

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

**Case No. 14,846**

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

**Case No. 14,847**

**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 or agreed to lease their interests.

(b) A plat outlining the spacing units being pooled is attached hereto as Exhibit A. Applicant seeks the following:

Case No. 14846: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the NE/4SE/4 of Section 1, Township 19 South, Range 25 East, NMPM, to form a standard 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 Nebraska 1 Fee Well No. 1, to be drilled at an orthodox location.

Case No. 14847: Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the SE/4SE/4 of Section 1, Township 19 South, Range 25 East, NMPM, to form a standard oil spacing and proration unit for any and all formations or pools developed on 40-

Oil Conservation Division  
Case No. 1  
Exhibit No. 1

acre spacing within that vertical extent. The unit will be dedicated to the Nebraska 1 Fee Well No. 3, 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:

Yates Petroleum Corporation Attn: Chuck Moran 104 S 4th Street Artesia, NM 88210	20.1339400%
Abo Petroleum Corporation Attn: Chuck Moran 104 S 4th Street Artesia, NM 88210	1.3423600%
Myco Industries, Inc. Attn: Chuck Moran 104 S 4th Street Artesia, NM 88210	1.3423600%
Oxy Y-1 Company Attn: Katie Almeida 5 Greenway Plaza, Suite 110 Houston, Texas 77046	0.7981200%
Edna Goodell 611 Quay Artesia, NM 88210	11.250000%
William Jackson 1613 Silver Saddle Dr. North Kerrville, TX 78028	0.2312000%
Cade Jackson 320 Mountain Springs Dr. Boerne, Texas 78006	0.2312000%
Ruth Dean Brillhart 1309 Ebony Alice, Texas 79332	0.4123000%

Chad Chapman 0.1124000%  
6625 Victoria Ave  
North Ranchland Hills, Texas 76180

ADDRESSES UNKNOWN

Thomas R. Fifer 0.2500000%

Carol Clark

George Slaughter Gatewood

Jack A. Hester and Mary L. Hester

Tom C. Hester and Vallie Hester

Betty Louise Cook Webb

Laura Hester Cook a/k/a Laura Estelle Hester Cook

Georgia Ann Hester

Homer M. Dean

Steve H. Dean

Mildred Gothard

C.C. Gothard

Margaret Henry Mulligan and Jim Mulligan

N.E. Henry

Gatewood Henry

Forrest Henry

W.H. Henry

Mildred Fifer Reed and L.J. Reed

John Fifer

Elizabeth Fifer Drake and Robert P. Drake

Willie Fifer Bertholf and Don Bertholf

William Hugh Nott

Mary Lee Nott Lockwood and A.S. Lockwood

Albert Hester

Hal Edward Hester and Alice Hester

Raymond Hester and Myrtle Hester

Harold Hester and Pauline Hester

Ann Hester

Edna Marie Hester Patterson

Thomas Ray Hester,

Albertine Hester

(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 or her 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

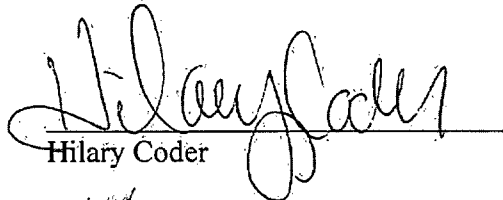
rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the COPAS accounting procedure.

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

VERIFICATION

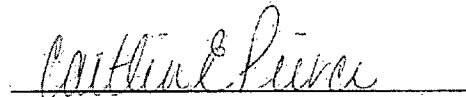
STATE OF TEXAS            )  
                                      ) ss:  
COUNTY OF MIDLAND    )

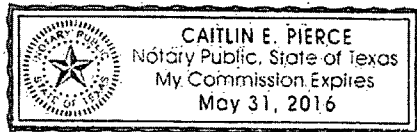
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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

  
Hilary Coder

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

My Commission Expires: 5/31/2016

  
Notary Public



<p>35</p> <p>Rio Pinarco</p> <p>Yates Pet. et al</p> <p>Morrow Disc</p> <p>at Mill</p> <p>E. Collins, et al</p> <p>E. Glass</p>	<p>36</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p>	<p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p>	<p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p> <p>Yates Pet. et al</p> <p>Chase Oil</p> <p>8-10-2012</p>
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A

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7446**

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

Re: New Well Proposal-Nebraska 1 Fee No. 1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No. 1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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.

