

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

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**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:

1. Hyde Oil is the owner of uncommitted working interests in Section 34, T-19-S, R-34-E, the area that is the subject of these applications.
2. The Division, by long-standing practice, has required an applicant for compulsory pooling to first furnish all interest owners a formal well proposal at least thirty days prior to filing an application for pooling, and to then engage in good faith efforts to reach an agreement on the development of the acreage 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.

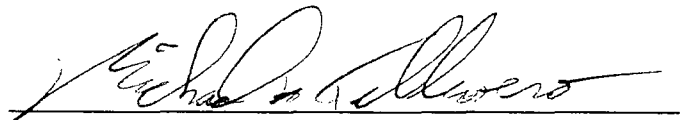
8. On August 17, 2009, Hyde Oil received the certified mailings. On that same date, Hyde Oil sent an email to Cimarex stating Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's 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 its 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

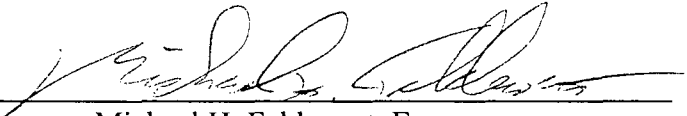
(505) 983-6043 Facsimile

**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

Via: U.S. Certified Mail

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

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

Via: U.S. Certified Mail

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

**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,

Via: E-mail U.S. Certified Mail

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

Via: E-mail U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 4035

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

ATTACHMENT

A1



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.

A handwritten signature in black ink, appearing to read "Hayden P. Tresner", written over the printed name.

Hayden P. Tresner
Landman



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	20			

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

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$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	\$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
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by:	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.: 20

Intangibles					Dry Hole Cost		After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration					DHDC 100	\$50,000	DHCC 100	\$50,000
Damages					DHDC 105	\$1,000	DHCC 105	\$1,000
Mud / Fluids Disposal Charges					DHDC 255	\$65,000	DHCC 255	\$52,500
Day Rate	39	DH Days	8	ACP Days @	DHDC 115	\$468,000	DHCC 120	\$96,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DHDC 120	\$9,000		\$9,000
Bits					DHDC 125	\$23,000	DHCC 125	\$1,000
Fuel	\$2.55	Per Gallon	700	Gallons Per Day	DHDC 135	\$90,000	DHCC 130	\$12,000
Water / Completion Fluids					DHDC 140	\$70,200	DHCC 135	\$61,500
Mud & Additives					DHDC 145	\$39,000		\$39,000
Surface Rentals					DHDC 150	\$61,000	DHCC 140	\$84,000
Downhole Rentals					DHDC 155	\$88,000	DHCC 145	\$74,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)					DHDC 160			\$0
Mud Logging					DHDC 165	\$31,000		\$31,000
Open Hole Logging					DHDC 180	\$15,000		\$15,000
Cementing & Float Equipment					DHDC 185	\$15,000	DHCC 155	\$50,000
Tubular Inspections					DHDC 190	\$5,000	DHCC 160	\$3,000
Casing Crews					DHDC 195	\$10,000	DHCC 165	\$15,000
Extra Labor, Welding, Etc.					DHDC 200	\$31,000	DHCC 170	\$5,000
Land Transportation (Trucking)					DHDC 205	\$20,000	DHCC 175	\$9,000
Supervision					DHDC 210	\$59,000	DHCC 180	\$26,000
Trailer House / Camp / Catering					DHDC 280	\$23,000	DHCC 235	\$4,000
Other Misc Expenses					DHDC 285	\$11,000	DHCC 195	\$7,000
Overhead					DHDC 295	\$12,000	DHCC 195	\$11,000
Remedial Cementing					DHDC 231		DHCC 215	\$0
MOB/DEMOB					DHDC 240	\$60,000		\$60,000
Directional Drilling Services					DHDC 245	\$140,000		\$140,000
Dock, Dispatcher, Crane					DHDC 250		DHCC 230	\$0
Marine & Air Transportation					DHDC 275		DHCC 250	\$0
Solids Control					DHDC 260	\$88,000		\$88,000
Well Control Equip (Snubbing Svcs.)					DHDC 265	\$90,000	DHCC 240	\$26,000
Fishing & Sidetrack Operations					DHDC 270	\$0	DHCC 245	\$0
Completion Rig							DHCC 215	\$70,000
Coil Tubing							DHCC 260	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys							DHCC 200	\$10,000
Stimulation							DHCC 210	\$427,000
Legal / Regulatory / Curative					DHDC 300	\$1,000	DHCC 220	\$1,000
Well Control Insurance					DHDC 285	\$5,000		\$5,000
Contingency					DHDC 435	\$79,000	DHCC 220	\$54,000
Construction For Well Equipment							DHCC 110	\$20,000
Construction For Lease Equipment								\$0
Construction For Sales P/L							DHCC 265	\$0
Total Intangible Cost						\$1,659,200	\$1,151,000	\$2,810,200

