

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]  
[A] Location - Spacing Unit - Simultaneous Dedication  
☐ NSL ☐ NSP ☐ SD

Cimarex Energy Co of Colorado- 162683  
Well: Hallertau 5 Federal 1H 30-025-40436  
Hallertau 5 Federal 3H 30-025-40455  
Hallertau 5 Federal 4H 30-025-40254

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
☐ DHC ☐ CTB ☐ PLC ☒ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify \_\_\_\_\_

**Pools:**  
WC-025 G-08  
S253235G; Lower Bone  
Spring # 97903

Jennings; Upper Bone  
Spring #97838

WC-025 G-09  
S263216A; Upper  
Wolfcamp #98065

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply  
[A] ☒ Working, Royalty or Overriding Royalty Interest Owners  
[B] ☐ Offset Operators, Leaseholders or Surface Owner  
[C] ☐ Application is One Which Requires Published Legal Notice  
[D] ☒ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,  
[F] ☐ Waivers are Attached

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Aricka Easterling

*Aricka Easterling*

Regulatory Analyst

4/17/15

Print or Type Name

Signature

Title

Date

aeasterling@cimarex.com  
e-mail Address

**Cimarex Energy Co.**

202 S Cheyenne Ave

Suite 1000

Tulsa, Oklahoma 74103-4346

Phone 918.585.1100

Fax 918.749.8059

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2015 MAY 13 P 2



May 11, 2015

NMOCD

1220 South St. Francis Drive

Santa Fe, NM 87505

RE: Request for a Commingle Gas & Oil Production

Hallertau 5 Fed # 1H API # 30-025-40436

Hallertau 5 Fed # 3H API # 30-025-40455

Hallertau 5 Fed # 4H API # 30-025-40254

Pool: WC-025 G-08 S25323G; Lower Bone Spring (97903)

WC-025 G-09 S263216A; Upper Wolfcamp (98065)

Jennings: Upper Bone Spring (97838)

Lea County, New Mexico

Mr. McMillian:

Cimarex Energy Company respectfully requests approval to surface commingle production from our Hallertau 5 Federal lease. The Hallertau 5 Fed 1H produces from the WC-025 G-08 S25323G; Lower Bone Spring, Hallertau 5 Fed 3H produces from the WC-025 G-09 S263216A; Upper Wolfcamp and the Hallertau 5 Fed #4H produces from the Jennings: Upper Bone Spring formation and we would like to commingle the production of oil and gas at the tank battery.

All 3 wells going into the tank battery have identical working and revenue interests.

Please contact me should you have any questions or need anything further.

Thank you in advance for your time.

Sincerely,

A handwritten signature in cursive script that reads "Aricka Easterling".  
Aricka Easterling  
Regulatory Analyst

Enclosure

Cimarex Energy Co.  
600 N. Marienfeld St.  
Suite 600  
Midland, TX 79701  
MAIN 432.571.7800



May 12, 2015

OCD  
Attn: Michael A. McMillian  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

RE: Ownership of Developed Lands – Surface Commingling  
WC-025 G-08 S253235G;LWR BONE SPRING – 97903 – Hallertau 5 Fed 4  
WC-025 G-09 S263216A;UPPER WOLFCAMP [98065] – Hallertau 5 Fed 3  
Jennings Upper Bone Spring Shale – 97838 – Hallertau 5 Fed 1  
Lea County, NM

To Whom it May Concern:

The above referenced wells have been drilled under Federal Lease NM 0392082-A and each proration unit for the above referenced wells have the exact same WI, RI and ORRI owners. If you need any further information, you may contact me directly at 432-571-7887 or [hknight@cimarex.com](mailto:hknight@cimarex.com).

Sincerely,  
Cimarex Energy Co.

A handwritten signature in black ink, appearing to read "Hilary Knight".