EXHIBIT

**B**

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring a 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 the 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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



New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7446**

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

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring a 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 the 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7453**

MYCO Industries, Inc.  
Attn: Land Manager  
P.O. Box 840  
Artesia, New Mexico 88210

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring a 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 the 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7460**

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

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Leasehold Owner:

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

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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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring a 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:

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- ii.) Reservation of an ORRI equal to the 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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\_\_\_\_\_ 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7545**

Edna Goodell  
611 Quay  
Artesia, New Mexico 88210

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Mineral Owner:

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

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New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring an Oil and Gas Lease of your mineral 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.) 25% Royalty;
- 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Nebraska 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

Owner: \_\_\_\_\_

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7484**

William R. Jackson  
1613 Silver Saddle Dr. N.  
Kerrville, Texas 78028

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring an Oil and Gas Lease of your mineral 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.) 25% Royalty;
- 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed Nebraska 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

Owner: \_\_\_\_\_



Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7569**

Cade Jackson  
320 Mountain Spring Dr.  
Boerne, Texas 78006

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No. 1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring an Oil and Gas Lease of your mineral 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.) 25% Royalty;
- 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7491

Ruth Brillhart  
1309 Ebony  
Alice, Texas 78332

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring an Oil and Gas Lease of your mineral 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.) 25% Royalty;
- 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7590**

Chad Chipman  
6625 Victoria Ave.  
North Ranchland Hills, Texas 76180

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring an Oil and Gas Lease of your mineral 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.) 25% Royalty;
- 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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



New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7576

Thomas R. Fifer  
412 N. Penelope St.  
Belton, Texas 76513

Re: New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the NE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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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 Nebraska 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-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring an Oil and Gas Lease of your mineral 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.) 25% Royalty;
- 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**  
**Nebraska 1 Fee No.1 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.1  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7446**

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

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

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.3 Well at legal location in the SE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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.

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New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring a 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 the 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**  
**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7446

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

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

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.3 Well at legal location in the SE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/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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**ELECTION TO PARTICIPATE**  
**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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

**New Well Proposal-Nebraska 1 Fee No.3**  
**Township 19 South, Range 25 East, N.M.P.M.**  
**Section 1: E/2SE/4**  
**Eddy County, New Mexico**

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7453**

MYCO Industries, Inc.  
Attn: Land Manager  
P.O. Box 840  
Artesia, New Mexico 88210

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

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.3 Well at legal location in the SE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Nebraska wells, Cimarex will consider acquiring a 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 the 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**  
**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

If your election above is TO participate in the proposed **Nebraska 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

Owner: \_\_\_\_\_

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt # 91 7108 2133 3938 0388 7460**

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

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

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.3 Well at legal location in the SE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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 Nebraska 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-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/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

---

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

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

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

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

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

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

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

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

**New Well Proposal-Nebraska 1 Fee No.3**  
**Township 19 South, Range 25 East, N.M.P.M.**  
**Section 1: E/2SE/4**  
**Eddy County, New Mexico**

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

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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

Owner: \_\_\_\_\_



Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7545**

Edna Goodell  
611 Quay  
Artesia, New Mexico 88210

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

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the SE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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**New Well Proposal-Nebraska 1 Fee No.3**  
**Township 19 South, Range 25 East, N.M.P.M.**  
**Section 1: E/2SE/4**  
**Eddy County, New Mexico**

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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**  
**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7484**

William R. Jackson  
1613 Silver Saddle Dr. N  
Kerrville, Texas 78028

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

Dear Mineral Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Nebraska 1 Fee No.1 Well at legal location in the SE/4SE/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' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the San Andres-Glorieta-Yeso formations. The formations to be completed will be determined after logs and reports are received and reviewed.