Tangible - Well Equipment								
Casing	Size	Feet	\$ / Foot					
Drive Pipe	20 "	40.00	\$0.00	DWFB 150	\$0			\$0
Conductor Pipe				DWFB 130	\$0			\$0
Water String				DWFB 135	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DWFB 140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB 145	\$36,000			\$36,000
Drilling Liner				DWFB 145	\$0			\$0
Drilling Liner				DWFB 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				DWFA 100	\$66,275	\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWFA 105	\$82,000	\$82,000
N/C Well Equipment						DWFA 115	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWFB 115		DWFA 120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWFB 100		DWFA 135	\$1,000	\$1,000
Packer, Nipples						DWFA 130	\$110,000	\$110,000
Pumping Unit, Engine						DLUQ 100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLUQ 105	\$48,000	\$48,000
Tangible - Lease Equipment								
N/C Lease Equipment						DLUQ 115	\$0	\$0
Tanks, Tanks Steps, Stairs						DLUQ 120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLUQ 125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLUQ 130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWFA 135		\$0
Pipeline to Sales						DWFA 140		\$0
Total Tangibles					\$36,000		\$800,775	\$836,775

P&A Costs	DHCC 295	\$150,000	DHCC 275	-\$150,000	\$0
Total Cost		\$1,845,200	\$1,801,775	\$3,646,975	



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	20			

Location	County	State	Type Well
N/2N/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

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Completion Costs		\$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	\$800,275
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Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related re-drilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

20

Intangibles					Dry Hole Cost		After Casing Point		Completed Well 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					DIDC.125	\$65,000	DICC.125	\$52,500	\$117,500
Day Rate	39	DH Days	8	ACP Days @	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$9,000			\$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					DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives					DIDC.145	\$39,000			\$39,000
Surface Rentals					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, G&G Services)					DIDC.160				\$0
Mud Logging					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 Transportation (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision					DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering					DIDC.280	\$23,000	DICC.255	\$4,000	\$27,000
Other Misc Expenses					DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead					DIDC.225	\$12,000	DICC.195	\$11,000	\$23,000
Remedial Cementing					DIDC.241		DICC.215		\$0
MOB/DEMOB					DIDC.240	\$60,000			\$60,000
Directional Drilling Services					DIDC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane					DIDC.250		DICC.230		\$0
Marine & Air Transportation					DIDC.275		DICC.250		\$0
Solids Control					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							DICC.115	\$70,000	\$70,000
Coil Tubing							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					DIDC.285	\$5,000			\$5,000
Contingency					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									
Casing	Size	Feet	\$ / Foot						
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0				\$0
Conductor Pipe				DWEB.140	\$0				\$0
Water String				DWEB.135	\$0				\$0
Surface Casing	13-3/8"		\$0.00	DWEB.140	\$0				\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEB.145	\$36,000				\$36,000
Drilling Liner				DWEB.145	\$0				\$0
Drilling Liner				DWEB.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					DWEB.115		DWEA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer					DWEB.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									
N/C Lease Equipment							DLEQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs							DLEQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)							DLEQ.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)							DLEQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities							DWFA.135		\$0
Pipeline to Sales							DWFA.140		\$0
Total Tangibles						\$36,000		\$800,775	\$836,775

