

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. OF  
COLORADO FOR COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.

Case No. 14,771

VERIFIED STATEMENT OF HILARY CODER

Hilary Coder, being duly sworn upon her oath, deposes and states:

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

2. Cimarex Energy Co. of Colorado is a wholly owned subsidiary of Cimarex Energy Co.

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 responded to well proposals but have not yet executed an operating agreement.

(b) A plat outlining the spacing units being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the following acreage in Township 19 South, Range 25 East, N.M.P.M.

(i) The NW/4SW/4 of Section 1 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the Montana 1 Fee Well No. 1, to be drilled at an orthodox location; and

(ii) The SW/4SW/4 of Section 1 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent. The unit will be dedicated to the Montana 1 Fee Well No. 3, to be drilled at an orthodox location.

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

Mineral ownership in the well units is common as to the depths being pooled.,

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

COG Operating, LLC Suite 100 550 West Texas Midland, Texas 79701	3.00000000%
Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88201	14.60416688%
Abo Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88201	0.64583340%
Myco Industries, Inc. P.O. Box 840 Artesia, New Mexico 88211	0.64583340%
OXY Y-1 Company Suite 110 5 Greenway Plaza Houston, Texas 77046	0.16666670%

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibits B-1 and B-2. In addition, we have called and e-mailed the parties being pooled.

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

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

(g) Copies of the Authority for Expenditure for the proposed wells are attached hereto as Exhibits C-1 and C-2. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(h) Overhead charges of \$4500.00/month for a drilling well, and \$450.00/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. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

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

(g) Copies of the Authority for Expenditure for the proposed wells are attached hereto as Exhibits C-1, C-2, C-3, and C-4. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

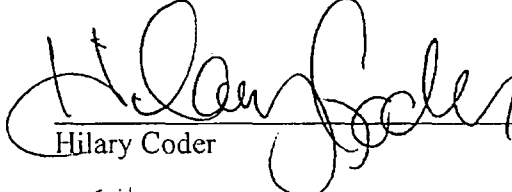
(h) Overhead charges of \$4,500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

(i) Applicant requests that it be designated operator of the wells.

VERIFICATION

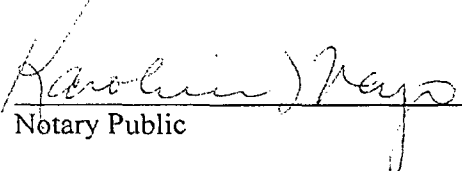
STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

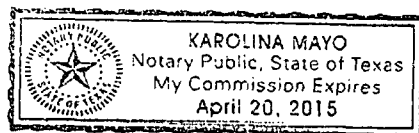
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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

  
Hilary Coder

SUBSCRIBED AND SWORN TO before me this 8<sup>th</sup> day of May, 2012 by Hilary Coder.

My Commission Expires: 4/20/15

  
Notary Public





Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 20, 2012

**Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7815**

Yates Petroleum Corporation  
Abo Petroleum Corporation  
MYCO Industries, Inc.  
Attn: Chuck Moran  
105 S 4<sup>th</sup> Street  
Artesia, New Mexico 88210

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No. 1 Well at legal location in the NW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 330' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such

EXHIBIT

B-1

New Well Proposal – Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

---

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.1 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**New Well Proposal – Montana 1 Fee No.1**  
**Township 19 South, Range 25 East, N.M.P.M.**  
**Section 1: NW/4SW/4**  
**Eddy County, New Mexico**

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If your election above is TO participate in the proposed Montana 1 Fee No.1 Well, then:

\_\_\_\_\_ Elects **TO** be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

Company: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No. 1 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana Fee No.1 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

If your election above is TO participate in the proposed Montana 1 Fee No.1 Well, then:

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Company: \_\_\_\_\_



New Well Proposal – Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No. 1 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed Montana 1 Fee No.1 Well

\_\_\_\_\_ Elects **NOT** to participate in the proposed Montana Fee No.1 Well

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

If your election above is TO participate in the proposed Montana 1 Fee No.1 Well, then:

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Company: \_\_\_\_\_

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



March 20, 2012

**Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7914**

Oxy Y-1 Company  
Attn: Katie A. Almeida, Land Negotiator  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046-0521

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No. 1 Well at legal location in the NW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 330' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will

New Well Proposal – Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

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Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

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Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**New Well Proposal – Montana 1 Fee No.1**  
**Township 19 South, Range 25 East, N.M.P.M.**  
**Section 1: NW/4SW/4**  
**Eddy County, New Mexico**

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Company: \_\_\_\_\_

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



March 20, 2012

**Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7891**

COG Operating LLC  
Attn: Stuart Dirks  
550 West Texas Avenue, Suite 100  
Midland, Texas 79701

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

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New Well Proposal – Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
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Respectfully Submitted,

Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

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Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: NW/4SW/4  
Eddy County, New Mexico

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Company: \_\_\_\_\_

Confirmation Services	Package ID: 91710621333938038	10
	Destination ZIP Code: 77046	
	Customer Reference:	
	Recipient: _____	PBP Account #: 35644897
	Address: _____	Serial #: 3132785
		JUL 21 2011 1:20P



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0387 5290**

Oxy Y-1 Company  
Attn: Katie A. Almeida, Land Negotiator  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046-0521

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.1 Well at legal location in the NW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 990' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.



