

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL
CONSERVATION
DIVISION**

CASE #: 14193

EXHIBIT

1

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, CHAVES
COUNTY, NEW MEXICO.

Case No. 14,193

VERIFIED STATEMENT OF HAYDEN P. TRESNER

Hayden P. Tresner, 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 owner being pooled has simply not responded to well proposals.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a non-standard oil spacing and proration unit (project area) comprised of the S/2S/2 of Section 11, Township 15 South, Range 31 East, NMPM, to form a non-standard 160-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 40-acre spacing, and pooling all mineral interests in the lower Abo/Wolfcamp formation underlying the non-standard unit. The unit is to be dedicated to the Enterprise 11 State Com. Well No. 1H, a horizontal well to be drilled at a surface location 375 feet from the south line and 330 feet from the west line, with a terminus 375 feet from the south line and 330 feet from the east line, of Section 11. The well unit is non-standard because of the horizontal well, and applicant seeks to pool the non-standard well unit.

(c) The party being pooled, its interest in the well unit, and its last known address, are as follows:

Pioneer Exploration, Ltd.
P.O. Box 201788
Dallas, Texas 75320-1788

.881076 %

Oil Conservation Division

Case No. 1

Exhibit No. 1

(d) A copy of the proposal letter sent to the uncommitted mineral interest owner is attached hereto as Exhibit B.

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

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

(g) The offset operators or lessees of the acreage surrounding the well unit are as follows:

- (i) SE¼ of Section 10.
Chevron U.S.A. Inc.
11111 South Wilcrest Drive
Houston, Texas 77099-4310

COG Operating, LLC
Suite 1300
550 West Texas
Midland, Texas 79701
- (ii) N½S½ of Section 11.
OXY USA Inc.
5 Greenway Plaza
Houston, Texas 77046
- (iii) N½SW¼ of Section 12.
Abo Petroleum Corporation
MYCO Industries, Inc.
Yates Drilling Company
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
- (iv) S½SW¼ of Section 12.
COG Operating, LLC
Cimarex Energy Co. of Colorado
- (v) NW¼NW¼ of Section 13.
Penroc Oil Corp.
P.O. Box 2769
Hobbs, New Mexico 88241

- (vi) NE¼ of Section 14.
Chesapeake Exploration Limited Partnership
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496
- (vii) NW¼ of Section 14.
Chase Oil Corporation
P.O. Box 1767
Artesia, New Mexico 88211
- (viii) NE¼ of Section 15.
COG Operating, LLC

(h) 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.

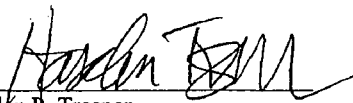
(i) Overhead charges of \$ 6,500.00/month for a drilling well, and \$ 650.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

(j) Applicant requests that Cimarex Energy Co. of Colorado be designated operator of the well.

VERIFICATION

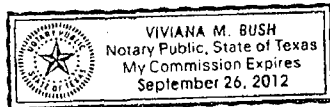
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Hayden P. Tresner, 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.