P&A Costs	DIDC.295	\$150,000	DICC.225	-\$150,000		\$0
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



July 17, 2009

Via: U.S. Certified Mail

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

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

Via: U.S. Certified Mail

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

**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,

Via: E-mail U.S. Certified Mail

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

Via: E-mail U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 4035

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

ATTACHMENT

A2

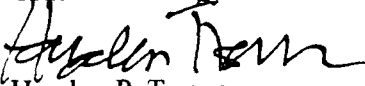


Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

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.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	19			

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

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$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	\$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
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
-----------------	-------------	-------------	-------------

Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	B	AD



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

19

Intangibles					Dry Hole Cost		After Casing	Completed Well
							Point	Cost
Roads & Location Preparation / Restoration					DHDC 100	\$50,000	DHCC 100	\$50,000
Damages					DHDC 105	\$1,000	DHCC 105	\$1,000
Mud / Fluids Disposal Charges					DHDC 155	\$65,000	DHCC 155	\$52,500
Day Rate	39	DH Days	8	ACP Days @	DHDC 115	\$468,000	DHCC 115	\$96,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DHDC 120	\$9,000		\$9,000
Bits					DHDC 125	\$23,000	DHCC 125	\$1,000
Fuel	\$2.55	Per Gallon	700	Gallons Per Day	DHDC 135	\$90,000	DHCC 135	\$12,000
Water / Completion Fluids					DHDC 140	\$70,200	DHCC 135	\$61,500
Mud & Additives					DHDC 145	\$39,000		\$39,000
Surface Rentals					DHDC 150	\$61,000	DHCC 140	\$84,000
Downhole Rentals					DHDC 155	\$88,000	DHCC 145	\$74,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)					DHDC 160			\$0
Mud Logging					DHDC 170	\$31,000		\$31,000
Open Hole Logging					DHDC 180	\$15,000		\$15,000
Cementing & Float Equipment					DHDC 185	\$15,000	DHCC 155	\$50,000
Tubular Inspections					DHDC 190	\$5,000	DHCC 160	\$3,000
Casing Crews					DHDC 195	\$10,000	DHCC 165	\$15,000
Extra Labor, Welding, Etc.					DHDC 200	\$31,000	DHCC 170	\$5,000
Land Transportation (Trucking)					DHDC 205	\$20,000	DHCC 175	\$9,000
Supervision					DHDC 210	\$59,000	DHCC 180	\$26,000
Trailer House / Camp / Catering					DHDC 280	\$23,000	DHCC 255	\$4,000
Other Misc Expenses					DHDC 120	\$11,000	DHCC 195	\$7,000
Overhead					DHDC 225	\$12,000	DHCC 195	\$11,000
Remedial Cementing					DHDC 231		DHCC 215	\$0
MOB/DEMOB					DHDC 230	\$60,000		\$60,000
Directional Drilling Services					DHDC 245	\$140,000		\$140,000
Dock, Dispatcher, Crane					DHDC 250		DHCC 230	\$0
Marine & Air Transportation					DHDC 275		DHCC 255	\$0
Solids Control					DHDC 260	\$88,000		\$88,000
Well Control Equip (Snubbing Svcs.)					DHDC 265	\$90,000	DHCC 240	\$26,000
Fishing & Sidetrack Operations					DHDC 270	\$0	DHCC 245	\$0
Completion Rig							DHCC 115	\$70,000
Coil Tubing							DHCC 260	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys							DHCC 200	\$10,000
Stimulation							DHCC 210	\$427,000
Legal / Regulatory / Curative					DHDC 300	\$1,000	DHCC 230	\$1,000
Well Control Insurance					DHDC 285	\$5,000		\$5,000
Contingency					DHDC 435	\$79,000	DHCC 230	\$54,000
Construction For Well Equipment							DWEA 110	\$20,000
Construction For Lease Equipment							DLEQ 110	\$0
Construction For Sales P/L							DHCC 265	\$0
Total Intangible Cost						\$1,659,200	\$1,151,000	\$2,810,200