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New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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Respectfully Submitted,

Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

---

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

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7569**

Cade Jackson  
320 Mountain Spring Dr.  
Boerne, Texas 78006

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

Dear Mineral Owner:

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

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New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
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Respectfully Submitted,

Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

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**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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



New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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

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Owner: \_\_\_\_\_

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7491**

Ruth Brillhart  
1309 Ebony  
Alice, Texas 78332

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

Dear Mineral Owner:

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New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
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Respectfully Submitted,

**Cimarex Energy Co.**

Hilary R. Coder  
Contract Landman

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**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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

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Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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Owner: \_\_\_\_\_

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7590**

Chad Chipman  
6625 Victoria Ave.  
North Ranchland Hills, Texas 76180

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

Dear Mineral Owner:

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Section 1: E/2SE/4  
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Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

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

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

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

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

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

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

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

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

New Well Proposal-Nebraska 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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Owner: \_\_\_\_\_

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



March 31, 2012

**Via: Certified Mail Return Receipt #91 7108 2133 3938 0388 7576**

Thomas R. Fifer  
412 N. Penelope St.  
Belton, Texas 76513

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

Dear Mineral Owner:

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Section 1: E/2SE/4  
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Cimarex Energy Co.



Hilary R. Coder  
Contract Landman

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**Nebraska 1 Fee No.3 Well**

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

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

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

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

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

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

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

New Well Proposal-Nebraska 1 Fee No.3  
Township 19 South, Range 25 East, N.M.P.M.  
Section 1: E/2SE/4  
Eddy County, New Mexico

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Owner: \_\_\_\_\_



## Authorization For Expenditure

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

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

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

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	\$204,000	\$235,000
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.
<input type="checkbox"/> 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.
<input type="checkbox"/> I elect to take my gas in kind.
<input type="checkbox"/> 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



# Project Cost Estimate

Lease Name: Nebraska 1 Fee

Well No.:

1

Intangibles	Code	Dry Hole Cost	Code	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$60,000	DICC.100	\$5,000	\$65,000
Damages	DIDC.105	\$5,000	DICC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$100,000	\$130,000
Day Rate 3.5 DH Days 1 ACP Days @ 15,000 Per Day	DIDC.115	\$53,000	DICC.120	\$15,000	\$68,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$16,000			\$16,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel \$3.50 Per Gallon 800 Gallons Per Day	DIDC.135	\$15,000	DICC.130	\$3,000	\$18,000
Water / Completion Fluids Per Day	DIDC.140	\$25,000	DICC.135	\$230,000	\$255,000
Mud & Additives	DIDC.145	\$10,000			\$10,000
Surface Rentals 2,000 Per Day	DIDC.150	\$7,000	DICC.140	\$125,000	\$132,000
Downhole Rentals	DIDC.155	\$20,000	DICC.145	\$2,000	\$22,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging 3 Days @ 1,500 Per Day	DIDC.170	\$8,000			\$8,000
Open Hole Logging	DIDC.180	\$0			\$0
Cementing & Float Equipment	DIDC.185	\$22,000	DICC.155	\$25,000	\$47,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$8,000	\$13,000
Extra Labor, Welding, Etc.	DIDC.200	\$9,000	DICC.170	\$5,000	\$14,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision 1,700 Per Day	DIDC.210	\$11,000	DICC.180	\$15,000	\$26,000
Trailer House / Camp / Catering 700 Per Day	DIDC.200	\$5,000	DICC.255	\$0	\$5,000
Other Misc Expenses	DIDC.220	\$1,000	DICC.190	\$10,000	\$11,000
Overhead 300 Per Day	DIDC.225	\$1,000	DICC.195	\$2,000	\$3,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$50,000			\$50,000
Directional Drilling Services 40 Days @ 0 Per Day	DIDC.245	\$0			\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control 3,500 Per Day	DIDC.260	\$16,000			\$16,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$7,000	DICC.240	\$14,000	\$21,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 3 Days @ 4,000 Per Day			DICC.115	\$12,000	\$12,000
Coil Tubing Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$30,000	\$30,000
Stimulation			DICC.210	\$900,000	\$900,000
Legal / Regulatory / Curative	DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$1,000			\$1,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$20,000	DICC.220	\$75,000	\$95,000
Construction For Well Equipment			DWEA.110	\$15,000	\$15,000
Construction For Lease Equipment			DLEO.110	\$49,000	\$49,000
Construction For Sales P/L			DICC.265	\$0	\$0
<b>Total Intangible Cost</b>		<b>\$427,000</b>		<b>\$1,646,000</b>	<b>\$2,073,000</b>

