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. ____ (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 1203300 North "A" StreetMidland, Texas 79705100 North

(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

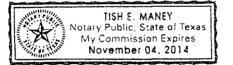
COUNTY OF MIDLAND

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

My Commission Expires: <u>11/4/2014</u>

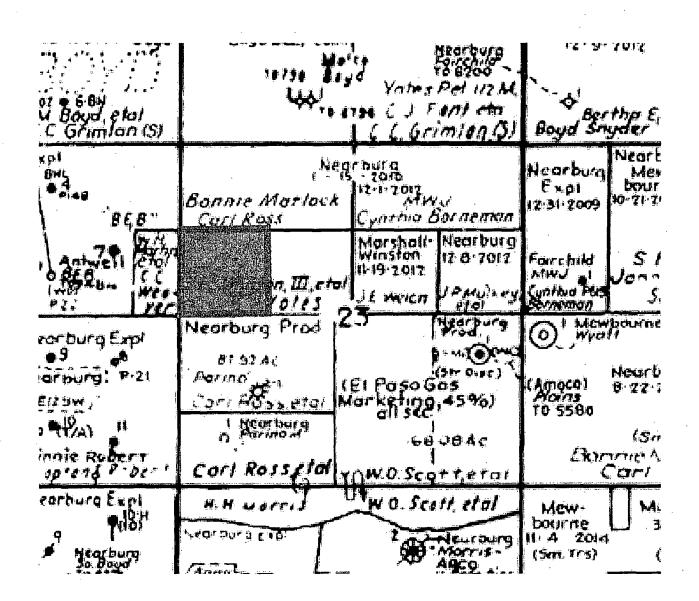
ish E. Maney Notary Public



) ss.

)

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



EXHIBIT

Gimarex Energy Co. 600 N. Marienfeld 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: <u>New Well Proposal-Arkansas 23 Fee No.3</u> 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 retum 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.

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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:

- Bonus Consideration of \$1000.00 per net mineral acre delivered;
- i.) 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. Xu 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

_____, 2011. Dated this _ ___ day of ____

Company:			
Company.		 	

Signature:

Printed Name:

Page 2

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 $\ensuremath{\mathsf{Arkansas}}\xspace$ 23 Fee No.3 Well, then:

Elects TO be covered by well control insurance procured by Cimarex

Elects <u>NOT</u> to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex

Owner: ____

Page 3

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:

Parties: Ownership Percentages 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.