Hilary Knight, CPL  
Petroleum Landman



NMMNM0392082A  
Hallertau 5 Fed Battery  
Sec. 5, T-26S, R-32E  
Lea County, NM

Exhibit A

HOBBS OCD

HOBBS OCD

SEP 09 2013

Form C-102

Revised July 16, 2010

## DISTRICT I

1025 N. French Dr., Hobbs, NM 88401

## DISTRICT II

1901 W. Grand Avenue, Artesia, NM 87410

## DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

## DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

DEC 19 2011

State of New Mexico  
Energy, Minerals and Natural Resources DepartmentRECEIVED copy to appropriate  
District Office

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number <b>30-025-40436</b>	Pool Code <b>97903</b>	Well Name <b>6-06-32632-1 Bone Spring Wildcat</b>
Property Code <b>38778</b>	Property Name <b>HALLERTAU "5" FEDERAL</b>	Well Number <b>1H</b>
OGRIID No. <b>162683</b>	Operator Name <b>CIMAREX ENERGY CO. OF COLORADO</b>	Elevation <b>3253'</b>

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>P</b>	<b>5</b>	<b>26 S</b>	<b>32 E</b>		<b>330</b>	<b>SOUTH</b>	<b>330</b>	<b>EAST</b>	<b>LEA</b>

## Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>LOT 1</b>	<b>5</b>	<b>26 S</b>	<b>32 E</b>		<b>333</b>	<b>NORTH</b>	<b>639</b>	<b>EAST</b>	<b>LEA</b>
Dedicated Acres <b>160</b>	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p><b>PROPOSED BOTTOM HOLE LOCATION</b>          Lot - N 32°03'43.57"          Long - W 103°41'26.89"          NMSPC - N 392983.441          E 740345.817          (NAD-83)</p>				<p><b>OPERATOR CERTIFICATION</b>          I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or qualified mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or is a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Aricka Easterling</i> 8/30/13          Signature Date          Aricka Easterling          Print          aeasterling@cimarex.com          Email Address</p>			
<p><b>EOC</b>          616 FSL &amp; 352 FEL</p>				<p><b>SURVEYOR CERTIFICATION</b>          I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p><i>Gary L. Jones</i>          Date Surveyed Signature of Professional Surveyor          Certificate No. Gary L. Jones 7977          BASIN SURVEYS 24494</p>			
<p><b>SURFACE LOCATION</b>          Lot - N 32°03'57.05"          Long - W 103°41'22.96"          NMSPC - N 388284.981          E 740711.943          (NAD-83)</p>				<p><b>NM-0392082-A</b></p>			

OCT 03 2013

ELG 10-3-2013



DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1801 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised July 16, 2010

Submit one copy to appropriate  
District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-40455	Pool Code 98065	Pool Name WC-025 G-09 S263216A ; Upper Wolfcamp
Property Code 38778	Property Name HALLERTAU "5" FEDERAL	Well Number 3H
GRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3272'

