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Share Draw

Jest - John asco Draw

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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. 14,844

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

Case No. 14,845

VERIFIED STATEMENT OF HILARY CODER

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

- I am a landman for Cimarex Energy Co., and have personal knowledge of the 1. matters stated herein.
- Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the applications filed herein:
 - 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: - 330 FNL& 1650 FEL

Case No. 14844: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NW/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 Illinois 6 Fee Well No. 1, to be drilled at an orthodox location.

Case No. 14845: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NE/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.

30-019 40226

330 FNL8EL

40-acre spacing within that vertical extent. The unit will be dedicated to the Illinois 6-Fee Well No. 2, 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. 14844:

Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88201 18.3505937%

Rodney Clifford address unknown

Stuart Wesley Perry address unknown

Mary Clifford address unknown

Case No. 14845

A.G. Aaneson address unknown

12.7097102%

Hayward Olsen address unknown

12.7097102%

Yates Petroleum Corporation Abo Petroleum Corporation Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88201 12.4300968%

Rodney Clifford address unknown

Stuart Wesley Perry address unknown

Mary Clifford address unknown

Rodney Clifford, Stuart Wesley Perry, and Mary Clifford are being pooled because there are no probates of their estates and, although Cimarex Energy Co. believes it has leased all of their heirs, there is nothing of record which confirms that belief.

- (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 owners, 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)

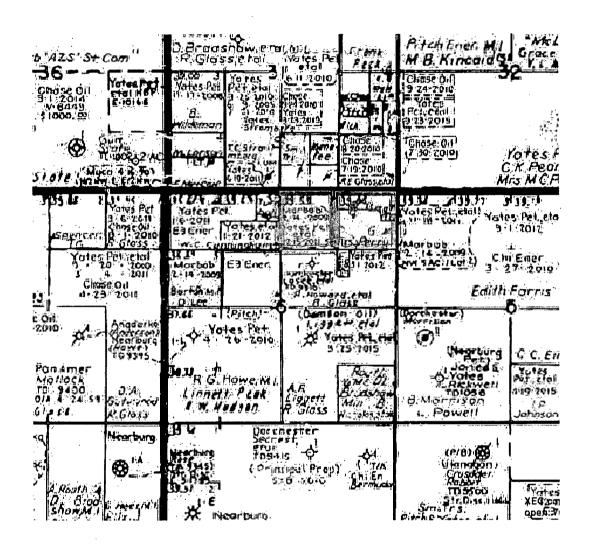
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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

Hilary Coder

SUBSCRIBED A	ND SWORN TO before me th	is 35 th day of June, 2012 by Hilary
	5/21/1011	Caitlial Pieres
My Commission Expires	: <u> </u>	Notary Public

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

Illinois - Section 6, T19S-R26E





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 7976

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

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

Township 19 South, Range 26 East, N.M.P.M.

Section 6: NW/4NE/4 Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Illinois 6 Fee No. 1 Well at legal location in the NW/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 330' FNL & 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 Illinois 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 - Illinois 6 Fee No.1 Township 19 South, Range 25 East, N.M.P.M. Section 6: NW/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 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** Illinois 6 Fee No.1 Well Elects TO participate in the proposed Illinois 6 Fee No.1 Well Elects NOT to participate in the proposed Illinois 6 Fee No.1 Well Dated this _____ day of ______ , 2012. Company: Signature:

Printed Name:

Section 6: NW/4NE/4
Eddy County, New Mexico

If your election above is TO participate in the proposed Illinois 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 – Illinois 6 Fee No.1

Township 19 South, Range 25 East, N.M.P.M.

New Well Proposal – Illinois 6 Fee No.1

Township 19 South, Range 25 East, N.M.P.M.

Section 6: NW/4NE/4

Eddy County, New Mexico

ELECTION TO PARTICIPATE Illinois 6 Fee No.1 Well

Elects <u>TO</u> participate in the proposed Illinois 6 Fee No.1 Well
Elects NOT to participate in the proposed Illinois 6 Fee No.1 Well
Dated this day of , 2012.
Company:
Signature:
Printed Name:
If your election above is TO participate in the proposed Illinois 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 – Illinois 6 Fee No.1

Township 19 South, Range 25 East, N.M.P.M.

