

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 14,870

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 application filed herein:
 - (a) No opposition to this application is expected because the mineral interest owner being pooled has responded to the well proposal but have not yet executed an operating agreement or farmout.
 - (b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Glorieta-Yeso formation underlying the following acreage in Township 19 South, Range 25 East, N.M.P.M.

The SW/4NW/4 of Section 23 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 Arkansas 23 Fee Well No. 3, to be drilled at an orthodox location.

Oil Conservation Division
Case No. _____
Exhibit No. 1

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

SW/4NW/4 of Section 23.

Nearburg Exploration Company, L.L.C.	2.5%
Building 2, Suite 120	
3300 North "A" Street	
Midland, Texas 79705	

(d) A copy of the proposal letter sent to the uncommitted mineral interest owner is attached hereto as Exhibits B. In addition, we have called and e-mailed the party being pooled.

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

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

(g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibits 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.

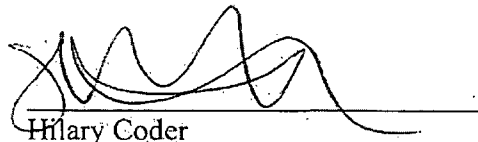
(h) Overhead charges of \$4500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the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

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

VERIFICATION

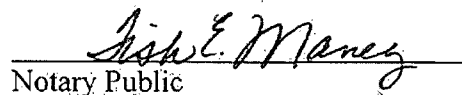
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

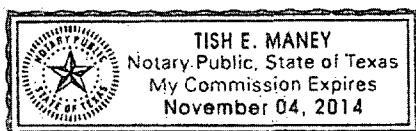
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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


Hilary Coder

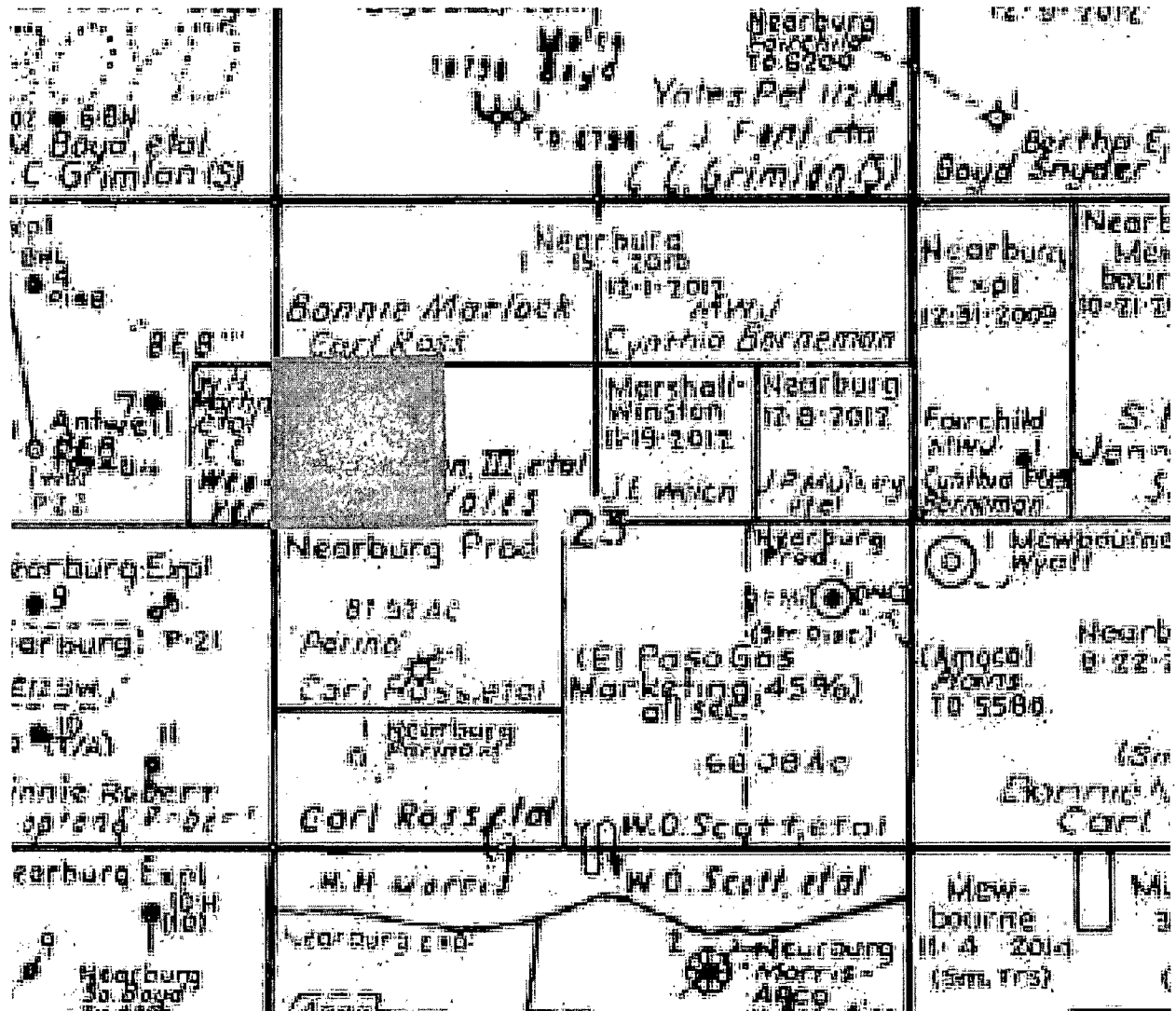
SUBSCRIBED AND SWORN TO before me this 11th day of July, 2012 by Hilary Coder.