Surface Location

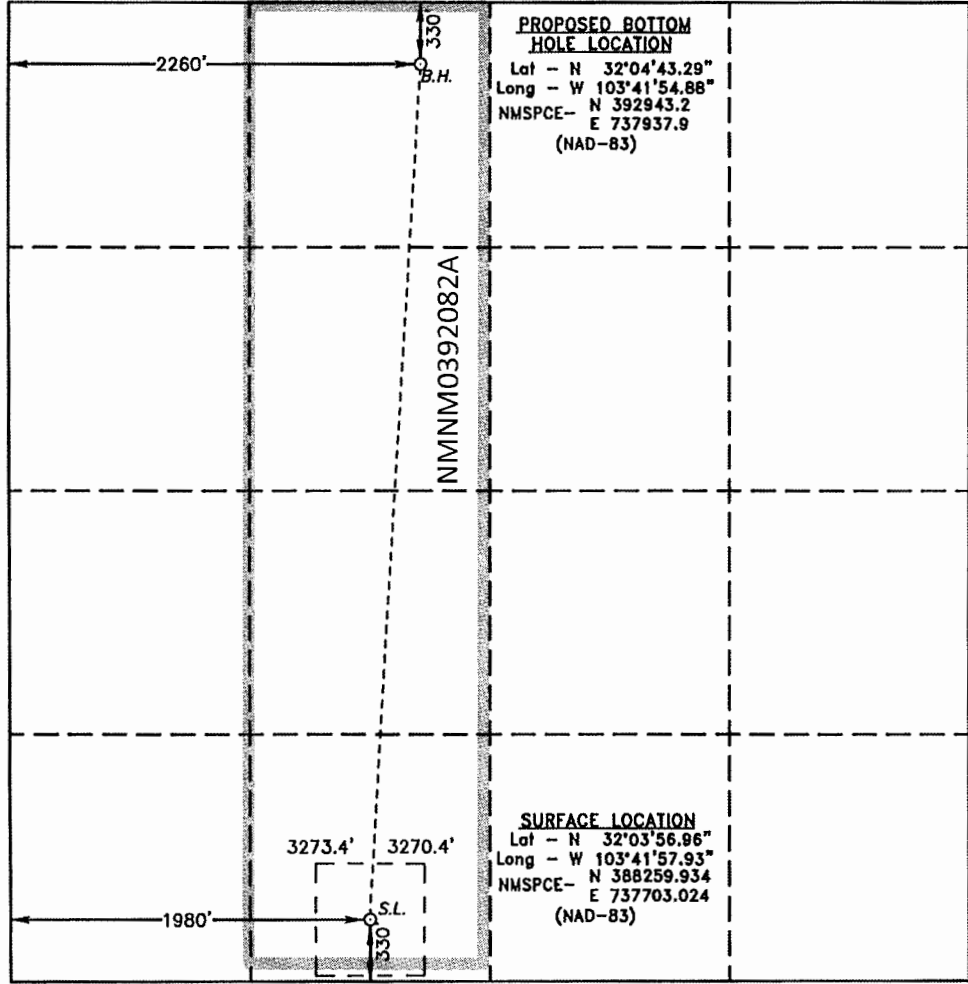
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	5	26 S	32 E		330	SOUTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	5	26 S	32 E		330	NORTH	2260	WEST	LEA

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>PROPOSED BOTTOM HOLE LOCATION</b> Lat - N 32°04'43.29" Long - W 103°41'54.88" NMSPC - N 392943.2 E 737937.9 (NAD-83)</p> <p><b>SURFACE LOCATION</b> Lat - N 32°03'56.96" Long - W 103°41'57.93" NMSPC - N 388259.934 E 737703.024 (NAD-83)</p>	<p><b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>4/2/2015</p> <p>Signature _____ Date _____</p> <p>Printed Name Terri Stathem</p> <p>Email Address tstathem@cimarex.com</p> <p><b>SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date Surveyed _____ Signature &amp; Seal of Professional Surveyor _____</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 24496</p>
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## DISTRICT I

1025 N. French Dr., Hobbs, NM 88240

## DISTRICT II

1501 E. Grand Avenue, Artesia, NM 88210

## DISTRICT III

1000 Rio Drazos Rd., Aztec, NM 87410

## DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources DepartmentHOBBS OCD Form C-102  
Revised July 18, 2010Submit one copy to appropriate  
District Office

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

MAR 30 2012

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☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 3002540254	Pool Code 97838	Pool Name Jennings, Upper Bone Spring Shale
Property Code 38778	Property Name HALLERTAU "5" FEDERAL	Well Number 4H
OCRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3271'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	5	26 S	32 E		350	SOUTH	660	WEST	LEA

## Bottom Hole Location If Different From Surface

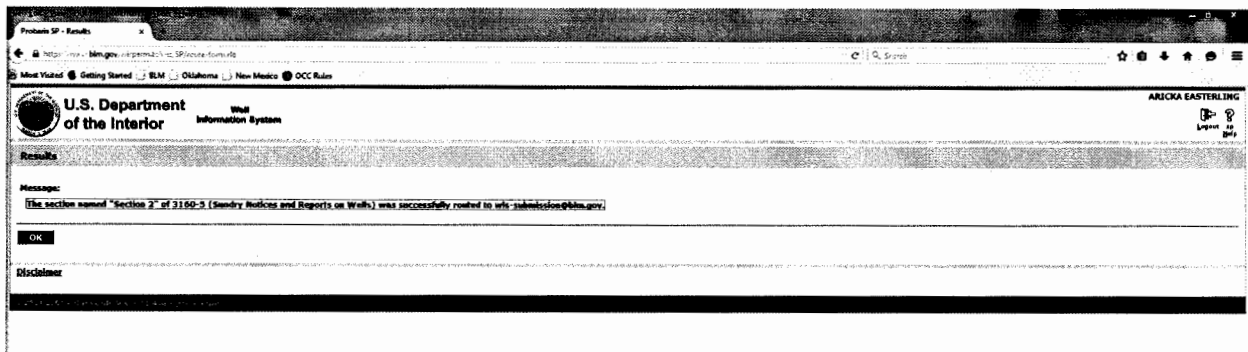
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	5	26 S	32 E		449.5 349	NORTH	372 317	WEST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED.  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