Hayden P. Tresner

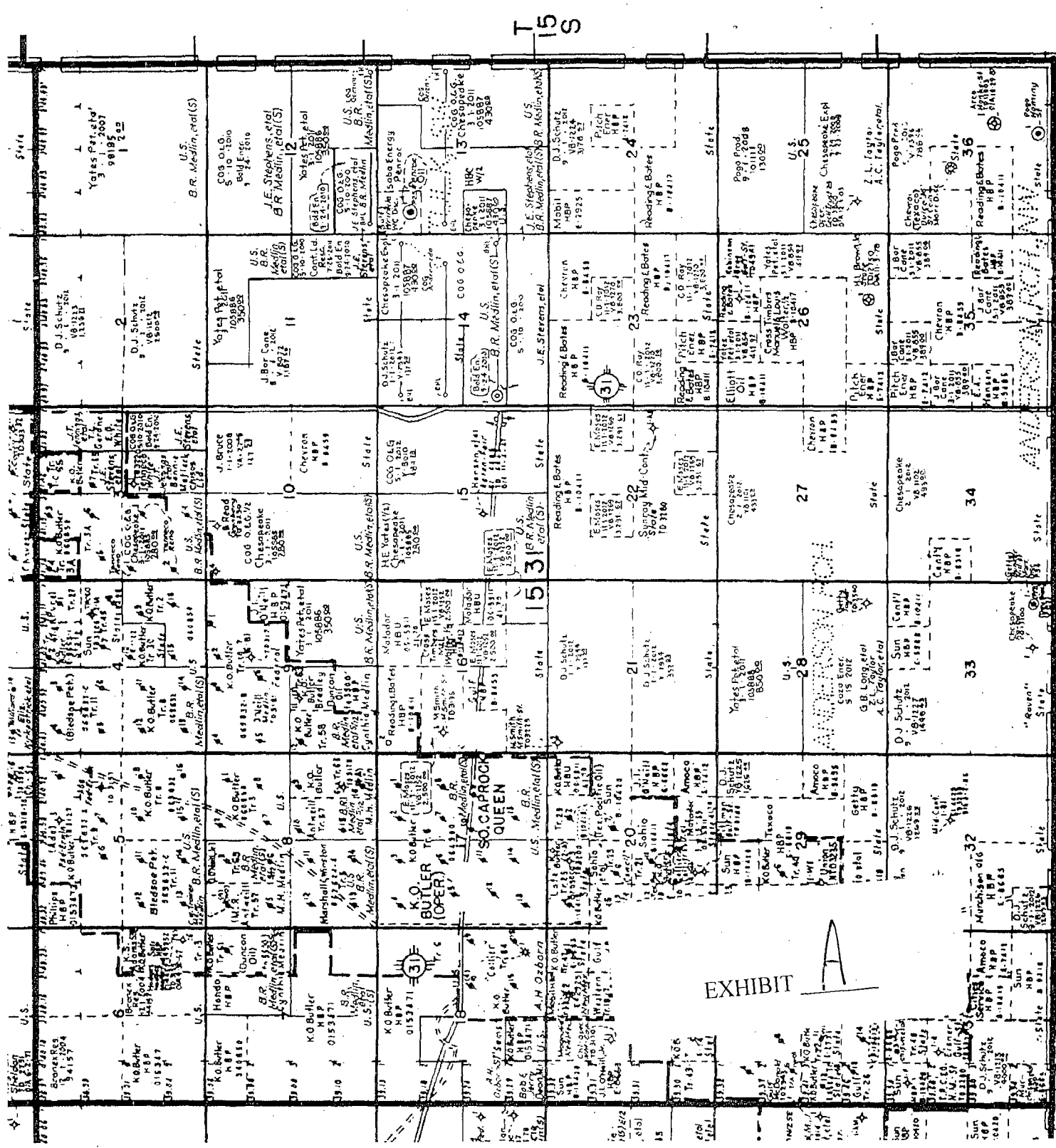
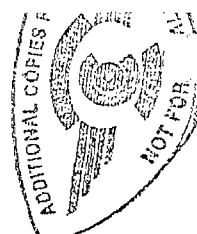
SUBSCRIBED AND SWORN TO before me this 15th day of October, 2008 by
Hayden P. Tresner.

