

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

**Case No. 14,901**

**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. Cimarex Energy Co. of Colorado is a wholly owned subsidiary of Cimarex Energy Co. ("Cimarex").

3. 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 owners being pooled cannot be located.

(b) A plat outlining the spacing units 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.

(i) The NW/4SW/4 of Section 1 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 Montana 1 Fee Well No. 1, to be drilled at an orthodox location; and

(ii) The SW/4SW/4 of Section 1 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 Montana 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 are the heirs, devisees, or successors to:

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 1

Don Phillips and Associates  
James Collie McDonald, Jr.  
Jo Alice Cranford  
Elaine S. Hinkle

(d) Cimarex believes that it has leased the successors to all of the above persons or entities. However, with respect to Don Phillips and Associates it has been unable to locate proper company dissolution instruments, and Cimarex seeks to force pool any unknown interest owners in that entity. Regarding James Collie McDonald, Jr., Jo Alice Cranford, Hugh M. Kincaid, and Elaine S. Hinkle, New Mexico probates have not been conducted on their estates, and their successors have refused to execute affidavits of heirship on the decedents. Therefore, Cimarex desires to force pool the unknown heirs of the decedents.

(e) Cimarex has made a good faith effort to locate all 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) Copies of the Authority for Expenditure for the proposed wells are attached hereto as Exhibits B-1 and B-2. 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.

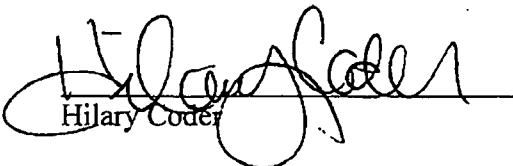
(h) Overhead charges of \$4500.00/month for a drilling well, and \$450.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the rates be adjusted under the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

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

#### VERIFICATION

STATE OF TEXAS            )  
                                      ) ss.  
COUNTY OF MIDLAND    )

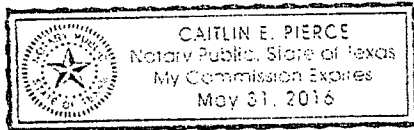
Hilary Coder, being duly sworn upon her oath, deposes and states that: She is a landman for Cimarex Energy Co.; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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

  
Hilary Coder

SUBSCRIBED AND SWORN TO before me this 28<sup>th</sup> day of September, 2012 by  
Hilary Coder.

My Commission Expires: 5/31/2016

Caitlin E. Pierce  
Notary Public





EXHIBIT



## Authorization For Expenditure

Company Entry  
Cimarex Energy Co.Date Prepared  
February 8, 2012

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

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

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

Project Description  
Drill and complete a 3000' Blinbry/Paddock vertical well

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,646,000	\$1,646,000
<b>Total Intangible Costs</b>	<b>\$427,000</b>	<b>\$1,646,000</b>	<b>\$2,073,000</b>
<b>Tangibles</b>			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
<b>Total Tangible Well Cost</b>	<b>\$31,000</b>	<b>\$224,000</b>	<b>\$255,000</b>
Plug and Abandon Cost	\$30,000	\$30,000	\$0
<b>Total Well Cost</b>	<b>\$488,000</b>	<b>\$1,840,000</b>	<b>\$2,328,000</b>

Comments on Well Costs  
1. All tubulars, well or lease equipment is priced by COPAS and CEPIS 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
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EXHIBIT

B-1

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## Authorization For Expenditure

Company Entity <b>Cimarex Energy Co.</b>					Date Prepared <b>February 8, 2012</b>								
Region <b>Permian</b>	Well Name <b>Montana 1 Fee</b>	Well No. <b>3</b>	Prospect or Field Name <b>Paddock Extension West (EDDY)</b>	Property Number	Drilling AFE No.								
Location		County <b>Eddy</b>	State <b>NM</b>	Type Well <table border="1"><tr><td>Oil</td><td><input checked="" type="checkbox"/></td><td>Expl</td><td><input checked="" type="checkbox"/></td></tr><tr><td>Gas</td><td><input type="checkbox"/></td><td>Prod</td><td><input type="checkbox"/></td></tr></table>		Oil	<input checked="" type="checkbox"/>	Expl	<input checked="" type="checkbox"/>	Gas	<input type="checkbox"/>	Prod	<input type="checkbox"/>
Oil	<input checked="" type="checkbox"/>	Expl	<input checked="" type="checkbox"/>										
Gas	<input type="checkbox"/>	Prod	<input type="checkbox"/>										
Estimate Type <table border="1"><tr><td>Original Estimate</td><td><input checked="" type="radio"/></td></tr><tr><td>Revised Estimate</td><td><input type="radio"/></td></tr><tr><td>Supplemental Estimate</td><td><input type="radio"/></td></tr></table>	Original Estimate	<input checked="" type="radio"/>	Revised Estimate	<input type="radio"/>	Supplemental Estimate	<input type="radio"/>	Est. Start Date	Est. Comp Date	Formation <b>Penasco Draw San Andres-Yeso Associated Pool</b>	Ttl Measured Depth <b>3,000'</b> Ttl Vertical Depth <b>3,000'</b>			
Original Estimate	<input checked="" type="radio"/>												
Revised Estimate	<input type="radio"/>												
Supplemental Estimate	<input type="radio"/>												

## Project Description

Drill and complete a 3000' Blinbry/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
<b>Total Intangible Costs</b>	<b>\$427,000</b>	<b>\$1,847,000</b>	<b>\$2,274,000</b>

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

Plug and Abandon Cost	\$20,000	\$20,000	\$0
<b>Total Well Cost</b>	<b>\$488,000</b>	<b>\$2,484,800</b>	<b>\$2,972,800</b>

## Comments on Well Costs

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

## Well Control Insurance

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## Cimarex Energy Co. Approval

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

## Joint Interest Approval

Company	By	Date
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EXHIBIT

B-2

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