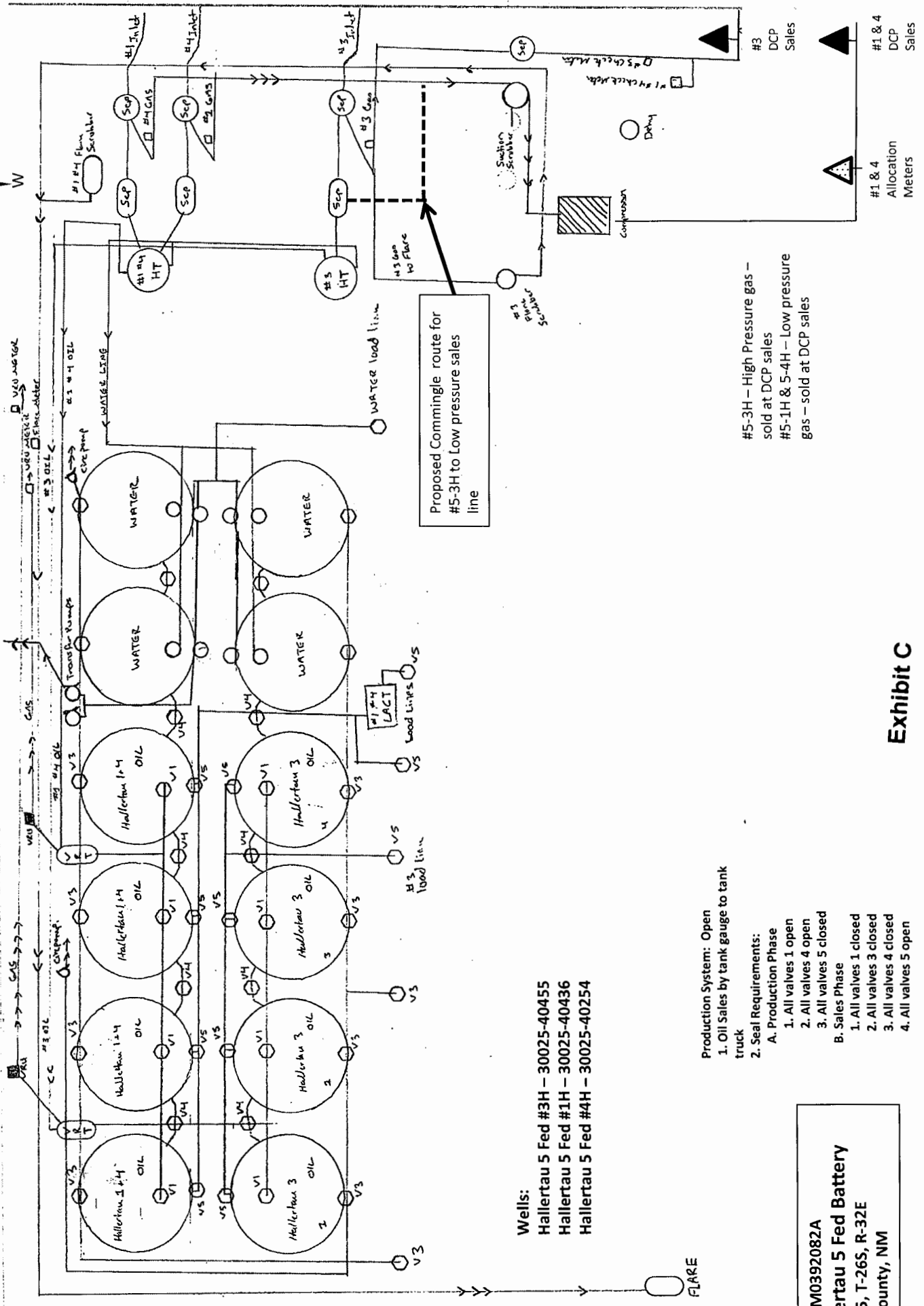
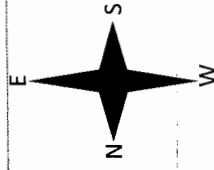
	<b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order previously entered by the division. Signature: <i>Terri Stathem</i> Date: 3/28/2012
	<b>Printed Name</b> tstathem@cimarex.com <b>Email Address</b>
	<b>SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. Date Surveyed: <i>3/28/2012</i> Signature & Seal of Professional Surveyor: <i>Gary L. Jones</i> Certificate No. Gary L. Jones 7977
	<b>Basin Surveys</b> 24497