Section 6: NW/4NE/4

Eddy County, New Mexico

ELECTION TO PARTICIPATE Illinois 6 Fee No.1 Well

Elects <u>TO</u> participate in the proposed Illinois 6 Fee No.1 Well
Elects <u>NOT</u> to participate in the proposed Illinois 6 Fee No.1 Well
Dated this day of , 2012.
Company:
Signature:
Printed Name:
If your election above is TO participate in the proposed Illinois 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
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 7976

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

Re: New Well Proposal - Illinois 6 Fee No.2

Township 19 South, Range 26 East, N.M.P.M.

Section 6: NE/4NE/4 Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Illinois 6 Fee No. 2 Well at legal location in the NE/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 330' FNL & 330' 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 Illinois 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 – Illinois 6 Fee No.2

Township 19 South, Range 25 East, N.M.P.M.

Section 6: NE/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 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 Illinois 6 Fee No.2 Well

Elects <u>TO</u> participate in the proposed Illinois 6 Fee No.2 Well
Elects NOT to participate in the proposed Illinois 6 Fee No.2 Well
Dated this day of , 2012.
Company:
Signature:
Printed Name:

New Well Proposal – Illinois 6 Fee No.2

Township 19 South, Range 25 East, N.M.P.M.

Section 6: NE/4NE/4

Eddy County, New Mexico

If your election above is TO participate in the proposed Illinois 6 Fee No.2 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 – Illinois 6 Fee No.2

Township 19 South, Range 25 East, N.M.P.M.

Section 6: NE/4NE/4

Eddy County, New Mexico

ELECTION TO PARTICIPATE Illinois 6 Fee No.2 Well

Elects TO participate in the proposed Illinois 6 Fee No.2 Well
Elects NOT to participate in the proposed Illinois 6 Fee No.2 Well
Dated this day of , 2012.
Company:
Signature:
Printed Name:
f your election above is TO participate in the proposed Illinois 6 Fee No.2 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 – Illinois 6 Fee No.2

Township 19 South, Range 25 East, N.M.P.M.

Section 6: NE/4NE/4

Eddy County, New Mexico

ELECTION TO PARTICIPATE Illinois 6 Fee No.2 Well

Elects TO participate in the proposed Illinois 6 Fee No.2 Well	
Elects NOT to participate in the proposed Illinois 6 Fee No.2 Well	
Dated this day of , 2012.	
Company:	
Signature:	
Printed Name:	
If your election above is TO participate in the proposed Illinois 6 Fee No.2 Wel	l, then:
Elects TO be covered by well control insurance procured by Cim	arex
Elects NOT to be covered by well control insurance procured by and agrees to provide Cimarex with a certificate of insurance commencement of drilling operations or be deemed to have elect covered by well control insurance procured by Cimarex	prior to
Company:	



Company Entity Date Prepared February 8, 2012 Cimarex Energy Co. Region 2 B Well Name Well No. Prospect or Field Name Property Number 1 2 2 Drilling AFE No. 12 Illinois 6 Fee Paddock Extension West (EDDY) Permian Location County State Type Well Oil Expl Eddy Estimate Type 🔭 💮 Formation ... 18-Til Measured Depth: Penasco Draw San 3,000 Original Estimate 0 Ttl.Vertical Depth. Andres-Yeso Revised Estimate O Associated Pool 3,000 Supplemental Estimate Project Description Drill and complete a 3000' Blinebry/Paddock vertical well **Dry Hole Cost** After Casing Point Completed Well Cost Intangibles Drilling Costs \$427,000 \$427,000 Completion Costs \$1,646,000 \$1,646,000 \$427,000 \$2,073,000 **Total Intangible Costs** \$1,646,000 Tangibles \$31,000 \$235,000 Well Equipment \$204,000 11/1/1/1/ \$20,000 \$20,000 Lease Equipment **Total Tangible Well Cost** \$31,000 \$224,000 \$255,000 Plug and Abandon Cost -\$30,000 \$0 \$30,000 **Total Well Cost** \$1,840,000 \$2,328,000 \$488,000 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. Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.l.) 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 Regional Manager Drilling and Completion Manager Steve Heitzman Doug Park Roger Alexander Joint Interest Approval

Date ...