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EXHIBIT

Authorization For Expenditure

Company Entity Cimarex Energy Co.					Date Prepar	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)		1			
			L		_			
Location			County County	State		: Туре		<u>ن د</u>
Sec 23 / T195 / R25E SHL: 2310' FNL & 990'	FWI		Eddy	NM	Oil Gas		Expl Prod	X
Estimate Type	0		st.Start Date and And Institute a Est.	Comp Date and an	Forma	stion ·	Ttl Measu 3,0	
Original Estimate Revised Estimate	Ŏ	-			San Andre Yes		Ttl Vertic	
Supplemental Estimate							3,0	00'
Project Description Drill and complete a 30	000' Blinebry/Paddock verti		sil tank battery.					e sui divi
Intangibles	······································		Dry Hole Cost	After Casing P	oint	Com	pleted Well	Cost
Drilling Costs			\$427,000	6 1 0 4 7 Gal			\$427,000	
Completion Costs Total Intangible Costs			\$427,000	\$1,847,000 \$1,847,000			\$1,847,000 \$2,274,000	
	,				77			
Tangibles Well Equipment			\$31,000	5204,000			\$235,000	
Lease Equipment			GUUGUUUUUUUUU	\$463,800	····· • • • • • • • • • • • • • • • • •		\$463,800	
Total Tangible Well Co	st		\$31,000	\$667,800			\$698,800	
Plug and Abandon Cos			\$30,000	-\$50,000			\$0	
Total Well Cost			\$488,000	\$2,484,800) 		\$2,972,800	
		by COPAS and	I CEPS guidelines using the Historic P	rice Multiplier.				
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 All tubulars, well or All tubulars, well or Well Control Insurance Unless otherwise indicions as Operator condinsurance, you must prilater than commencent insurance procured by I etect to purchase m Well control insurance related redrilling and control insurance related redrilling and control insurance related redrilling and control insurance Marketing Elections Cimarex sells its gas ur volumes delivered over request to Cimarex's N I etect to take my gas I etect to take my gas I etect to market my through the state of the state of	lease equipment is priced i ated below, you, as a non- ucts operations hereunder rovide a certificate of such nent of drilling operations. Operator. r own well control insurance policy procured by Operator, pro- ilean-up/pollution expense ider arm's-length contracts r time. Should you choose Marketing Department, we is in kind. pas with Gmarex pursuant to the to the second second second second the second second second second the second second second second the second second second second the second second second second second second second the second sec	operating wor and to pay yo insurance acc You agree th wides, among covering drill with third pa to market you will share with terms and condition terms and terms and	Tking interest owner, agree to be cov our prorated share of the premiums t eptable to Operator, as to form and at failure to provide the certificate of to ther terms, for \$20,000,000 (100% ing (through completion) with a \$1,0 out of the terms and conditions pursue ons of the contracts.	ered by Operator's w herefore. If you elec limits, at the time thi f insurance, as provid W.1.) of Combined Si 00,000 (100% W.1.) d netude fees. in additi be subject to all of th hant to which gas will change in plans. The rking interest owner itory order or other a	rell control in it to purchase s AFE is retur led herein, w ingle Limit co eductible. on, penalties e terms of su be sold.	surance pro e your own med, if avai ill result in werage for way be incu- ich contract inch contract may excee y its propor	ocured by O well contro lable, but in your being e well control curred for in ts. Upon wr to the estim- tionate sha	and and sufficient itten stated costs re of
 All tubulars, well or All tubulars, well or Well Control Insurance Unless otherwise indicions as Operator condinsurance, you must prilater than commencent insurance procured by I elect to purchase m Well control insurance related redrilling and control insurance related redrilling and control insurance Refection delivered over request to Cimarex sells its gas ur volumes delivered over request to Cimarex's N I elect to take my gas I elect to market my through the difference of the difference of	lease equipment is priced i ated below, you, as a non- ucts operations hereunder rovide a certificate of such nent of drilling operations. Operator. r own well control insurance policy procured by Operator, pro- ilean-up/pollution expense ider arm's-length contracts r time. Should you choose Marketing Department, we is in kind. pas with Gmarex pursuant to the to the second second second second the second second second second the second second second second the second second second second the second second second second second second second the second sec	operating wor and to pay yo insurance acc You agree th wides, among covering drill with third pa to market you will share with terms and condition terms and terms and	rking interest owner, agree to be cov pur prorated share of the premiums t leptable to Operator, as to form and at failure to provide the certificate of other terms, for \$20,000,000 (100% ing (through completion) with a \$1,0 ing (through completion) with a \$1,0 ing (through completion) with a \$1,0 ing uther terms and conditions pursu a share of gas with Cimarex, you will th you the terms and conditions pursu ones of its contracts.	ered by Operator's w herefore. If you elec limits, at the time thi f insurance, as provid W.1.) of Combined Si 00,000 (100% W.1.) d netude fees. in additi be subject to all of th hant to which gas will change in plans. The rking interest owner itory order or other a	rell control in it to purchase s AFE is retur led herein, w ingle Limit co eductible. on, penalties e terms of su be sold.	surance pro e your own med, if avai ill result in werage for way be incu- ich contract inch contract may excee y its propor	ocured by O well contro lable, but in your being e well control curred for in ts. Upon wr to the estim- tionate sha	and and sufficient itten stated costs re of