APR 11 2012



Proof of BLM submission for surface commingle for Hallertau 5 federal lease.





**Wells:**  
Hallertau 5 Fed #3H - 30025-40455  
Hallertau 5 Fed #1H - 30025-40436  
Hallertau 5 Fed #4H - 30025-40254

- Production System: Open**
1. Oil Sales by tank gauge to tank truck
- 2. Seal Requirements:**
- A. Production Phase**
1. All valves 1 open
  2. All valves 4 open
  3. All valves 5 closed
- B. Sales Phase**
1. All valves 1 closed
  2. All valves 3 closed
  3. All valves 4 closed
  4. All valves 5 open

#5-3H - High Pressure gas - sold at DCP sales  
#5-1H & 5-4H - Low pressure gas - sold at DCP sales

NMNM0392082A  
Hallertau 5 Fed Battery  
Sec. 5, T-26S, R-32E  
Lea County, NM

Well\_Name: HALLERTAU 5 FEDERAL # 001H API: 3002540436  
 Location: P-5-26.0S-32E 330 FSL 330 FEL  
 Lat: 32.06587853 Long: -103.6897022  
 Operator Name: CIMAREX ENERGY CO. OF COLORADO County: Lea  
 Land Type: Federal Well Type: Oil  
 Spud Date: 2/24/2013 Plug Date:  
 Elevation GL: 3253 Depth TVD: 10542

Year:	2013			
Pool Name:	WC-025 G-08 S253235G;LWR BONE SPRIN			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	0	0	0	0
February	0	0	0	0
March	0	0	0	0
April	3543	653	7800	9
May	7058	13047	21447	31
June	3881	13728	11514	30
July	2638	5288	3737	31
August	3149	7443	10551	31
September	1936	5250	5351	27
October	1701	5000	5825	31
November	2025	5374	7608	30
December	1967	4042	4865	31
Total:	27898	59825	78698	

Year:	2014			
Pool Name:	WC-025 G-08 S253235G;LWR BONE SPRIN			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	1790	4733	6300	31
February	1612	3751	5979	28
March	978	916	5399	31
April	1277	1061	5741	30
May	1650	3808	4985	31
June	1527	3511	4758	30
July	1259	3540	4408	31
August	1174	3113	3636	31
September	841	1983	1851	30
October	1237	2572	2509	31
November	1114	2248	2740	30
December	898	1787	1929	31
Total:	15357	33023	50235	

Year:	2015			
Pool Name:	WC-025 G-08 S253235G;LWR BONE SPRIN			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	1102	1017	873	31
February	839	2060	541	27
March	817	989	524	13
Total:	2758	1	1938	
Cum Production	46013	92849	130871	

Well_Name:	HALLERTAU 5 FEDERAL # 003H	API:	3002540455
Location:	N-5-26.0S-32E 330 FSL 1980 FWL		
Lat:	32.06584999	Long:	-103.6993984
Operator Name:	CIMAREX ENERGY CO. OF COLORADO	County:	Lea
Land Type:	Federal	Well Type:	Oil
Spud Date:	1/8/2015	Plug Date:	
Elevation GL:	3272	Depth TVD:	12044

