

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

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

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

Case No. 14,407

**VERIFIED STATEMENT OF HAYDEN P. TRESNER**

Hayden P. Tresner, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the mineral interest owners being pooled have simply not responded to well proposals or have not yet executed a farmout agreement.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of the N/2S/2 of Section 20, Township 15 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests from the surface to the base of the Abo/Wolfcamp formation underlying the N/2S/2 of Section 20 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, The units are to be dedicated to the Valley Forge 20 State Com. Well No. 2, a horizontal well to be drilled at a surface location 1980 feet from the south line and 375 feet from the east line, with a terminus 1980 feet from the south line and 375 feet from the west line, of Section 20.

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

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 1

Helene Singer Heirs of Herman Singer P.O. Box 1883 Santa Fe, New Mexico 87504	<u>1.9687</u> %
Shriners Hospital for Crippled Children 2900 Rocky Point Drive Tampa, Florida 33607	<u>12.5</u> %
Headington Royalty Inc. Suite 1100 7557 Rambler Road Dallas, Texas 75231	<u>25</u> %
Sigyn Lund 1052 Montgomery Road Altamonte Springs, Florida 32714	<u>.4375</u> %
Trustees of the Estate Peter L. Shea Trustees of the Peter L. Shea Trust Edwina S. Brokaw Millington c/o John Walsh Bryan Cave, LLP Suite 3501 290 Avenue of the Americas New York, New York 10104	<u>3.8546</u> %

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B. In addition, I have called and e-mailed the interest owners several times regarding the well proposal.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owner in the well.

(f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against a non-consenting interest owner.

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

- (i) S½N½ of Section 21.  
Mack Energy Corporation
- (ii) S½ of Section 21.  
Mack Energy Corporation

- (iii) S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 20.  
Cimarex Energy Co. of Colorado  
*Occidental Permian L.A.*
- (iv) S $\frac{1}{2}$  of Section 19.  
Cimarex Energy Co. of Colorado
- (v) S $\frac{1}{2}$ N $\frac{1}{2}$  of Section 19.  
Cimarex Energy Co. of Colorado
- (vi) S $\frac{1}{2}$ N $\frac{1}{2}$  of Section 20.  
Cimarex Energy Co. of Colorado

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

(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

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

VERIFICATION

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

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

*Hayden P. Tresner*  
\_\_\_\_\_  
Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 16<sup>th</sup> day of March, 2010 by Hayden P. Tresner.

My Commission Expires: 4.22.2013

*J. L. Barden*  
\_\_\_\_\_  
Notary Public





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



June 17, 2009

*Via: e-mail and U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3816*

Anadarko Petroleum Corporation  
Attn: David Ward  
P.O. Box 1330  
Houston, Texas 77251-1330

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3793*

Wells Fargo Bank New Mexico  
Attn: Allie M. Lee Trust  
P.O. Box 1977  
Roswell, New Mexico 88202

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3786*

B.P. Exploration Inc.  
P.O. Box 4587  
Houston, Texas 77210

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3755*

Wayne A. Bissett  
P.O. Box 2101  
Midland, Texas 79702

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3748*

Mitchell Minerals, LLC  
RR2 Box 10A  
Haskell, Oklahoma 74436

**Re: Valley Forge 20 State Com No. 2**  
**N/2S/2 Section 20-T15S-31E**  
**Chaves County, New Mexico**

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3809*

Sigyn Lund  
1052 Montgomery Road  
Altamonte Springs, Florida 32714

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3779*

Clare Lundbeck Fraser  
133 E. 64<sup>th</sup> Street  
New York, New York 10021

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3762*

Don Kidwell  
2305 Metz Place  
Midland, Texas 79705

*Via: U.S. Certified Mail*  
*Return Receipt No. 7007 0710 0003 0317 3731*

Douglas C. Koch  
P.O. Box 540244  
Houston, Texas 77254

EXHIBIT

**B**



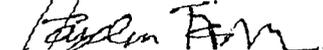
Dear Working Interest Owners:

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, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate, Cimarex would be interested in acquiring a farmout of your leasehold interests in the spacing unit dedicated to the well.