New Well Proposal-Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

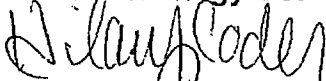
In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**



Hilary R. Coder  
Contract Landman

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**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.1 Well**

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Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

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New Well Proposal-Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

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Cimarex Enr

600 N. Marie

Suite 600

Midland, Tex.

PHONE 432.

Confirmation Services	Package ID: 91 71082133393303875306	PROBP ENVPKG
	Destination ZIP Code: 88210	
	Customer Reference:	PBP Account #: 35644897
	Recipient: _____	Serial #: 3132785
	Address: _____	JUL 21 2011 1:20P

July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0387 5306**

Abo Petroleum Corporation  
Attn: Land Manager  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.1 Well at legal location in the NW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

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Section 1: Lot 1, W/2SW/4  
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Contract Landman

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Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

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Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
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\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations **or** be deemed to have elected to be covered by well control insurance procured by Cimarex

Cima:  
600 N  
Suite:  
Midla  
PHON

Confirmation Services	Package ID: 81710821323393803675313	PROCP ENVPKG
	Destination ZIP Code: 88210	
	Customer Reference:	
	Recipient: _____	PBP Account #: 35644897
	Address: _____	Serial #: 3132785
	_____	JUL 21 2011 1:20P



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0387 5313**

Myco Industries, Inc  
Attn: Land Manager  
423 W. Main Street  
Artesia, NM 88210

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

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Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

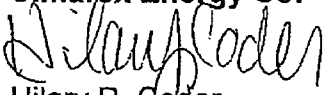
In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**



Hilary R. Ooder  
Contract Landman

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**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.1 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal-Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.1 Well, then:

\_\_\_\_\_ Elects TO be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex



Confirmation Services	Package ID: 9171082133393803875283	PROSP ENVPKG
	Destination ZIP Code: 88210	
	Customer Reference:	PBP Account #: 35644897
	Recipient: _____	Serial #: 3132785
	Address: _____	JUL 21 2011 1:20P

July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0387 5283**

Yates Petroleum Corporation  
Attn: Land Manager  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: New Well Proposal - Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.1 Well at legal location in the NW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 990' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

New Well Proposal-Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**

  
Hilary R. Coder  
Contract Landman

---

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.1 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.1 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal-Montana 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.1 Well, then:

\_\_\_\_\_ Elects TO be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

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



March 20, 2012

**Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7815**

Yates Petroleum Corporation  
Abo Petroleum Corporation  
MYCO Industries, Inc.  
Attn: Chuck Moran  
105 S 4<sup>th</sup> Street  
Artesia, New Mexico 88210

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No. 3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 330' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such

EXHIBIT **B-2**

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**



Hilary R. Coder  
Contract Landman

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**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects TO participate in the proposed **Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects NOT to participate in the proposed **Montana 1 Fee No.3 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects TO be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex  
and agrees to provide Cimarex with a certificate of insurance prior to  
commencement of drilling operations or be deemed to have elected to be  
covered by well control insurance procured by Cimarex

Company: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No. 3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed Montana 1 Fee No.3 Well

\_\_\_\_\_ Elects **NOT** to participate in the proposed Montana Fee No.3 Well

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects **TO** be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects **NOT** to be covered by well control insurance procured by Cimarex  
and agrees to provide Cimarex with a certificate of insurance prior to  
commencement of drilling operations or be deemed to have elected to be  
covered by well control insurance procured by Cimarex

Company: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No. 3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana Fee No.3 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects **TO** be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

Company: \_\_\_\_\_



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



March 20, 2012

**Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7914**

Oxy Y-1 Company  
Attn: Katie A. Almeida, Land Negotiator  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046-0521

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No. 3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 330' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**



Hilary R. Coder  
Contract Landman

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**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.3 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects TO be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex  
and agrees to provide Cimarex with a certificate of insurance prior to  
commencement of drilling operations or be deemed to have elected to be  
covered by well control insurance procured by Cimarex

Company: \_\_\_\_\_

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



March 20, 2012

**Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7891**

COG Operating LLC  
Attn: Stuart Dirks  
550 West Texas Avenue, Suite 100  
Midland, Texas 79701

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No. 3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 330' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Penasco Draw San Andres-Yeso Associated Pool. The formations to be completed will be determined by operator after logs and reports are received and reviewed at casing point.

