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

### IN THE MATTER OF THE HEARINGS CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF CIMAREX ENERGY CO. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 14,842

# APPLICATION OF CIMAREX ENERGY CO. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 14,843

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

(a) No opposition to the applications 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 the following:

<u>Case No. 14842</u>: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the SW/4NE/4 of Section 6, Township 19 South, Range 26 East, NMPM, 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 Alabama 6 Fee Well No. 1, to be drilled at an orthodox location.

<u>Case No. 14843</u>: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the SE/4NE/4 of Section 6, Township 19 South, Range 26 East, NMPM, to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on

Oil Conservation Division	
Case No.	
Exhibit No.	

40-acre spacing within that vertical extent. The unit will be dedicated to the Alabama 6 Fee Well No. 4, to be drilled at an orthodox location.

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

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

<u>Case No. 14842</u> :	
Gustav Johnson address unknown	0%
Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88201	55%
<u>Case No. 14843</u> :	
Gustav Johnson address unknown	12.500%
Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88201	48.125%

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

(e) As to the unlocatable owner, we have examined the Eddy County records telephone records in the county of his last known address, and have conducted an internet search.

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

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

(h) Copies of the Authority for Expenditure for the proposed wells are attached hereto as Exhibit C. 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.

(i) 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.

(j) Applicant requests that Cimarex Energy Co. of Colorado 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  $M^{M}$  day of June, 2012 by Hilary Coder.

My Commission Expires: 5/31/2014

attive

Notary Public

CAITLIN E. PIERCE Notary Public, State of Texas **Commission Expires** May 31, 2016

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EXHIBIT A

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 19, 2012

## Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7228

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

Re: <u>New Well Proposal - Alabama 6 Fee No.1</u> Township 19 South, Range 26 East, N.M.P.M. Section 6: SW/4NE/4 Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Alabama 6 Fee No. 1 Well at legal location in the SW/4NE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 1650' FSL & 1650' FEL. 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 Alabama 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

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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. Failure to participate in the proposed well will results in Yates Petroleum Corporation and/or MYCO Industries, Inc. being a non-consenting working interest owner in the Well under the Compulsory Pooling Order No. R-13490.

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Please call the undersigned with any questions or comments.

Respectfully Submitted,

**Cimarex Energy Co.** 

Hilary R. Coder Contract Landman

### ELECTION TO PARTICIPATE Alabama 6 Fee No.1 Well

Elects <u>TO</u> participate in the proposed Alabama 6 Fee No.1 Well

Elects NOT to participate in the proposed Alabama 6 Fee No.1 Well

Dated thi	s day o	f, 2012
Dateu un	5 <u> </u>	, 2012

Com	bany	<b>v</b> :				

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

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

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

If your election above is TO participate in the proposed Alabama 6 Fee No.1 Well, then:

\_\_\_\_\_ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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: \_\_\_\_\_

Page 3

## ELECTION TO PARTICIPATE Alabama 6 Fee No. 1 Well

\_\_\_\_\_ Elects <u>TO</u> participate in the proposed Alabama 6 Fee No.1 Well

\_\_\_\_\_ Elects <u>NOT</u> to participate in the proposed Alabama 6 Fee No.1 Well

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

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

Signature:

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

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

If your election above is TO participate in the proposed Alabama 6 Fee No.1 Well, then:

Elects TO be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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

## ELECTION TO PARTICIPATE Alabama 6 Fee No. 1 Well

\_\_\_\_\_ Elects <u>TO</u> participate in the proposed Alabama 6 Fee No.1 Well

Elects NOT to participate in the proposed Alabama 6 Fee No.1 Well

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

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

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

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

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

If your election above is TO participate in the proposed Alabama 6 Fee No.1 Well, then:

\_\_\_\_\_ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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



March 19, 2012

#### Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3938 9332 7228

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

Re: <u>New Well Proposal - Alabama 6 Fee No.4</u> Township 19 South, Range 26 East, N.M.P.M. Section 6: SE/4NE/4 Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Alabama 6 Fee No. 4 Well at legal location in the SE/4NE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 990' FEL. 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 Alabama 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. Failure to participate in the proposed well will results in Yates Petroleum Corporation and/or Abo Petroleum Corporation and/or MYCO Industries, Inc. being a non-consenting working interest owner in the Well under the Compulsory Pooling Order No. R-13490.

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

Hilary R. Coder Contract Landman

# ELECTION TO PARTICIPATE Alabama 6 Fee No.4 Well

Elects TO participate in the proposed Alabama 6 Fee No.4 Well

Elects NOT to participate in the proposed Alabama 6 Fee No.4 Well

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

Company:

Signature:

Printed Name:

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

If your election above is TO participate in the proposed Alabama 6 Fee No.4 Well, then:

\_\_\_\_\_ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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

# ELECTION TO PARTICIPATE Alabama 6 Fee No. 4 Well

\_\_\_\_\_ Elects <u>TO</u> participate in the proposed Alabama 6 Fee No.4 Well

Elects NOT to participate in the proposed Alabama 6 Fee No.4 Well

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

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

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

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

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

If your election above is TO participate in the proposed Alabama 6 Fee No.4 Well, then:

\_\_\_\_\_ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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

## ELECTION TO PARTICIPATE Alabama 6 Fee No. 4 Well

Elects TO participate in the proposed Alabama 6 Fee No.4 Well

\_\_\_\_\_ Elects <u>NOT</u> to participate in the proposed Alabama 6 Fee No.4 Well

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

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

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

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

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

If your election above is TO participate in the proposed Alabama 6 Fee No.4 Well, then:

\_\_\_\_\_ Elects <u>TO</u> be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> 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: \_\_\_\_\_

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Authorization For Expenditure