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

Sincerely,

**CIMAREX ENERGY CO.**

  
Hayden P. Tresner  
Landman

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

December 30, 2009



Via: U.S. Certified Mail-Return No. 7009 0820 0001 1968 4111

Ms. Singer  
P.O. Box 1883  
Santa Fe, New Mexico 87504

Re: *Hancock 19 State Com No. 4*  
*Hancock 19 State Com No. 3*  
*Valley Forge 20 State Com No. 2*  
*T15S-R31E, Chaves County, New Mexico*

Dear Ms. Singer:

As we recently discussed over the telephone, the heirs of your husband, Mr. Herman Singer, own a working interest in an oil and gas lease that Cimarex Energy Co. ("Cimarex") is preparing to drill three (3) oil wells on. As an owner of a working interest in the lease, you, and any other heirs to your husband's estate, have the option to participate in the wells.

Cimarex proposes to drill the above-captioned wells according to the project described in the enclosed Authorization for Expenditure ("AFE"). If you would like to participate in the well(s), please sign, date and return a copy of the applicable AFE to the undersigned at the above-letter head address. Also enclosed is Cimarex' form of Operating Agreement. A separate operating agreement of identical form will cover the spacing or proration unit dedicated to each individual well proposed herein.

Alternatively, if you do not want to participate in the wells, Cimarex hereby offers \$200 per net mineral acre for a two (2) year term assignment of your working interest in the spacing or proration unit dedicated to each well. Cimarex' proposed form of term assignment is also enclosed for your review.

Please contact me at your earliest convenience at (432) 571-7856 so that Cimarex can prepare accordingly. Thank you.

Sincerely,

Cimarex Energy Co.

  
Hayden P. Tresner  
Landman





Project Cost Estimate

Lease Name: Valley Forge 20 State Corn

Well No.: 2

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost			
Roads & Location Preparation / Restoration	D10C.136	\$50,000	D10C.109	\$3,000	\$53,000			
Damages	D10C.105	\$6,000	D10C.105		\$6,000			
Mud / Fluids Disposal Charges	D10C.235	\$55,000	D10C.235	\$50,000	\$115,000			
Day Rate	35 OH Days	8 ACP Days @	Per Day	D10C.125	\$570,000	D10C.120	\$96,000	\$666,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D10C.129	\$14,000			\$14,000			
Bits	D10C.123	\$18,750	D10C.123	\$1,000	\$19,750			
Fuel	\$2.10 Per Gallon	Gallons Per Day	D10C.123	\$39,000	D10C.129	\$13,000	\$52,000	
Water / Completion Fluids	Per Day	D10C.140	\$45,000	D10C.135	\$61,250	\$106,250		
Mud & Additives	D10C.145	\$69,875			\$69,875			
Surface Rentals	Per Day	D10C.150	\$53,000	D10C.140	\$124,000	\$177,000		
Downhole Rentals	D10C.155	\$50,000	D10C.145	\$14,000	\$64,000			
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D10C.160				\$0			
Mud Logging	\$850 Days @	30 Per Day	D10C.170	\$30,000		\$30,000		
Open Hole Logging	D10C.124	\$20,000			\$20,000			
Cementing & Float Equipment	D10C.185	\$17,000	D10C.155	\$20,000	\$37,000			
Tubular Inspections	D10C.190	\$5,000	D10C.185	\$3,000	\$8,000			
Casing Crews	D10C.195	\$16,000	D10C.165	\$16,000	\$32,000			
Extra Labor, Welding, Etc.	D10C.200	\$28,000	D10C.170	\$5,000	\$33,000			
Land Transportation (Trucking)	D10C.205	\$21,000	D10C.175	\$4,000	\$25,000			
Supervision	Per Day	D10C.210	\$49,000	D10C.180	\$19,000	\$68,000		
Trailer House / Camp / Catering	400 Per Day	D10C.200	\$21,000	D10C.235	\$4,000	\$25,000		
Other Misc Expenses	D10C.220	\$2,000	D10C.190	\$7,000	\$9,000			
Overhead	300 Per Day	D10C.225	\$13,000	D10C.185	\$3,000	\$16,000		
Remedial Cementing	D10C.231		D10C.115		\$0			
MOB/DEMOB	D10C.240				\$0			
Directional Drilling Services	15 Days @	\$,200 Per Day	D10C.245	\$152,000		\$152,000		
Dock, Dispatcher, Crane	D10C.250		D10C.250		\$0			
Marine & Air Transportation	D10C.275		D10C.250		\$0			
Solids Control	Per Day	D10C.260	\$80,000		\$80,000			
Well Control Equip (Snubbing Svcs.)	D10C.265	\$42,000	D10C.240	\$11,000	\$53,000			
Fishing & Sidetrack Operations	D10C.270	\$0	D10C.265		\$0			
Completion Rig	7 Days @	8,400 Per Day		D10C.215	\$36,000	\$36,000		
Coil Tubing	1 Days @	25,000 Per Day		D10C.260	\$25,000	\$25,000		
Completion Logging, Perforating, WL Units, WL Surveys				D10C.200	\$8,000	\$8,000		
Stimulation				D10C.210	\$300,000	\$300,000		
Legal / Regulatory / Curative	D10C.200	\$7,000	D10C.280		\$7,000			
Well Control Insurance	\$0.35 Per Foot	D10C.235	\$5,000		\$5,000			
Contingency	5% of Drilling Intangibles	D10C.435	\$74,000	D10C.220	\$41,000	\$115,000		
Construction For Well Equipment			DW/EA.110	\$1,000	\$1,000			
Construction For Lease Equipment			D10E.110	\$90,000	\$90,000			
Construction For Sales P/L			D10C.265		\$0			
<b>Total Intangible Cost</b>				<b>\$1,562,625</b>	<b>\$955,250</b>	<b>\$2,517,875</b>		