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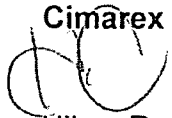
New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**



Hilary R. Coder  
Contract Landman

---

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects TO participate in the proposed Montana 1 Fee No.3 Well

\_\_\_\_\_ Elects NOT to participate in the proposed Montana 1 Fee No.3 Well

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal – Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: SW/4SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects **TO** be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

Company: \_\_\_\_\_

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



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0387 5344**

Concho Resources, Inc.  
Attn: Land Manager  
550 West Texas Avenue, Suite 100  
Midland, Texas 79701

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 990' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

  
Hilary R. Coder  
Contract Landman

---

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.3 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_



New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects TO be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

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



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 4680 5283**

Yates Petroleum Corporation  
Attn: Land Manager  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 990' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
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- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

  
Hilary R. Coder  
Contract Landman

---

**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed Montana 1 Fee No.3 Well

\_\_\_\_\_ Elects **NOT** to participate in the proposed Montana 1 Fee No.3 Well

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects TO be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects NOT to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

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



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 4680 5306**

Abo Petroleum Corporation  
Attn: Land Manager  
105 S. 4<sup>th</sup> Street  
Artesia, NM 88210

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 990' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.**

  
Hilary R. Coder  
Contract Landman

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**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.3 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Montana 1 Fee No.3 Well, then:

\_\_\_\_\_ Elects **TO** be covered by well control insurance procured by Cimarex

\_\_\_\_\_ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

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



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 4680 5290**

Oxy Y-1 Company  
Attn: Katie A. Almeida, Land Negotiator  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046-0521

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Montana 1 Fee No.3 Well at legal location in the SW/4SW/4 of Section 1, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 990' FWL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.



New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Montana wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

  
Hilary R. Coder  
Contract Landman

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**ELECTION TO PARTICIPATE**  
**Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **TO** participate in the proposed **Montana 1 Fee No.3 Well**

\_\_\_\_\_ Elects **NOT** to participate in the proposed **Montana 1 Fee No.3 Well**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
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Eddy County, New Mexico

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



July 20, 2011

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 4680 5313**

Myco Industries, Inc  
Attn: Land Manager  
423 W. Main Street  
Artesia, NM 88210

Re: New Well Proposal - Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

Dear Leasehold Owner:

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Enclosed, in duplicate, is (i) our detailed AFE which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Montana wells. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

New Well Proposal-Montana 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: Lot 1, W/2SW/4  
Eddy County, New Mexico

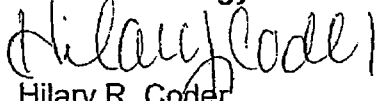
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Hilary R. Coder  
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Company: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

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Section 1: Lot 1, W/2SW/4  
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## Authorization For Expenditure

Company Entity: **Cimarex Energy Co.** Date Prepared: **February 8, 2012**

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Montana 1 Fee	1	Paddock Extension West (EDDY)		

Location	County	State	Type Well
	Eddy	NM	Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Expl <input checked="" type="checkbox"/> Prod <input checked="" type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl Measured Depth
Original Estimate <input checked="" type="radio"/>			Penasco Draw San	3,000'
Revised Estimate <input type="radio"/>			Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate <input type="radio"/>			Associated Pool	3,000'

**Project Description:**  
Drill and complete a 3000' Blinebry/Paddock vertical well

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,646,000	\$1,646,000
<b>Total Intangible Costs</b>	<b>\$427,000</b>	<b>\$1,646,000</b>	<b>\$2,073,000</b>

Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
<b>Total Tangible Well Cost</b>	<b>\$31,000</b>	<b>\$224,000</b>	<b>\$255,000</b>

Plug and Abandon Cost			
	\$30,000	\$30,000	\$0

Total Well Cost			
	\$488,000	\$1,840,000	\$2,328,000

**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.

**Marketing Election**  
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

☐ I elect to take my gas in kind.

☐ I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

**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
Steve Heitzman	Doug Park	Roger Alexander

## Joint Interest Approval

Company:	By:	Date:

EXHIBIT C-1

5/7/2012 5:09 PM



## Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared February 8, 2012
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Montana 1 Fee	3	Paddock Extension West (EDDY)		

Location	County	State	Type Well
	Eddy	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	Ttl Measured Depth
Original Estimate <input checked="" type="radio"/>			Penasco Draw San	3,000'
Revised Estimate <input type="radio"/>			Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate <input type="radio"/>			Associated Pool	3,000'

**Project Description**  
Drill and complete a 3000' Blinbry/Paddock vertical well. Install tank battery.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,847,000	\$1,847,000
<b>Total Intangible Costs</b>	<b>\$427,000</b>	<b>\$1,847,000</b>	<b>\$2,274,000</b>

Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$463,800	\$463,800
<b>Total Tangible Well Cost</b>	<b>\$31,000</b>	<b>\$667,800</b>	<b>\$698,800</b>

Plug and Abandon Cost	\$30,000	\$30,000	\$0
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<b>Total Well Cost</b>	<b>\$488,000</b>	<b>\$2,484,800</b>	<b>\$2,972,800</b>
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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.

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**Comments on AFE**

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**Cimarex Energy Co. Approval**

Prepared by	Drilling and Completion Manager	Regional Manager
Steve Heitzman	Doug Park	Roger Alexander

**Joint Interest Approval**

Company	By	Date
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EXHIBIT C-2

5/7/2012 5:09 PM