Year:	2015			
Pool Name:	Upper Wolfcamp			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	0	0	0	0
February	0	0	0	0
March	6400	15870	11510	14
total:	6400	15870	11510	
Cum:	6400	15870	11510	

Well\_Name: HALLERTAU 5 FEDERAL # 004H API: 3002540254  
Location: M-5-26.0S-32E 350 FSL 660 FWL  
Lat: 32.06589236 Long: -103.7036808  
Operator Name: CIMAREX ENERGY CO. OF COLORADO County: Lea  
Land Type: Federal Well Type: Oil  
Spud Date: 2/3/2012 1 Plug Date:  
Elevation GL: 3271 Depth TVD: 13840

Year:	2012			
Pool Name:	JENNINGS;UPPER BONE SPRING SHALE			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	0	0	0	0
February	8379	28792	13236	29
March	6560	44740	17645	31
April	3941	25444	9535	30
May	3023	17297	8494	31
June	2471	19661	6644	30
July	2273	18579	13082	31
August	2095	17236	5846	31
September	1873	15073	4422	30
October	1510	13047	5211	31
November	1589	9550	4298	30
December	1637	9059	4291	31
Total:	35351	218478	92704	

Year:	2013			
Pool Name:	JENNINGS;UPPER BONE SPRING SHALE			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	1458	5023	3701	31
February	1472	9539	3494	28
March	1363	9257	3723	31
April	679	6058	4727	20
May	1641	12297	11875	31
June	897	9789	9869	30
July	753	5242	7287	31
August	1487	10092	9578	31
September	828	6360	5720	27
October	1156	9719	7941	31
November	1290	8983	7318	30
December	1086	6511	6662	31
Total:	14110	98870	81895	

Year:	2014			
Pool Name:	JENNINGS;UPPER BONE SPRING SHALE			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	1081	7051	6653	31
February	1354	6618	6797	28
March	1613	9274	5446	31
April	1433	8809	5204	30
May	1047	6433	5312	31
June	888	5678	5628	30
July	863	5968	5611	31
August	918	5230	4839	31
September	907	3159	2808	30
October	994	5838	4236	31
November	802	4705	3882	30
December	833	3788	3456	31
Total:	12733	72551	59872	

Year:	2015			
Pool Name:	JENNINGS;UPPER BONE SPRING SHALE			
Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	791	2207	1186	31
February	624	4007	911	26
March	817	4763	962	13
total:	2232	10977	3059	
Cum:	64426	400876	237530	

## APPLICATION FOR POOL COMMINGLE

### Application proposal for Hallertau 5 Federal lease:

Cimarex Energy Co. is requesting approval for Oil and Gas production Pool Commingle from the following wells and pools.

#### Federal Lease NMNM-0392082A

Well Name	Location	API #	Pool	MCFPD	BTU	Oil Grav
Hallertau 5 Federal #1H	5-T26S-R32E	30-025-40436	Bone Spring (97903)	100	1.116	46.10
Hallertau 5 Federal #3H	5-T26S-R32E	30-025-40455	Wolfcamp (98065)	3000	1.213	46.04
Hallertau 5 Federal #4H	5-T26S-R32E	30-025-40254	Bone Spring (97838)	250	1.151	46.40

Exhibit A is a map that displays the Federal leases and well locations in Section 5-T26S-R32E. The working interest, royalty interest and overriding royalty interest owners are identical.

#### Gas metering:

Gas volumes from each well producing to this battery will be determined by using a separator and heater treater (H/T) at the proposed facility prior to sending gas to a gas allocation meter and final sales point. Production will be allocated on a monthly basis based on the gas allocation meter volume.

The BLM's interest in the wells is identical and the BTU's are equivalent (see Exhibit B). Waste is not induced and no correlative rights are impaired. The allocation meters will be calibrated on a regular basis per API, NMOCD and BLM specifications. The BLM and OCD will be notified of any future changes in the facilities.