Tangible - Well Equipment	Size	Feet	\$ / Foot	Codes	Codes	After Casing Point	Completed Well Cost
Casing							
Drive Pipe	20"	40.00	\$0.00	DW/EB.150			\$0
Conductor Pipe				DW/EA.130			\$0
Water String				DW/EE.155			\$0
Surface Casing	13-3/8"	340.00	\$62.37	DW/EB.140			\$21,000
Intermediate Casing	9 5/8"	3950.00	\$48.20	DW/EB.145			\$190,000
Drilling Liner				DW/EB.145			\$0
Drilling Liner				DW/EB.145			\$0
Production Casing or Liner	7"	8500.00	\$29.37		DW/EA.100	\$252,000	\$252,000
Production Tie-Back	4 1/2"	4600.00	\$12.11		DW/EA.100	\$48,576	\$48,576
Tubing	2 7/8"	8400.00	\$9.53		DW/EA.105	\$80,000	\$80,000
N/C Well Equipment					DW/EA.125	\$50,000	\$50,000
Wellhead, Tree, Chokes				DW/EB.115		\$10,000	\$10,000
Liner Hanger, Isolation Packer				DW/EB.120		\$145,000	\$145,000
Packer, Nipples					DW/EA.120	\$1,000	\$1,000
Pumping Unit, Engine					D10E.160	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)					D10E.165	\$47,000	\$47,000
Tangible - Lease Equipment							
N/C Lease Equipment					D10E.115	\$44,000	\$44,000
Tanks, Tanks Steps, Stairs					D10E.120	\$40,000	\$40,000
Battery (Heater Treater, Separator, Gas Treating Equipment)					D10E.125	\$25,000	\$25,000
Flow Lines (Line Pipe from wellhead to central facility)					D10E.120	\$30,000	\$30,000
Offshore Production Structure for Facilities					DW/EA.125		\$0
Pipeline to Sales					DW/EA.130		\$0
<b>Total Tangibles</b>						<b>\$870,576</b>	<b>\$1,081,576</b>

P&A Costs	D10C.295	\$150,000	D10C.275	-\$150,000	\$0
<b>Total Cost</b>		<b>\$1,923,625</b>		<b>\$1,675,826</b>	<b>\$3,599,451</b>