Tangible - Well Equipment					
Casing	Size	Feet	\$ / Foot		
Drive Pipe				DWFE.150	\$0
Conductor Pipe				DWFE.130	\$0
Water String				DWFE.135	\$0
Surface Casing	8 5/8"	950.00	\$29.00	DWFE.140	\$28,000
Intermediate Casing				DWFE.145	\$0
Drilling Liner				DWFE.145	\$0
Drilling Liner				DWFE.145	\$0
Production Casing or Liner	5 1/2"	3000.00	\$21.00	DWEA.100	\$63,000
Production Tie-Back				DWEA.100	\$0
Tubing	2 7/8"	2900.00	\$8.00	DWEA.105	\$23,000
N/C Well Equipment				DWEA.115	\$35,000
Wellhead, Tree, Chokes				DWEA.120	\$8,000
Liner Hanger, Isolation Packer				DWEA.125	\$0
Packer, Nipples				DWEA.130	\$0
Pumping Unit, Engine				DLEO.100	\$50,000
Lift Equipment (BHP, Rods, Anchors)				DLEO.105	\$25,000
Tangible - Lease Equipment					
N/C Lease Equipment				DLEO.115	\$0
Tanks, Tanks Steps, Stairs				DLEO.120	\$0
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEO.125	\$0
Flow Lines (Line Pipe from wellhead to central facility)				DLEO.130	\$20,000
Offshore Production Structure for Facilities				DWEA.135	\$0
Pipeline to Sales				DWEA.140	\$0
<b>Total Tangibles</b>					<b>\$31,000</b>

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
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<b>Total Cost</b>		<b>\$488,000</b>		<b>\$1,840,000</b>	<b>\$2,328,000</b>
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## Authorization For Expenditure

Company/Entity Cimarex Energy Co.	Date Prepared February 8, 2012
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Region Permian	Well Name Nebraska 1 Fee	Well No. 3	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 checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> <input type="checkbox"/> Prod <input type="checkbox"/> <input checked="" type="checkbox"/>
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Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Till Measured Depth
Original Estimate <input checked="" type="radio"/>			Penasco Draw San	3,000'
Revised Estimate <input type="radio"/>			Andres-Yeso	Till Vertical Depth
Supplemental Estimate <input type="radio"/>			Associated Pool	3,000'

Project Description
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Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,847,000	\$1,847,000
Total Intangible Costs	\$427,000	\$1,847,000	\$2,274,000

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

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$488,000	\$2,484,800	\$2,972,800
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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.
<input type="checkbox"/> 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.
<input type="checkbox"/> I elect to take my gas in kind.
<input type="checkbox"/> 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
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# Project Cost Estimate

Lease Name: Nebraska 1 Fee

Well No.:

3

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.109	\$60,000	DICC.109	\$5,000	\$65,000
Damages	DIDC.105	\$5,000	DICC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$100,000	\$130,000
Day Rate 3.5 OH Days 1 ACP Days @ 15,000 Per Day	DIDC.115	\$53,000	DICC.120	\$15,000	\$68,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$16,000			\$16,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel \$3.50 Per Gallon 800 Gallons Per Day	DIDC.135	\$15,000	DICC.130	\$3,000	\$18,000
Water / Completion Fluids	DIDC.140	\$25,000	DICC.135	\$230,000	\$255,000
Mud & Additives	DIDC.145	\$10,000			\$10,000
Surface Rentals 2,000 Per Day	DIDC.150	\$7,000	DICC.140	\$125,000	\$132,000
Downhole Rentals	DIDC.155	\$20,000	DICC.145	\$2,000	\$22,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging 3 Days @ 1,500 Per Day	DIDC.170	\$8,000			\$8,000
Open Hole Logging	DIDC.190	\$0			\$0
Cementing & Float Equipment	DIDC.185	\$22,000	DICC.155	\$25,000	\$47,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$8,000	\$13,000
Extra Labor, Welding, Etc.	DIDC.200	\$9,000	DICC.170	\$5,000	\$14,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision 1,700 Per Day	DIDC.210	\$11,000	DICC.180	\$15,000	\$26,000
Trailer House / Camp / Catering 700 Per Day	DIDC.230	\$5,000	DICC.255	\$0	\$5,000
Other Misc Expenses	DIDC.220	\$1,000	DICC.190	\$10,000	\$11,000
Overhead 300 Per Day	DIDC.225	\$1,000	DICC.195	\$2,000	\$3,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$50,000			\$50,000
Directional Drilling Services 0 Days @ 0 Per Day	DIDC.245	\$0			\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control 3,500 Per Day	DIDC.260	\$16,000			\$16,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$7,000	DICC.240	\$14,000	\$21,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 13 Days @ 4,000 Per Day			DICC.215	\$12,000	\$12,000
Coil Tubing Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$30,000	\$30,000
Stimulation			DICC.210	\$900,000	\$900,000
Legal / Regulatory / Curative	DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$1,000			\$1,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$20,000	DICC.220	\$75,000	\$95,000
Construction For Well Equipment			DWEA.110	\$15,000	\$15,000
Construction For Lease Equipment			DLEA.110	\$192,000	\$192,000
Construction For Sales P/L			DICC.285	\$58,000	\$58,000
<b>Total Intangible Cost</b>		<b>\$427,000</b>		<b>\$1,847,000</b>	<b>\$2,274,000</b>

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe				DWBE.150	\$0		\$0
Conductor Pipe				DWBE.130	\$0		\$0
Water String				DWBE.135	\$0		\$0
Surface Casing 8 5/8"		950.00	\$29.00	DWBE.140	\$28,000		\$28,000
Intermediate Casing				DWBE.145	\$0		\$0
Drilling Liner				DWBE.145	\$0		\$0
Drilling Liner				DWBE.145	\$0		\$0
Production Casing or Liner 5 1/2"		3000.00	\$21.00		DWEA.100	\$63,000	\$63,000
Production Tie-Back					DWEA.100	\$0	\$0
Tubing 2 7/8"		2900.00	\$8.00		DWEA.105	\$23,000	\$23,000
N/C Well Equipment					DWEA.115	\$35,000	\$35,000
Wellhead, Tree, Chokes				DWBE.115	\$3,000	DWEA.120	\$8,000
Liner Hanger, Isolation Packer				DWBE.100	\$0	DWEA.125	\$0
Packer, Nipples					DWEA.130	\$0	\$0
Pumping Unit, Engine					DLEA.100	\$50,000	\$50,000
Lift Equipment (BHP, Rods, Anchors)					DLEA.105	\$25,000	\$25,000
Tangible - Lease Equipment							
N/C Lease Equipment					DLEA.115	\$176,000	\$176,000
Tanks, Tanks Steps, Stairs					DLEA.120	\$178,000	\$178,000
Battery (Heater Treater, Separator, Gas Treating Equipment)					DLEA.125	\$92,000	\$92,000
Flow Lines (Line Pipe from wellhead to central facility)					DLEA.130	\$12,000	\$12,000
Offshore Production Structure for Facilities					DWEA.135	\$0	\$0
Pipeline to Sales					DWEA.140	\$5,800	\$5,800
<b>Total Tangibles</b>					<b>\$31,000</b>	<b>\$667,800</b>	<b>\$698,800</b>

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
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<b>Total Cost</b>		<b>\$488,000</b>		<b>\$2,484,800</b>	<b>\$2,972,800</b>
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