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Project Cost Estimate

Lease Name: Arkansas 2		Well No.:						
Intangibles				Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation	/Restoration			0100,350	\$60,000	OFC 100	\$5,000	\$65,000
Dumages				914 J.Y.	\$5,000	SKC 325	\$0	\$5,000
Mud / Fluids Disposal Charges				14.5 (55	\$30,000	2860.2380	\$100,000	\$130,600
Day Rale 3.5 D	li Days 1:ACI	' Days @	15,000 Per Day	1 167 1	\$53,000	ORA LA	\$15,000	\$68,000
Misc Preparation Cost (mouse	hole, rát hole, pads, pile	clusters, misc.)		.477, 1246	\$16,000	201111	mmm	\$16,000
Bits				4.9.275	\$15,000	DEC 125	\$0	\$15,000
Fuel	\$3.50 Per Gallon	800 G	allons Per Day	1.05, 125	\$15,000	1964 (25)	\$3,000	\$18,000
Water / Completion Fluids			Per Dov	1.4.5.45	\$25,000	00 C.3 By	\$230,000	\$255,004
Mud & Additives				Deriva A	\$10,000	ann a	amana a	\$10,000
Surface Rentals			2,000 Per Day	1 200 200	\$7,000	PET NG	\$125,000	\$132.000
Downhole Rentals			and and the second s	20.3. 1 5	\$20,000	00.5.165	\$2,000	\$22,000
Formation Evaluation (DST, Co	oring including evaluation	, G&G Services)		t due bar	\$0	a an	UMMMAR.	51
Mud Logging		3 Days (C	1,500 Per Doy	1 AG 173	\$8,000	111111	0111111	\$8,000
Open Hole Logging				1	50	Malla	IMMMM)	\$0
Cementing & Floot Equipment				1. J.S.	\$22,000	260 gh	\$25,000	\$47.00(
Tubular Inspections				5950 arte	\$2,000		\$1,000	\$3,000
Casing Crews				1.121.25	\$5,000;	(25.2 (s.)	\$8,000	\$13,000
Extra Labor, Welding, Etc.				1004.200	\$9,000;	1670-170	\$5,000	\$14,000
Land Transporation (Trucking)				Jule 209	\$3,000	084.145	\$5,000	\$8,000
Supervision			1,700 Per Day	1 AV 111	\$11,000	2000 (AG	\$15,000	\$26,000
Trailer House / Camp / Caterin	g		700 Per Day	104.486	\$5,000	506. ¹ 255	\$0	\$5,000
Other Misc Expenses				1 140 120	\$1,000	- A.C. 197	\$10,000	\$11,000
Overhead		na n	300 Per Day		\$1,000	1947 I.D.S.	\$2,000	\$3,000
Remedial Comenting				1 19.4.11	SO	196.C./15	SO	SC
MOB/DEMOB				4.3. NO	\$50,000	i i i i i i i i i i i i i i i i i i i	MAMMO.	\$50,000
Directional Drilling Services		0 Days 60	0 Per Dov	1924 245		<i>MMM</i>		50
Dock, Dispatcher, Crane		en e	an sa manan Titan ing katala sa	1 4 1 20	SO	796.0 2.90	\$0	50
Marine & Air Transportation							SO	
Solids Control		······································	3.500 Per Day	1 1014 775		mm	The second state and second strength	516,000
Well Control Equip (Snubbing S	Svrs I			andrahan dari ang Ang kang sa	\$7,000	CALLARD CALLARD	\$14,000	\$21,000
Fishing & Sidetrack Operations	We Prese and the second of the second of the second of the			10010	SO	003.545	\$0	\$0
Completion Rig	na ang ang ang ang ang ang ang ang ang a	3 Davs @	4,000 Per Duy	WIIIAAA	THIN MAR	69A-332	\$12,000	\$12,000
Coil Tubing		Doys (i)	Per Dav	"HIMIN		ter and a second se Second second	501	30
Completion Logging, Perforation	na WL Units, WL Surveys	a da an		- Mann	an maan.	0.0	\$30,000	\$30,000
Stimulation				Manna an	000000000	1997 - 240 1997 - 240	\$900,000	\$900.000
Legal / Regulatory / Curotive				(1)) (C.	\$10,000	13.5 986	\$0	\$10,000
Well Control Insurance	\$0.35 Per	Foot		ا تق ورق	\$1,000		ALGA ALGAN	\$1,000
Contingency	5% of Drilling latar			1 1245 - 24	\$20,000	001.00	\$75,000	\$95,000
Construction For Well Equipme	a mar y maa aa a a maa di mada ahaa ahaa ahaa ahaa ahaa ahaa ahaa	Anti Milano a sa s		Vagann.	aunum.	29/1A.116	\$15,000	\$15,000
Construction For Lease Equipm				Min Min	CHIMAND.	Diro Ho	\$192,000	\$192,000
Construction For Sales P/L				- CHIMAN	on ann an the second	CNCC : 65	\$58,000	\$58,000
Total Intangible Cost				TICS AND TO	\$427,000	·····	\$1,847,000	\$2,274,000