Tangible - Well Equipment								
Casing	Size	Feet	\$ / Foot					
Drive Pipe	20 "	40.00	\$0.00	DWFR 150	\$0			\$0
Conductor Pipe				DWFR 130	\$0			\$0
Water String				DWFR 135	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DWFR 140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFR 145	\$36,000			\$36,000
Drilling Liner				DWFR 145	\$0			\$0
Drilling Liner				DWFR 125	\$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				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 115	\$20,000
Wellhead, Tree, Chokes					DWFR 115		DWEA 120	\$10,000
Liner Hanger, Isolation Packer					DWFR 100		DWEA 125	\$1,000
Packer, Nipples							DWEA 130	\$110,000
Pumping Unit, Engine							DLEQ 100	\$98,000
Lift Equipment (BHP, Rods, Anchors)							DLEQ 105	\$48,000
Tangible - Lease Equipment								
N/C Lease Equipment							DLEQ 115	\$0
Tanks, Tanks Steps, Stairs							DLEQ 120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)							DLEQ 125	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)							DLEQ 130	\$1,500
Offshore Production Structure for Facilities							DWEA 135	\$0
Pipeline to Sales							DWEA 140	\$0
Total Tangibles						\$36,000	\$800,775	\$836,775

P&A Costs	DHDC 295	\$150,000	DHCC 225	-\$150,000	\$0
Total Cost		\$1,845,200		\$1,801,775	\$3,646,975



Authorization For Expenditure

Company Entry
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	19			

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

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description:
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$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	\$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	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance
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☐ I elect to purchase my own well control insurance policy.
Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
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Cimarex Energy Co. Approval

Prepared by:	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

19

Intangibles				Dry Hole Cost		After Casing Point	Completed Well 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				DIDC.255	\$65,000	DICC.255	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	DIDC.115	\$468,000	DICC.120	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				DIDC.120	\$9,000		\$9,000
Bits				DIDC.125	\$23,000	DICC.125	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		DIDC.135	\$90,000	DICC.135	\$102,000
Water / Completion Fluids				DIDC.140	\$70,200	DICC.135	\$131,700
Mud & Additives				DIDC.145	\$39,000		\$39,000
Surface Rentals				DIDC.150	\$61,000	DICC.140	\$145,000
Downhole Rentals				DIDC.155	\$88,000	DICC.145	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				DIDC.160			\$0
Mud Logging				DIDC.165	\$31,000		\$31,000
Open Hole Logging				DIDC.180	\$15,000		\$15,000
Cementing & Float Equipment				DIDC.185	\$15,000	DICC.155	\$65,000
Tubular Inspections				DIDC.190	\$5,000	DICC.160	\$8,000
Casing Crews				DIDC.195	\$10,000	DICC.165	\$25,000
Extra Labor, Welding, Etc.				DIDC.200	\$31,000	DICC.170	\$36,000
Land Transportation (Trucking)				DIDC.205	\$20,000	DICC.175	\$29,000
Supervision				DIDC.210	\$59,000	DICC.180	\$85,000
Trailer House / Camp / Catering				DIDC.250	\$23,000	DICC.255	\$27,000
Other Misc Expenses				DIDC.220	\$11,000	DICC.190	\$18,000
Overhead				DIDC.225	\$12,000	DICC.195	\$23,000
Remedial Cementing				DIDC.231		DICC.215	\$0
MOB/DEMOB				DIDC.240	\$60,000		\$60,000
Directional Drilling Services				DIDC.245	\$140,000		\$140,000
Dock, Dispatcher, Crane				DIDC.250		DICC.230	\$0
Marine & Air Transportation				DIDC.275		DICC.250	\$0
Solids Control				DIDC.260	\$88,000		\$88,000
Well Control Equip (Snubbing Svcs.)				DIDC.265	\$90,000	DICC.240	\$116,000
Fishing & Sidetrack Operations				DIDC.270	\$0	DICC.245	\$0
Completion Rig						DICC.115	\$70,000
Coil Tubing						DICC.160	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys						DICC.200	\$10,000
Stimulation						DICC.210	\$427,000
Legal / Regulatory / Curative				DIDC.300	\$1,000	DICC.280	\$1,000
Well Control Insurance				DIDC.285	\$5,000		\$5,000
Contingency				DIDC.435	\$79,000	DICC.220	\$133,000
Construction For Well Equipment						DWFA.110	\$20,000
Construction For Lease Equipment						DLEQ.110	\$0
Construction For Sales P/L						DICC.265	\$0
Total Intangible Cost					\$1,659,200	\$1,151,000	\$2,810,200

