

**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
A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 14,038

VERIFIED STATEMENT OF JOSHUA A. RALEY

Joshua A. Raley, being duly sworn upon his 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 1210.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 have simply not responded to well proposals.

(b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation underlying the E½NW¼ of Section 13, Township 15 South, Range 37 East, N.M.P.M., Lea County, New Mexico. The unit is to be dedicated to the Huron 13 Fee Well No. 4, a horizontal well to be drilled at a surface location 430 feet from the north line and 1750 feet from the west line of Section 13, with a terminus 2210 feet from the north line and 1750 feet from the west line of Section 13. The well unit is non-standard because of the horizontal well.

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

Sidney Roger Davis _____ .26705 %
P.O. Box 29330
Austin, Texas 78755

Occidental Permian Ltd. _____ 4.6875 %
P.O. Box 50250
Midland, Texas 79710

Oil Conservation Division
Case No. _____
Exhibit No. 1

The E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 13 is a fee tract with common, undivided mineral ownership throughout the well unit.

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B.

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

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

(g) A copy of the Authority for Expenditure for the proposed well is 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 Lea County.

(h) Overhead charges of \$ 6,940 /month for a drilling well, and \$ 690 /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. Cimarex Energy Co. 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 Dallas)

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

Joshua A. Raley
Joshua A. Raley

SUBSCRIBED AND SWORN TO before me this 27th day of November, 2007 by Joshua A. Raley.

My Commission Expires: Dec 3, 2007

[Signature]
Notary Public



Shaw Interests, Inc.

OIL & GAS PROPERTIES

310 W. Wall, Suite 305

MIDLAND, TX 79701

(432) 685-1404

October 22, 2007

Mr. David Evans
Occidental Permian Limited Partnership
6 Desta Drive
Midland, TX 79705
432-685-5769

CERTIFIED RETURN RECEIPT

**Re: Oil & Gas Lease and Well Proposal – Huron 13 Fee #4
E/2, SW/4, E/2NW/4 & SW/4NW/4 of Section 13
Township 15 South, Range 37 East
Lea County, New Mexico**

Dear Mr. Evans:

According to our title research Occidental Permian Limited Partnership (hereinafter referred to as "Oxy") owns an undivided 28.125 net mineral acres under the above described lands. Please be advised that our client, Cimarex Energy Co., proposes to drill a horizontal Wolfcamp test at the following location in Section 13, Township 15 South, Range 37 East, Lea County, New Mexico:

- Surface Hole Location: 430' FNL & 1750' FWL
- Bottom Hole Location: 2210' FNL & 1750' FWL

Enclosed is a detailed AFE reflecting estimated well costs.

If Oxy wishes to participate and pay its proportionate share of well costs, please have the enclosed AFE and Operating Agreement executed and returned to the undersigned. If Oxy would like to lease its interest, we propose \$150.00 an acre bonus consideration, three (3) year primary term and a one-fourth (1/4) royalty on a mutually acceptable lease form.

If we have not received an election from Oxy to either participate or lease within 30 days of receipt of this letter, Cimarex will most likely implement a compulsory pooling hearing for this interest.

Please do not hesitate to contact us with any questions. We look forward to your response.

Sincerely,

SHAW INTERESTS

Tim Lilley

EXHIBIT

B

Shaw Interests, Inc.

OIL & GAS PROPERTIES

310 West Wall, Ste. 305

MIDLAND, TX 79701

(432) 685-1404

October 22, 2007

Sidney Roger Davis
P.O. Box 29330
Austin, TX 78755

**Re: Oil & Gas Lease
W/2 of Section 12 & E/2, E/2NW/4, SW/4NW/4
& SW/4 of Section 13
Township 15 South, Range 37 East, N.M.P.M.
Lea County, New Mexico**

Dear Mr. Davis:

According to our title research you own an undivided 1.9442 net mineral acre under the above described lands. Enclosed is an Oil and Gas Lease for your review. The terms of this lease are a \$200.00 an acre bonus consideration, three (3) year primary term and one-fifth (1/5) royalty. Please be advised that our client, Cimarex Energy Co., proposes to drill a horizontal Wolfcamp test at the following location in Section 13, Township 15 South, Range 37 East, Lea County, New Mexico:

- Surface Hole Location: 430' FNL & 1750' FWL
- Bottom Hole Location: 2210' FNL & 1750' FWL

Enclosed is a detailed AFE reflecting estimated well costs.

If you wish to participate and pay your proportionate share of well costs, please execute the AFE and return to the undersigned as soon as possible. Otherwise, in lieu of being subject to a compulsory pooling, you have the option to lease your minerals at the terms listed above.

Please do not hesitate to contact us with any questions. We look forward to your response.

Sincerely,

SHAW INTERESTS

Tim Lilley



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.					DATE PREPARED October 19, 2007	
REGION Permian	WELL NAME Huron 13 Fee	WELL NO 4	PROSPECT OR FIELD NAME Denton East	PROPERTY NUMBER 309501-017	DRILLING AFE NO. 257166	
LOCATION SHL 430' FNL & 1750' FWL BHL 2210' FNL & 1750' FWL Sec 13, T15S, R37E			COUNTY Lea	STATE New Mexico	TYPE WELL OIL <input checked="" type="checkbox"/> EXPL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> PROD <input type="checkbox"/>	
ORIGINAL ESTIMATE <input checked="" type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION Wolfcamp	EST. TD 9800 TVD 11,222' MD		
REVISED ESTIMATE <input type="checkbox"/>						
SUPPLEMENTAL ESTIMATE <input type="checkbox"/>						

PROJECT DESCRIPTION:

Drill and complete a horizontal (1880') wolfcamp well.

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	\$2,139,400		\$2,139,400
Intangible Completion Costs		625,600	625,600
TOTAL INTANGIBLE COSTS	2,139,400	625,600	2,765,000
<u>TANGIBLES</u>			
Well Equipment	134,000	470,000	604,000
Lease Equipment		84,000	84,000
TOTAL TANGIBLE WELL COST	134,000	554,000	688,000
PLUG AND ABANDON COST	150,000	(150,000)	
TOTAL WELL COST:	\$2,423,400	\$1,029,600	\$3,453,000

Comments on Well Costs:

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

WELL CONTROL INSURANCE:

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

EXHIBIT 

_____ 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.