#### Oil Allocation:

Oil volumes from each well producing to this battery will be determined by well test. Production will be allocated on a monthly basis based on the well test for each well.

The BLM's interest in the wells is identical and the BTU's and oil gravity are equivalent (see Exhibit B). Waste is not induced and no correlative rights are impaired. The allocation meters will be calibrated on a regular basis per API, NMOCD and BLM specifications. The BLM and OCD will be notified of any future changes in the facilities.

#### Process and Flow Descriptions:

Please see Exhibit C, a diagram for the Hallertau 5 Federal production facilities. The flow of produced fluids is shown in detail along with a description of each vessel. The benefit of surface commingling is that all the wells are on the same Federal lease within Sec 5, T26S, R32E. One facility will handle the production for all wells in the section, however Bone Spring and Wolfcamp oil production will continue to be produced into separate tanks. Reduced liability with primary exposure to one facility and reduced lease road/location maintenance due to time/wear-n-tear needing spent at each well's location. This will also lessen the surface disturbance due to having all the production at one facility.

Minimizing Emissions: If commingling is allowed, 1 compressor is required. If commingling is not allowed, 2 separate compressors are required, thereby increasing emissions.

**Other Information:**

Gas production at the Hallertau 5 Federal lease is sold to Regency. In regards to gas commingling, the most relevant piece of our contract with Regency are the deducts associated with acid gas in the form of a treating fee. **Cimarex contract reads and corresponding commentary:**

**If applicable, Regency will calculate and deduct from Seller's payment a value calculated for a treating fee as follows. If Acid Gas is greater than two percent (2%) mole, Regency will deduct an amount equal to five cents (\$0.05) per percent for all Acid Gas over two percent (2%) mole multiplied by Seller's Delivery Point Mcfs. For example, if Acid Gas is three and one-half percent (3.5%) mole, the resulting treating fee would be seven and one-half cents (\$0.075) multiplied by Seller's Delivery Point Mcfs. If Acid Gas mole percent is under two percent (2%) mole, no treating fee is charged.**

Acid Gas = Combined mole percent of hydrogen sulfide and carbon dioxide contained in Seller's Gas at Seller's Delivery Point(s).

From October 2014 – January 2015, the Hallertau 5 Federal sales point had the following acid gas amounts (%) (mole) respectively: 6.0728%, 6.5109%, 6.4961%, 6.2214%.

Based on the gas analysis of Cimarex vertical Wolfcamp producers 6 miles to the East and our experience in the Wolfcamp elsewhere in the Delaware Basin, we expect the Hallertau 5 Fed 3H Wolfcamp produced gas to contain no more than 0.2% (mole) and no H<sub>2</sub>S. Once its gas is blended with the two existing producers, the combined sales stream being well below the 2% (mole) acid gas contract threshold. Thus, the combined sales gas from the two existing producers will actually increase in realized value, because they will no longer be paying the treating fee (deduct).

Please see Exhibit B, gas analysis for the Hallertau 5 Federal wells and the vertical Wolfcamp producers in our Red Hills Unit. Also included is an economic justification for commingling. Forecasted gas production for the next 6 months for each of the 3 wells on the lease (total gas and total acid gas) and the corresponding treating fees (deducts) in accordance with our Regency contract. Illustrated savings associated with commingling versus not commingling.

Cimarex Energy Co. understands the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

Signed: \_\_\_\_\_  
Printed Name: Aricka Easterling  
Title: Regulatory Analyst  
Date: 5-14-15



Forecasted Gas Production by Reservoir				
Month	Avalon	2nd Bone Spring	Wolfcamp	Combined Total
1	4,928	2,058	91,250	98,236
2	4,851	2,008	55,546	62,405
3	4,777	1,961	41,924	48,662
4	4,707	1,916	34,419	41,042
5	4,639	1,874	29,565	36,079
6	4,574	1,835	26,125	32,534

Forecasted Acid Gas % by Volume by Reservoir				
Month	Avalon	2nd Bone Spring	Wolfcamp	
1	8.7948%	0.2411%	0.2038%	
2	8.7948%	0.2411%	0.2038%	
3	8.7948%	0.2411%	0.2038%	
4	8.7948%	0.2411%	0.2038%	
5	8.7948%	0.2411%	0.2038%	
6	8.7948%	0.2411%	0.2038%	