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe	20 "	40.00	\$0.00	DWFR.150	\$0		\$0
Conductor Pipe				DWFR.130	\$0		\$0
Water String				DWFR.135	\$0		\$0
Surface Casing	13-3/8"		\$0.00	DWFR.140	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFR.145	\$36,000		\$36,000
Drilling Liner				DWFR.145	\$0		\$0
Drilling Liner				DWFR.145	\$0		\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWFA.100	\$329,000
Production Tie-Back	3 1/2"	5000.00				DWFA.100	\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWFA.105	\$82,000
N/C Well Equipment						DWFA.115	\$20,000
Wellhead, Tree, Chokes				DWFR.115		DWFA.120	\$10,000
Liner Hanger, Isolation Packer				DWFR.100		DWFA.125	\$1,000
Packer, Nipples						DWFA.130	\$110,000
Pumping Unit, Engine						DLEQ.100	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$48,000
Tangible - Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$1,500
Offshore Production Structure for Facilities						DWFA.135	\$0
Pipeline to Sales						DWFA.140	\$0
Total Tangibles					\$36,000	\$800,775	\$836,775

P&A Costs	DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
Total Cost		\$1,845,200		\$1,801,775	\$3,646,975

07/20/09
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

CERTIFIED MAIL™

CIMAREX

July 17, 2009

Via: U.S. Certified Mail

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

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

Via: U.S. Certified Mail

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:

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,

Via: E-mail U.S. Certified Mail

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

Via: E-mail U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 4035

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

Via: U.S. Certified Mail

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

ATTACHMENT

A3




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	Date Prepared
Cimarex Energy Co.	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/2S/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$1,151,000	\$1,151,000
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Well Equipment	\$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	\$1,801,775	\$3,646,975

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<input type="checkbox"/> I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

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Cimarex Energy Co. Approval		
Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval		
Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal Com

Well No.:

18

Intangibles			Dry Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration			\$50,000		\$50,000
Damages			\$1,000		\$1,000
Mud / Fluids Disposal Charges			\$65,000	\$52,500	\$117,500
Day Rate	39: DH Days	8: ACP Days @	12,000 Per Day	\$468,000	\$96,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)			\$9,000		\$9,000
Bits			\$23,000	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700: Gallons Per Day	\$90,000	\$12,000	\$102,000
Water / Completion Fluids		Per Day	\$70,200	\$61,500	\$131,700
Mud & Additives			\$39,000		\$39,000
Surface Rentals		Per Day	\$61,000	\$84,000	\$145,000
Downhole Rentals			\$88,000	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)					\$0
Mud Logging	\$850: Days @	32: Per Day	\$31,000		\$31,000
Open Hole Logging			\$15,000		\$15,000
Cementing & Float Equipment			\$15,000	\$50,000	\$65,000
Tubular Inspections			\$5,000	\$3,000	\$8,000
Casing Crews			\$10,000	\$15,000	\$25,000
Extra Labor, Welding, Etc.			\$31,000	\$5,000	\$36,000
Land Transportation (Trucking)			\$20,000	\$9,000	\$29,000
Supervision		Per Day	\$59,000	\$26,000	\$85,000
Trailer House / Camp / Catering		Per Day	\$23,000	\$4,000	\$27,000
Other Misc Expenses			\$11,000	\$7,000	\$18,000
Overhead		300: Per Day	\$12,000	\$11,000	\$23,000
Remedial Cementing					\$0
MOB/DEMOB			\$60,000		\$60,000
Directional Drilling Services	12: Days @	8,200: Per Day	\$140,000		\$140,000
Dock, Dispatcher, Crane					\$0
Marine & Air Transportation					\$0
Solids Control		Per Day	\$88,000		\$88,000
Well Control Equip (Snubbing Svcs.)			\$90,000	\$26,000	\$116,000
Fishing & Sidetrack Operations			\$0		\$0
Completion Rig	17: Days @	3,400: Per Day		\$70,000	\$70,000
Coil Tubing	1: Days @	33,000: Per Day		\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys				\$10,000	\$10,000
Stimulation				\$427,000	\$427,000
Legal / Regulatory / Curative			\$1,000		\$1,000
Well Control Insurance	\$0.35 Per Foot		\$5,000		\$5,000
Contingency	5% of Drilling Intangibles		\$79,000	\$54,000	\$133,000
Construction For Well Equipment				\$20,000	\$20,000
Construction For Lease Equipment				\$0	\$0
Construction For Sales P/L					\$0
Total Intangible Cost			\$1,659,200	\$1,151,000	\$2,810,200