Region Permian Location					Date Prepared Februa	y 8, 2012
Location	Alabama 6 Fee	Well No.	Prospect or Field Name	Property Number	Drilling	AFE No.
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Completion Costs Total Intangible Costs			\$427,000	\$1,646,000 \$1,646,000	the second as the second of the second	\$1,646,000 <b>\$2,073,000</b>
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Total Well Cost			\$488,000	\$1,840,000	)	\$2,328,000
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Unless otherwise indic: so long as Operator cor- insurance, you must pr later than commencer insurance procured by later to purchase my Well control insurance related redrilling and cl Marketing Election wolumes delivered over request to Cimarex's M l elect to take my gas l elect to take my gas l elect to market my gas commonits on AFEE The above costs are es without affecting the a actual legal, curative, m	ated below, you, as a non- nducts operations hereund ovide a certificate of such i nent of drilling operations. Operator. r own well control insurance policy procured by Operator, pro- lean-up/pollution expense i net arm's-length contracts r time. Should you choose t darketing Department, we i  in kind. pas with Cimarex pursuant to the t timates only and anticipate puthorization for expenditure	perating wo er and to painsurance acc You agree the vides, among covering dril with third p o market yoo will share wi erms and condi- erms and condi- trouble free e herein gra der term of	y your prorated share of the p eptable to Operator, as to fo hat failure to provide the certi- g other terms, for \$20,000,000 (ing (through completion) with arty purchasers. Such contract us share of gas with Cimarex, 1 th you the terms and condition to operations without any fore- nted. By approval of this AFE the joint operating agreemen Cimarex Energy Co. A 3 Completion Manufacts	premiums therefore. If you e rm and limits, at the time the flicate of insurance, as provid 0 (100% W.I.) of Combined S h a \$1,000,000 (100% W.I.) d ts may include fees. In addit you will be subject to all of the ons pursuant to which gas will seeable change in plans. The t, the working interest owned t, regulatory order or other in pproval	elect to purchase your of is AFE is returned, if avi- led herein, will result in eductible. ion, penalties may be in the terms of such contra Il be sold. is actual costs may excer ragrees to pay its prop applicable agreement of Abhalgoric is a such as a su	wn well control ilable, but in no event your being covered b well control and neurred for insufficient cts. Upon written ed the estimated cost ortionate share of
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EXHIBIT



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Authorization For Expenditure

Company Entity Cimarex Energy	Co.				0		ary 8, 2012
Region	Well Name	Well No.	Prospect or Field N	ame in Prop	erty Number	Drillin	ng AFE No.
Permian	Alabama 6 Fee	4	Paddock Extension Wes	t (EDDY)			
Location			County		State	vTv	pe Well
		ry a S & Danner († 1995, and 1977 and 1977	Eddy		NM	Dil <b>x</b> Sas	Expl X Prod
Estimate Type			st Start Date	Ent Com	Data	Formation	Ttl Measured Depth
Original Estimat	e Q		Statel Date services	- California Con Count	Cate St. State	Penasco Draw San	
Revised Estimat Supplemental E		-				Andres-Yeso Associated Pool	3,000'
					<u>.</u>	ASSOCIATED FOUL	
	Ion						
. Unit and comple	ete a 3000' Blinebry/Paddock vert	ical well					
1							
L	name and a subject of the second state of the	· •		1000 C			t t # th by any meter of a special and the second
Intangibles			Dry Hole Cost		After Casing Poi	int i Co	mpleted Well Cost
Drilling Costs	**		\$427,000		\$1,646,000		\$427,000 \$1,546,000
Total Intangible	and the second		\$427,000		\$1,646,000		\$2,073,000
Tangibles			And 199				6325.020
Well Equipment			\$31,000	uran.	\$204,000	·····	\$235,000 \$26,000
Total Tangible V	distant and and a superior of a state of a s		\$31,000	420002	\$224,000		\$255,000
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Plug and Aband	on Cost	······································	\$30,000	}}	-\$30,000		\$0
Total Well Cost	ar i a d'hannan gel, e ge i man a manter y sta a baan is martir teg s seguina , and i bi fa passan		\$488,000	-	\$1,840,000		\$2,328,000
Unless otherwis so long as Opera insurance, you n later than comm insurance procu	Urance active second se	operating wor der and to pay insurance acc You agree th y.	rking interest owner, agre r your prorated share of ti eptable to Operator, as to at failure to provide the c	e to be covered b he premiums ther o form and limits, ertificate of insur	by Operator's we refore. If you ele at the time this ance, as provide	Il control insurance ct to purchase your AFE is returned, if a d herein, will result	procured by Operator own well control vailable, but in no event in your being covered by
	g and clean-up/pollution expense						
Cimarex sells its volumes deliver	ion gas under arm's-length contract: ed over time. Should you choose rex's Marketing Department, we e my gas in kind.	to market yo	u share of gas with Cimare	ex, you will be sub	pject to all of the	terms of such contr	
_	rket my gas with Clmarex pursuant to the	terms and condit	ions of its contracts.				
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without affectin	FE are estimates only and anticipate of the authorization for expenditu ative, regulatory and well costs u	e trouble free ire herein grai	nted. By approval of this	oreseeable chang AFE, the working	e in plans. The a interest owner a	actual costs may exc grees to pay its pro	portionate share of
[	an a	<u> </u>					: 
			Cimarex Energy Co				a Reason in the second second
Prepared by 🤃			Completion Manager		Regional Ma		
Steve Heitzman		Doug Park			10.000		
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L			ada, a a bini <u>a ana a</u> na ka ang kitop panang kanang ang kapana		Koger Alexa	nder	
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Company		By	the school of the state of the second state of the state	The recommendation of a second second			

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