the SW¼NW¼, of Section 34.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½N½ of Section 34 for the purposes set forth herein.
- 4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the S½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S½N½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½N½ of Section 34;
- B. Pooling all mineral interests in the $S\frac{1}{2}N\frac{1}{2}$ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Cimarex Energy Co.

million letter Harman

MALLERIAL NAM 87

7008 3230 0000 2324 8886 THE RESERVE TO SERVE

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

Santa Fe, New Mexico 87504

James Bruce P.O. Box 1056

多人言語言

5/5/2

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE. NEW MEXICO 87501

(505) 982-2043 (Phone) (505) 660-6612 (Cell) (505) 982-2151 (Fax)

jamesbruc@aol.com

August 13, 2009

<u>CERTIFIED MAIL – RETURN RECEIPT REQUESTED</u>

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the S½S½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,

James Bruce

Attorney for Cimarex Energy Co.

EXHIBIT A

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

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

Michael J. Moncrief 2008 Trust A Attention: Jerry Goodwin, CPA Suite 1030 777 Taylor Street Fort Worth, Texas 76102

Lee Wiley Moncrief Trust c/o U.S. Trust, Bank of America Attention: Janet Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113

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

W.A. Moncrief, Jr. Trust Attention: Monica Cebell 950 Commerce Street Fort Worth, Texas 76102

MGT Partners I, L.P., et al. Suite 500 13727 Noel Road Dallas, Texas 75240

Providence Minerals, LLC Suite 209 14860 Montfort Drive Dallas, Texas 75254

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

| Case | No. | |
|------|-----|------|

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S½S½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

- 1. Applicant is an interest owner in the $S\frac{1}{2}S\frac{1}{2}$ of Section 34, and has the right to reenter or drill a well thereon.
- 2. Applicant proposes to drill the Mallon 34 Fed. Well No. 18 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate S½S½ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SE½SE½, of Section 34.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½S½ of Section 34 for the purposes set forth herein.
- 4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the S½S½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S½S½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½S½ of Section 34;
- B. Pooling all mineral interests in the $S\frac{1}{2}S\frac{1}{2}$ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Cimarex Energy Co.

And the state of the second

James Bruce P.O. Box 1056 Santa Fe, New Mexico 87504

()

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

76116+5778

the destruction of the state of

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

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 s | eal. |
| | 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.
- 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 31 day of August, 2009 by Blair Hamburg.

Witness my hand and official seal.

My commission expires 2

Marsha K. Sengleten Notary Public ---- Forwarded Message ----

From: Hayden Tresner https://www.tresner@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 you 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 o 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 Section: 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

This email (and attachments if any) is intended only for the use of the individual or entity to which it is addressed, and may containformation that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this email is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email and destroy all copies of the email (and attachmen if any).