

**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:

Case No. 14842: 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.

Case No. 14843: 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. 1

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:

Case No. 14842:

Gustav Johnson	0%
address unknown	

Yates Petroleum Corporation	55%
Abo Petroleum Corporation	
Myco Industries, Inc.	
105 South Fourth Street	
Artesia, New Mexico 88201	

Case No. 14843:

Gustav Johnson	12.500%
address unknown	

Yates Petroleum Corporation	48.125%
Abo Petroleum Corporation	
Myco Industries, Inc.	
105 South Fourth Street	
Artesia, New Mexico 88201	

(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.

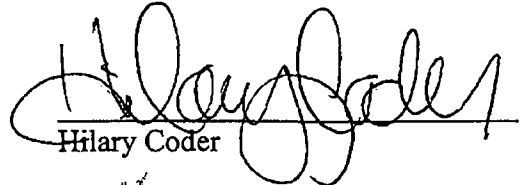
(i) Overhead charges of \$4500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the 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)

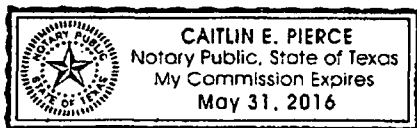
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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


Hilary Coder

SUBSCRIBED AND SWORN TO before me this 22nd day of June, 2012 by Hilary Coder.

My Commission Expires: 5/31/2016


Notary Public



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 4th Street
Artesia, New Mexico 88210

Re: New Well Proposal - Alabama 6 Fee No.1
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

EXHIBIT

A handwritten number "2" in black ink, written in a cursive style, positioned to the right of the word "EXHIBIT".

New Well Proposal – Alabama 6 Fee No.1
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SW/4NE/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. Failure to participate in the proposed well will result 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.1 Well

_____ Elects **TO** 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: _____

New Well Proposal – Alabama 6 Fee No.1
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SW/4NE/4
Eddy County, New Mexico

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 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 – Alabama 6 Fee No.1
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SW/4NE/4
Eddy County, New Mexico

ELECTION TO PARTICIPATE
Alabama 6 Fee No. 1 Well

_____ Elects **TO** 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 **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 – Alabama 6 Fee No.1
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SW/4NE/4
Eddy County, New Mexico

ELECTION TO PARTICIPATE
Alabama 6 Fee No. 1 Well

_____ Elects **TO** 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 **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 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 4th Street
Artesia, New Mexico 88210

Re: New Well Proposal - Alabama 6 Fee No.4
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

New Well Proposal – Alabama 6 Fee No.4
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SE/4NE/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. Failure to participate in the proposed well will result 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: _____

New Well Proposal – Alabama 6 Fee No.4
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SE/4NE/4
Eddy County, New Mexico

If your election above is TO participate in the proposed Alabama 6 Fee No.4 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 – Alabama 6 Fee No.4
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SE/4NE/4
Eddy County, New Mexico

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 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 – Alabama 6 Fee No.4
Township 19 South, Range 25 East, N.M.P.M.
Section 6: SE/4NE/4
Eddy County, New Mexico

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 **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: _____



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	Alabama 6 Fee	1	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

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

Tangibles			
Well Equipment	\$31,000	\$304,000	\$335,000
Lease Equipment		\$20,000	\$20,000
Total Tangible Well Cost	\$31,000	\$224,000	\$255,000

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$488,000	\$1,840,000	\$2,328,000
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

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

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

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 you 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



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared February 8, 2012
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Region Permian	Well Name Alabama 6 Fee	Well No. 4	Prospect or Field Name Paddock Extension West (EDDY)	Property Number	Drilling AFE No.
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Location	County Eddy	State NM	Type Well Oil <input checked="" type="checkbox"/> <input type="checkbox"/> Gas <input type="checkbox"/> <input type="checkbox"/> Expl <input checked="" type="checkbox"/> <input type="checkbox"/> Prod <input type="checkbox"/> <input type="checkbox"/>
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Estimate Type: Original Estimate <input type="radio"/> Revised Estimate <input type="radio"/> Supplemental Estimate <input type="radio"/>	Est. Start Date	Est. Comp Date	Formation Penasco Draw San Andres-Yeso Associated Pool	Ttl Measured Depth 3,000' Ttl Vertical Depth 3,000'
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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
Total Intangible Costs	\$427,000	\$1,646,000	\$2,073,000

Tangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
Total Tangible Well Cost	\$31,000	\$224,000	\$255,000

Plug and Abandon Cost	Dry Hole Cost	After Casing Point	Completed Well Cost
	\$30,000	-\$30,000	\$0

Total Well Cost	Dry Hole Cost	After Casing Point	Completed 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
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☐ I elect to purchase my own well control insurance policy.

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

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 you 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 Steve Heitzman	Drilling and Completion Manager Doug Park	Regional Manager Roger Alexander
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Joint Interest Approval

Company	By	Date