Tangible - Well Equipment						
Casing	Size	Feet	\$ / Foot			
Drive Pipe	20 "	40.00	\$0.00	\$0		\$0
Conductor Pipe				\$0		\$0
Water String				\$0		\$0
Surface Casing	13-3/8"		\$0.00	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	\$36,000		\$36,000
Drilling Liner				\$0		\$0
Drilling Liner				\$0		\$0
Production Casing or Liner	7"	11200.00	\$29.37	\$329,000		\$329,000
Production Tie-Back	3 1/2"	5000.00		\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03	\$82,000		\$82,000
N/C Well Equipment				\$20,000		\$20,000
Wellhead, Tree, Chokes				\$10,000		\$10,000
Liner Hanger, Isolation Packer				\$1,000		\$1,000
Packer, Nipples				\$110,000		\$110,000
Pumping Unit, Engine				\$98,000		\$98,000
Lift Equipment (BHP, Rods, Anchors)				\$48,000		\$48,000

Tangible - Lease Equipment						
N/C Lease Equipment				\$0		\$0
Tanks, Tanks Steps, Stairs				\$20,000		\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				\$15,000		\$15,000
Flow Lines (Line Pipe from wellhead to central facility)				\$1,500		\$1,500
Offshore Production Structure for Facilities						\$0
Pipeline to Sales						\$0
Total Tangibles				\$36,000	\$800,775	\$836,775

P&A Costs			\$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 Prepared
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/2S/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Expl <input checked="" type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$1,659,200
Completion Costs		\$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	\$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
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance

Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date
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Project Cost Estimate

Lease Name: Mallon 34 Federal Com

Well No.:

18

Intangibles				Dry Hole Cost	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration				\$50,000		\$50,000
Damages				\$1,000		\$1,000
Mud / Fluids Disposal Charges				\$65,000	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	\$468,000	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				\$9,000		\$9,000
Bits				\$23,000	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		\$90,000	\$12,000	\$102,000
Water / Completion Fluids			Per Day	\$70,200	\$61,500	\$131,700
Mud & Additives				\$39,000		\$39,000
Surface Rentals			Per Day	\$61,000	\$84,000	\$145,000
Downhole Rentals				\$88,000	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)						\$0
Mud Logging	\$850 Days @	32 Per Day		\$31,000		\$31,000
Open Hole Logging				\$15,000		\$15,000
Cementing & Float Equipment				\$15,000	\$50,000	\$65,000
Tubular Inspections				\$5,000	\$3,000	\$8,000
Casing Crews				\$10,000	\$15,000	\$25,000
Extra Labor, Welding, Etc.				\$31,000	\$5,000	\$36,000
Land Transportation (Trucking)				\$20,000	\$9,000	\$29,000
Supervision			Per Day	\$59,000	\$26,000	\$85,000
Trailer House / Camp / Catering			Per Day	\$23,000	\$4,000	\$27,000
Other Misc Expenses				\$11,000	\$7,000	\$18,000
Overhead			300 Per Day	\$12,000	\$11,000	\$23,000
Remedial Cementing						\$0
MOB/DEMOB				\$60,000		\$60,000
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Water String					\$0		\$0
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P&A Costs				\$150,000	-\$150,000		\$0
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Total Cost				\$1,845,200	\$1,801,775		\$3,646,975
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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

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

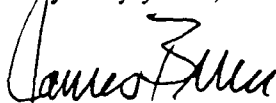
Ladies and gentlemen:

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 N $\frac{1}{2}$ N $\frac{1}{2}$ 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.