Authorization For Expenditure

onipany Entity imarex Energy Co.				Date Prep		ry 8, 2012	
Region Well Name	No.5 Prospect or Field	Name: Property,	Number	bekana.	∠. Drilling	AFE(No.	
Permian Illinois 6 Fee 2	Paddock Extension We	est (EDDY)					
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	Eddy	NN	4	Oil Gas	×	Expl Prod	X
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Total Intangible Costs	\$427,000		1,646,000			\$2,073,000	
angibles							
Vell Equipment ease Equipment	\$31,000	Militaria.	\$204,000			\$235,000	
Total Tangible Well Cost	\$31,000	7820000	\$224,000		1	\$255,000	
Plug and Abandon Cost	\$30,000		-\$30,000]	\$0	
	\$488,000		\$1,840,000			\$2,328,00	0
Total Well Cost	H CONTROL OF THE CONT				A POST		
iotal Well Costs All tubulars, well or lease equipment is priced by COPAS							
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Well Control Insurance Jales otherwise indicated below, you, as a non-operating to long as Operator conducts operations hereunder and to insurance, you must provide a certificate of such insurance ater than commencement of drilling operations. You agree insurance procured by Operator.	s and CEPS guidelines using gworking interest owner, ago pay your prorated share of e acceptable to Operator, as ee that failure to provide the	the Historic Price Multip gree to be covered by Og the premiums therefor to form and limits, at the e certificate of insurance	perator's w e. If you el ne time this, as provid	rell control lect to pure s AFE is ret ed herein,	insurance p chase your o urned, if ava will result in	orocured by own well co ailable, but n your being	Operator ntrol in no event covered by
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Well Control insurance Unless otherwise indicated below, you, as a non-operating to long as Operator conducts operations hereunder and to insurance, you must provide a certificate of such insurance after than commencement of drilling operations. You agree insurance procured by Operator. I elect to purchase my own well control insurance policy. Well control insurance procured by Operator, provides, an related redrilling and clean-up/pollution expense covering. Marketing Election Cimarex sells its gas under arm's-length contracts with this polumes delivered over time. Should you choose to marke request to Cimarex's Marketing Department, we will share a letter to take my gas in kind. I elect to take my gas in kind. I elect to market my gas with Cimarex pursuant to the terms and commendation AFE Commendation AFE The above costs are estimates only and anticipate trouble without affecting the authorization for expenditure herein inctual legal, curative, regulatory and well costs under terms.	g working interest owner, ag o pay your prorated share of e acceptable to Operator, as ee that failure to provide the mong other terms, for \$20,00 e drilling (through completion of a tyou share of gas with Clime with you the terms and conditions of its contracts.	the Historic Price Multip gree to be covered by O; the premiums therefor to form and limits, at the ecertificate of insurance 00,000 (100% W.I.) of Cc n) with a \$1,000,000 (10 when the standard of the standard of the portracts may include fee arex, you will be subject and the standard of the standard of the y foreseeable change in is AFE, the working interement, regulatory order	perator's we. If you else time this, as provid www.l.) do www.l.) do www.l.) do www.l.) do plans. The gas will plans. The rest owner or other a	ell control lect to pure s AFE is ret ed herein, ngle Limit e eductible. on, penalti e terms of l be sold.	insurance p chase your of chase your of urned, if ave will result in coverage fo essenay be i such contra	orocured by own well control in your being or well control or	Operator nitrol in no event covered by ol and insufficient vritten
Well Control Insurance Unless otherwise indicated below, you, as a non-operating to long as Operator conducts operations hereunder and to insurance, you must provide a certificate of such insurance atter than commencement of drilling operations. You agree insurance procured by Operator. I elect to purchase my own well control insurance policy. Well control insurance procured by Operator, provides, an elated redrilling and clean-up/pollution expense covering. Cimarex sells its gas under arm's-length contracts with this pollumes delivered over time. Should you choose to marke request to Cimarex's Marketing Department, we will share the control insurance policy. I elect to take my gas in kind. I elect to market my gas with Omarex pursuant to the terms and control insurance are estimates only and anticipate trouble without affecting the authorization for expenditure herein incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative, regulatory and well costs under term incitual legal, curative	g working interest owner, ag o pay your prorated share of e acceptable to Operator, as ee that failure to provide the mong other terms, for \$20,00 e drilling (through completion of a tyou share of gas with Clime with you the terms and conditions of its contracts.	the Historic Price Multip gree to be covered by Og the premiums therefor to form and limits, at the exertificate of insurance 00,000 (100% W.I.) of Con mittacts may include fee arex, you will be subject nditions pursuant to wh	perator's we. If you elet time this, as provid when time this, as provid which gas will plans. The rest owner or or other a	ell control lect to pure s AFE is ret ed herein, ngle Limit e eductible. on, penalti e terms of l be sold.	insurance p chase your of chase your of urned, if ave will result in coverage fo essenay be i such contra	orocured by own well control in your being or well control or	Operator nitrol in no event covered by ol and insufficient vritten