My Commission Expires: September 26, 2012 Viviana M. Bush
Notary Public



THIS MAP IS DELIVERED TO YOU BY MIDLAND MAP COMPANY UNDER A LICENSE TO USE. THIS LICENSE IS A LIMITED LICENSE FOR YOUR PERSONAL USE ONLY. IT IS NOT TO BE REPRODUCED, COPIED, REPRODUCED, OR OTHERWISE USED FOR ANY OTHER PURPOSE. ANY REPRODUCTION OR OTHER USE OF THIS MAP WITHOUT THE WRITTEN PERMISSION OF MIDLAND MAP COMPANY IS STRICTLY PROHIBITED. THE RIGHT TO USE OR TO ALLOW OTHERS TO USE OR REPRODUCE THIS MAP IS RESERVED EXCLUSIVELY TO MIDLAND MAP COMPANY. ANY VIOLATION OF THIS LICENSE OR OF ANY OTHER LAW OR REGULATION CONCERNING THE REPRODUCTION OR USE OF THIS MAP OR OTHER INFORMATION CONTAINED HEREIN MAY BE SUBJECT TO CIVIL AND CRIMINAL PENALTIES. THROUGH MIDLAND MAP COMPANY, YOU ARE PURCHASING AND RECEIVING A LIMITED LICENSE TO USE THIS MAP FOR YOUR PERSONAL USE ONLY. ANY REPRODUCTION OR OTHER USE OF THIS MAP WITHOUT THE WRITTEN PERMISSION OF MIDLAND MAP COMPANY IS STRICTLY PROHIBITED. THE RIGHT TO USE OR TO ALLOW OTHERS TO USE OR REPRODUCE THIS MAP IS RESERVED EXCLUSIVELY TO MIDLAND MAP COMPANY. ANY VIOLATION OF THIS LICENSE OR OF ANY OTHER LAW OR REGULATION CONCERNING THE REPRODUCTION OR USE OF THIS MAP OR OTHER INFORMATION CONTAINED HEREIN MAY BE SUBJECT TO CIVIL AND CRIMINAL PENALTIES.

AN VIOLATION OF THIS LICENSE OR THE
 CREATING THIS MAP SHALL BE PRESUMED
 STRUDED AS AN INTENTIONAL RECKLESS
 VIOLATION, AND WILL BE PROSECUTED TO
 THE FULL EXTENT OF THE LAW BECAUSE OF THE
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EXHIBIT

FDNY Fast LEA Southwest

2120

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



July 8, 2008

Via U.S. Certified Mail-Return Receipt Requested No. 7004 1160 0000 4496 1179

Pioneer Exploration, Ltd.
P.O. Box 201788
Dallas, Texas 75320-1788

Re: Cimarex Energy Co.-Well Proposal
Enterprise 11 State Com No.1-H
S/2S/2 Section 11-T15S-R31E
Chaves County, New Mexico

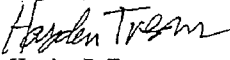
Gentlemen:

Cimarex Energy Co. ("Cimarex") has drilled the captioned well to an approximate vertical depth of 9,400' from surface location at approximately 375' FSL and 330' FWL, then turned and drilled an approximate 4,300' lateral leg to a bottom hole location at approximately 375' FSL and 330' FEL, for an approximate final measured depth of 13,240', in order to test the lower Abo formation.

We are enclosing herewith two (2) copies of our AFE in the total amount of \$ 4,191,689 setting forth our estimated costs to drill and complete the captioned well. If you should wish to participate in this project and contribute to our working interest unit that covers the entire S/2 of the above captioned section, please indicate your concurrence and approval by signing the AFE and returning a copy to the undersigned at the above letterhead address. We will deliver our proposed form OA upon receipt of an election to participate in the drilling of this well. Alternatively, if you choose not to participate, Cimarex would be interested in entering into a mutually acceptable term assignment or farmout of your leasehold interest in this unit.

If there is anything further that you should require in regard to this matter, please do not hesitate to call upon us. Thank you very much.

Regards,


Hayden P. Tresner
Landman

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EXHIBIT B



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.			DATE PREPARED January 3, 2008		
REGION Permian	WELL NAME Enterprise 11 State	WELL NO. 1H	PROSPECT OR FIELD NAME Lower Abo Horiz Trend	PROPERTY NUMBER	DRILLING AFE NO.
LOCATION Surface: 375 FSL 330 FWL Sec. 11 T15S-R31E BH: 375 FSL 330 FEL Sec 11 T15S-R31E			COUNTY Eddy	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 x	EST. START DATE	EST. COMP. DATE	FORMATION Lower Abo	EST. TD 13,160'	
REVISED ESTIMATE					
SUPPLEMENTAL ESTIMATE					