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Very truly yours,



James Bruce

Attorney for Cimarex Energy Co.

ATTACHMENT
B1

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 N $\frac{1}{2}$ N $\frac{1}{2}$ 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 N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 34, and has the right to re-enter 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 N $\frac{1}{2}$ N $\frac{1}{2}$ 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 NW $\frac{1}{4}$ NW $\frac{1}{4}$, and a terminus at an orthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, of Section 34.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ 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.

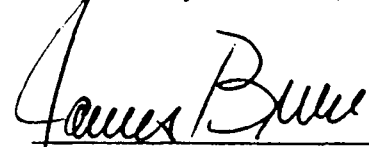
Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

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 N½N½ 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.

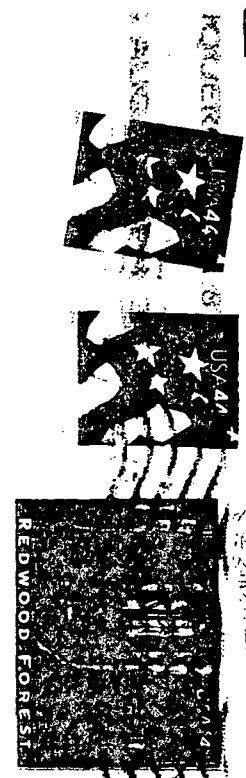
James Bruce
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Santa Fe, New Mexico 87504

7008 3230 0000 2324 8985

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

76116+5774

Handwritten barcode-like markings



Handwritten signature or initials

08/17/09

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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jamesbruc@aol.com

July 28, 2009

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

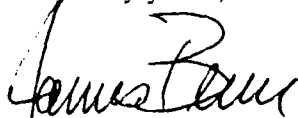
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James Bruce

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ATTACHMENT
B2

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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,
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Attorney for Cimarex Energy Co.

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CERTIFIED MAIL

ALBUQUERQUE NM 871

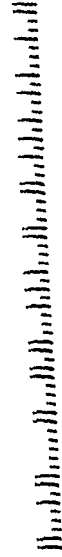


7008 3230 0000 2324 8886

Hyde Oil and Gas Corporation
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Copy of letter

75116+5772



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August 13, 2009

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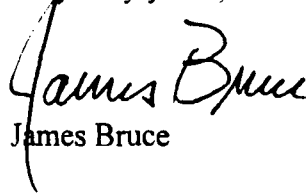
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MGT Partners I, L.P., *et al.*
Suite 500
13727 Noel Road
Dallas, Texas 75240

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 S½S½ of Section 34, and has the right to re-enter 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 SW¼SW¼, and a terminus at an orthodox location in the SE¼SE¼, 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 S½S½ 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.

UNIFIED MAIL

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

7008 3230 0000 2324 9043



08/17

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

James B. Bruce
08/17

76116+5772



**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 seal.

Notary Public

My commission expires:

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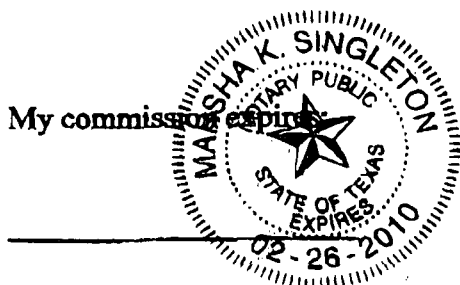
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FURTHER AFFIANT SAYETH NAUGHT


Blair Hamburg

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

Witness my hand and official seal.




Notary Public

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

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

Blair:

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

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

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

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

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

Regards,

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

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