Forecasted Acid Gas Production by Reservoir				
Month	Avalon	2nd Bone Spring	Wolfcamp	Combined Total
1	433	5	186	624
2	427	5	113	545
3	420	5	85	510
4	414	5	70	489
5	408	5	60	473
6	402	4	53	460

Commingled Forecasted % Acid Gas by Volume				
Month	Total Gas	Total Acid Gas	% Acid Gas	
1	98,236	624	0.6355%	
2	62,405	545	0.8728%	
3	48,662	510	1.0487%	
4	41,042	489	1.1908%	
5	36,079	473	1.3104%	
6	32,534	460	1.4137%	

If Avalon & 2nd Bone Spring Are Kept Separate				
Month	Total Avalon & 2nd Bone Spring Gas	Total Acid Gas	% Acid Gas	Treating Fee Per Mcf
1	9,986	438	6.2745%	\$0.2137
2	6,859	431	6.2908%	\$0.2145
3	6,738	425	6.3059%	\$0.2153
4	6,623	419	6.3201%	\$0.2160
5	6,514	413	6.3333%	\$0.2167
6	6,409	407	6.3457%	\$0.2173

If Wolfcamp Is Kept Separate				
Month	Total Wolfcamp Gas	Total Acid Gas	% Acid Gas	Treating Fee Per Mcf
1	91,250	186	0.2038%	\$0
2	55,546	113	0.2038%	\$0
3	41,924	85	0.2038%	\$0
4	34,419	70	0.2038%	\$0
5	29,565	60	0.2038%	\$0
6	26,125	53	0.2038%	\$0

If All Wells Are Commingled				
Month	Total Gas	Total Acid Gas	% Acid Gas	Treating Fee Per Mcf
1	98,236	624	0.6355%	\$0
2	62,405	545	0.8728%	\$0
3	48,662	510	1.0487%	\$0
4	41,042	489	1.1908%	\$0
5	36,079	473	1.3104%	\$0
6	32,534	460	1.4137%	\$0

Treating Cost (Commingling Versus Not Commingling)				
Month	Commingling	Not Commingling		
1	\$0	\$1,493.05		
2	\$0	\$1,471.47		
3	\$0	\$1,450.68		
4	\$0	\$1,430.62		
5	\$0	\$1,411.27		
6	\$0	\$1,392.59		

Date	Entity	Reservoir	CO2 %	H2S %	GPM
2/15/2012	Hallertau 5 Fed 4H Sales	Avalon	8.4520	0.0004	6.0020
7/3/2012	Hallertau 5 Fed 4H Sales	Avalon	8.5170	0.0000	5.5810
10/9/2012	Hallertau 5 Fed 4H Sales	Avalon	9.4150	0.0000	5.4610
4/26/2013	Hallertau 5 Fed 1H Sales	2nd Bone Spring	0.2410	0.0001	6.6130
10/31/2014	Hallertau 5 Fed (1H & 4H) Commingled	Avalon & 2nd Bone Spring	6.0726	0.0002	5.4366
11/30/2014	Hallertau 5 Fed (1H & 4H) Commingled	Avalon & 2nd Bone Spring	6.5107	0.0002	5.1879
12/31/2014	Hallertau 5 Fed (1H & 4H) Commingled	Avalon & 2nd Bone Spring	6.4959	0.0002	4.9991
1/31/2015	Hallertau 5 Fed (1H & 4H) Commingled	Avalon & 2nd Bone Spring	6.2212	0.0002	4.7945
3/1/2012	Red Hills Unit #5	Wolfcamp C/D	0.1770	0.0000	3.9160
3/10/2014	Red Hills Unit #5	Wolfcamp C/D	0.1955	0.0003	4.2094
9/28/2012	Red Hills Unit #2	Wolfcamp C/D	0.2000	0.0000	3.6830
3/10/2014	Red Hills Unit #2	Wolfcamp C/D	0.2419	0.0003	3.6992

## Economic Justification