My Commission Expires: 11/4/2014


Notary Public



SW/4NW/4 of Section 23, T19S-R25E, Eddy County, NM



EXHIBIT

A

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



May 11, 2012

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9337 0606

Nearburg Exploration Company, LLC
Attn: Land Manager
3300 N. Street, Bldg 2, Suite 120
Midland, Texas 79705-5421

Re: New Well Proposal-Arkansas 23 Fee No.3
Township 19 South, Range 25 East, N.M.P.M.
Section 23: SW/4NW/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Arkansas 23 Fee No.3 Well at legal location in the SW/4NW/4 of Section 23, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FNL & 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 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 Arkansas 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-Arkansas 23 Fee No.3
Township 19 South, Range 25 East, N.M.P.M.
Section 23: S/2NW/4
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Arkansas 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 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
Petroleum Landman

ELECTION TO PARTICIPATE
Arkansas 23 Fee No.3 Well

_____ Elects TO participate in the proposed Arkansas 23 Fee No.3 Well

_____ Elects NOT to participate in the proposed Arkansas 23 Fee No.3 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

New Well Proposal-Arkansas 23 Fee No.3
Township 19 South, Range 25 East, N.M.P.M.
Section 23: S/2NW/4
Eddy County, New Mexico

Title: _____

If your election above is TO participate in the proposed Arkansas 23 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: _____

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated May 15, 2012, by and between Cimarex Energy Co., as Operator, and Nearburg Exploration Company, LLC, as Non-Operator.

1. DESCRIPTION OF LANDS:

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

Section 23: SW/4NW/4

Containing 40.00 acres of land, more or less, in total
Eddy County, New Mexico

2. DEPTH RESTRICTIONS:

None

3. PARTIES AND CONTACT INFORMATION FOR NOTICE PURPOSES:

Cimarex Energy Co.

Attn: Land Dept.

600 N. Marienfeld Street, Suite 600

Midland, Texas 79701

Phone: (432) 571-7800

Facsimile: (432) 571-7840

Nearburg Exploration Company, LLC

Attn: Land Manager

5447 Glen Lakes Drive

Phone:

Facsimile:

4. OWNERSHIP PERCENTAGES:

<u>Parties:</u>	<u>Ownership Percentages</u>
-----------------	------------------------------

Completed Version of Exhibit "A" will be provided upon final determination of participation in well.

5. OIL AND GAS LEASES:

I. Oil and Gas Lease Contributed by Cimarex Energy Co.:

1.) Completed Version of Exhibit "A" will be provided upon final determination of participation in well.

6. BURDENS ON PRODUCTION:

Completed Version of Exhibit "A" will be provided upon final determination of participation in well.



Authorization For Expenditure

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

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Arkansas 23 Fee	3	Paddock Extension West (EDDY)		

Location	County	State	Type Well
Sec 23 / T19S / R2SE SHL: 2310' FNL & 990' FWL	Eddy	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

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

Project Description

Drill and complete a 3000' Blinebry/Paddock vertical well. Install tank battery.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,847,000	\$1,847,000
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
Total Tangible Well Cost	\$31,000	\$667,800	\$698,800

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

Total Well Cost	\$488,000	\$2,484,800	\$2,972,800
-----------------	-----------	-------------	-------------

Comments on Well Costs

1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance

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

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

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

Marketing Election

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

☐ I elect to take my gas in kind.

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

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

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

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Arkansas 23 Fee

Well No.:

3

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DHCC 100	\$60,000	DHCC 100	\$55,000	\$65,000
Damages	DHCC 105	\$5,000	DHCC 105	\$0	\$5,000
Mud / Fluids Disposal Charges	DHCC 155	\$30,000	DHCC 155	\$100,000	\$130,000
Day Rate 3.5 Off Days 1 ACI Days @ 15,000 Per Day	DHCC 115	\$53,000	DHCC 115	\$15,000	\$68,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DHCC 120	\$16,000			\$16,000
Bits	DHCC 125	\$15,000	DHCC 125	\$0	\$15,000
Fuel \$3.50 Per Gallon 800 Gallons Per Day	DHCC 130	\$15,000	DHCC 130	\$3,000	\$18,000
Water / Completion Fluids	DHCC 140	\$25,000	DHCC 145	\$230,000	\$255,000
Mud & Additives	DHCC 145	\$10,000			\$10,000
Surface Rentals 2,000 Per Day	DHCC 140	\$7,000	DHCC 140	\$125,000	\$132,000
Downhole Rentals	DHCC 155	\$20,000	DHCC 155	\$2,000	\$22,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DHCC 160	\$0			\$0
Mud Logging 3 Days @ 1,500 Per Day	DHCC 170	\$8,000			\$8,000
Open Hole Logging	DHCC 180	\$0			\$0
Cementing & Float Equipment	DHCC 185	\$22,000	DHCC 185	\$25,000	\$47,000
Tubular Inspections	DHCC 190	\$2,000	DHCC 190	\$1,000	\$3,000
Casing Crews	DHCC 195	\$5,000	DHCC 195	\$8,000	\$13,000
Extra Labor, Welding, Etc.	DHCC 200	\$9,000	DHCC 170	\$5,000	\$14,000
Land Transportation (Trucking)	DHCC 205	\$3,000	DHCC 175	\$5,000	\$8,000
Supervision 1,700 Per Day	DHCC 220	\$11,000	DHCC 180	\$15,000	\$26,000
Trailer House / Camp / Catering 700 Per Day	DHCC 230	\$5,000	DHCC 230	\$0	\$5,000
Other Misc Expenses	DHCC 235	\$1,000	DHCC 190	\$10,000	\$11,000
Overhead 300 Per Day	DHCC 125	\$1,000	DHCC 155	\$2,000	\$3,000
Remedial Cementing	DHCC 235	\$0	DHCC 215	\$0	\$0
MOB/DEMOB	DHCC 240	\$50,000			\$50,000
Directional Drilling Services 0 Days @ 20 Per Day	DHCC 245	\$0			\$0
Dock, Dispatcher, Crane	DHCC 250	\$0	DHCC 240	\$0	\$0
Marine & Air Transportation	DHCC 275	\$0	DHCC 240	\$0	\$0
Solids Control 3,500 Per Day	DHCC 250	\$16,000			\$16,000
Well Control Equip (Snubbing Svcs.)	DHCC 255	\$7,000	DHCC 240	\$14,000	\$21,000
Fishing & Sidetrack Operations	DHCC 270	\$0	DHCC 245	\$0	\$0
Completion Rig 3 Days @ 4,000 Per Day			DHCC 215	\$12,000	\$12,000
Coil Tubing Days @ Per Day			DHCC 240	\$0	\$0
Completion Logging, Perforating, Wt Units, Wt Surveys			DHCC 240	\$30,000	\$30,000
Stimulation			DHCC 240	\$900,000	\$900,000
Legal / Regulatory / Curative	DHCC 260	\$10,000	DHCC 240	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DHCC 265	\$1,000			\$1,000
Contingency 5% of Drilling Intangibles	DHCC 235	\$20,000	DHCC 220	\$75,000	\$95,000
Construction For Well Equipment			FINFAN 100	\$15,000	\$15,000
Construction For Lease Equipment			FINFAN 100	\$192,000	\$192,000
Construction For Sales P/L			DHCC 240	\$58,000	\$58,000
Total Intangible Cost		\$427,000		\$1,847,000	\$2,274,000

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe				DHCC 130	\$0		\$0
Conductor Pipe				DHCC 130	\$0		\$0
Water String				DHCC 135	\$0		\$0
Surface Casing 8 5/8"		950.00	\$29.00	DHCC 140	\$28,000		\$28,000
Intermediate Casing				DHCC 145	\$0		\$0
Drilling Liner				DHCC 145	\$0		\$0
Drilling Liner				DHCC 145	\$0		\$0
Production Casing or Liner 5 1/2"		3000.00	\$21.00	DHCC 150	\$63,000		\$63,000
Production Tie-Back				DHCC 150	\$0		\$0
Tubing 2 7/8"		2900.00	\$8.00	DHCC 155	\$23,000		\$23,000
N/C Well Equipment				DHCC 155	\$35,000		\$35,000
Wellhead, Tree, Chokes				DHCC 115	\$3,000	DHCC 120	\$8,000
Liner Hanger, Isolation Packer				DHCC 120	\$0	DHCC 120	\$0
Packer, Nipples				DHCC 130	\$0		\$0
Pumping Unit, Engine				DHCC 160	\$50,000		\$50,000
Lift Equipment (BHP, Rods, Anchors)				DHCC 165	\$25,000		\$25,000
Tangible - Lease Equipment							
N/C Lease Equipment				DHCC 170	\$176,000		\$176,000
Tanks, Tanks Steps, Stairs				DHCC 175	\$178,000		\$178,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DHCC 185	\$92,000		\$92,000
Flow Lines (Line Pipe from wellhead to central facility)				DHCC 190	\$12,000		\$12,000
Offshore Production Structure for Facilities				DHCC 195	\$0		\$0
Pipeline to Sales				DHCC 195	\$5,800		\$5,800
Total Tangibles					\$31,000	\$667,800	\$698,800

P&A Costs	DHCC 205	\$30,000	DHCC 210	\$30,000	\$0
Total Cost		\$488,000		\$2,484,800	\$2,972,800