Tangible - Well Equipment		1 - 1 - 1 - <u>1 - 1</u>		<u> </u>			
Cosing	Size	Feet	\$ / Font	177777877	7777777777777	anatimmaa.	11111111
Drive Pipe				25995B-1595	\$0	01111011340000	5
Conductor Pipe				GARALY	\$0		5
Water String		1		TWEELS	50	<i>0100000000000000000000000000000000000</i>	\$
Surface Casing	8 5/8"	950.00	\$29.00	5.0 B. 166	\$28,000		\$28,00
ntermediote Casing				201010-041	50	mamm	>
Drilling Liner				15 M 164	50	717777777777777777777777777777777777777	ç,
Drilling Liner				116176-146	50	aasaaaa.	5
Production Casing or Liner	5 1/2"	3000.00	\$21.00	i aaaaaaaa ahaa ahaa ahaa ahaa ahaa aha	anna a	FA 166 \$63,000	\$63,00
Production Tie-Back	i (aaaaaaaaaaa ah		75 (22 SOI	\$
Fubing	2 7/8"	2900.00	\$8.00			te G5 \$23,000	\$23,00
V/C Well Equipment				C. A. M.	annan	\$35,000	\$35,00
Nellhead, Tree, Chokes				- ANRA 114	\$3,000	\$8,000	\$11,00
iner Hanger, Isolation Packer				53.858,105	\$0	50 SO	<u>s</u>
Packer, Nipples				mann	aaaaan 🗠	se 199	<u> </u>
Pumping Unit, Engine				aaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaaa		0.100 \$50,000	\$50,00
lift Equipment (BHP, Rods, Anchors)				30110000	//////// SS	0.10.0 \$25,000	\$25,00
fangible - Lease Equipment							
N/C Lease Equipment				USAAAAAA	<i>1111111</i> 23	\$176,000	\$176,00
Tanks, Tanks Steps, Stairs				aaaaa		10 120 3 3 3 \$178,000	\$178,00
Battery (Heater Treater, Separator, Gas Treating Equipment)	l			MALIA		\$92,000	\$92,00
Flow Lines (Line Fipe from wellhead to central facility)				Maaaa	allelling of	\$12,000	\$12,00
Offshore Production Structure for Facilities				ummu	MAAAA os	44. (H) \$0	\$
Pipeline to Sales				aaaaaa	alleillin ss	EA:140 \$5,800	\$5,80
Total Tangibles					\$31,000	\$667,800	\$698,80
P&A Costs		· ····		n a com	\$30,000	530,000	
Total Cost			· · · · · · ·		\$488.000	\$2,484,800	\$2,972,8

7/10/2012 11:42 AM