PROJECT DESCRIPTION:

Drill and complete a Lower Abo horizontal well. Pilot 9250 TVD 8760'/MD 13160 (4300 VS)

INTANGIBLES	DRY HOLE COST	AFTER CASING POINT	COMPLETED WELL COST
Intangible Drilling Costs	\$2,367,227		\$2,367,227
Intangible Completion Costs		979,755	979,755
TOTAL INTANGIBLE COSTS	2,367,227	979,755	3,346,982
<u>TANGIBLES</u>			
Well Equipment	139,614	630,094	769,708
Lease Equipment		75,000	75,000
TOTAL TANGIBLE WELL COST	139,614	705,094	844,708
PLUG AND ABANDON COST	150,000	(150,000)	
TOTAL WELL COST:	\$2,656,840	\$1,534,849	\$4,191,689

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.

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.

201.89

CIMAREX ENERGY CO. APPROVAL

PREPARED BY Ryan Braxton Drilling/Completions Engineer - PB	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
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JOINT INTEREST APPROVAL

COMPANY	BY	DATE
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10/14/2008 7:48 PM

EXHIBIT



PROJECT COST ESTIMATE

LEASE NAME: Enterprise 11 State

WELL NO.:

1H

INTANGIBLES	Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$95,000	DICC.100	\$5,000	\$100,000
DAMAGES	DIDC.105	6,000	DICC.105		\$6,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	15,000	DICC.235	35,000	\$50,000
DAY RATE 41 DH DAYS 4 ACP DAYS @ 19000 PER DAY	DIDC.115	779,000	DICC.120	76,000	\$855,000
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	16,000			\$16,000
BITS	DIDC.125	75,000	DICC.125	1,000	\$76,000
FUEL \$2.70 PER GALLON 1000 Gals/Day	DIDC.135	110,700	DICC.130	7,000	\$117,700
WATER / COMPLETION FLUIDS	DIDC.140	28,700	DICC.135	23,000	\$51,700
MUD & ADDITIVES	DIDC.145	61,500			\$61,500
SURFACE RENTALS	DIDC.150	53,300	DICC.140	33,200	\$86,500
DOWNHOLE RENTALS	DIDC.155	70,000	DICC.145	16,200	\$86,200
FORMATION EVALUATION (DST, Coring Including evaluation, G&G SERVICES)	DIDC.160	12,000			\$12,000
MUD LOGGING 26 DAYS @ \$1,000 PER DAY	DIDC.170	33,000			\$33,000
OPEN HOLE LOGGING	DIDC.180	110,000			\$110,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	55,000	DICC.155	30,000	\$85,000
TUBULAR INSPECTIONS	DIDC.190	5,000	DICC.160	6,000	\$11,000
CASING CREWS	DIDC.195	12,000	DICC.165	15,000	\$27,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	16,400	DICC.170	5,000	\$21,400
LAND TRANSPORTATION (Trucking)	DIDC.205	16,400	DICC.175	2,800	\$19,200
SUPERVISION	DIDC.210	73,800	DICC.180	20,000	\$93,800
TRAILER HOUSE/CAMP/CATERING	DIDC.280	20,500	DICC.255	4,000	\$24,500
OTHER MISC EXPENSES	DIDC.220		DICC.190	1,000	\$1,000
OVERHEAD	DIDC.225	12,300	DICC.195	3,300	\$15,600
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	165,000			\$165,000
DIRECTIONAL DRILLING SERVICES 17 DAYS @ 11500 PER DAY	DIDC.245	213,500			\$213,500
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.260	98,400			\$98,400
WELL CONTROL EQUIP (Snubbing services)	DIDC.265	20,000	DICC.240	8,400	\$28,400
FISHING & SIDETRACK OPERATIONS	DIDC.270	75,000	DICC.245		\$75,000
COMPLETION RIG 7 DAYS @ 4600 PER DAY			DICC.115	32,200	\$32,200
COIL TUBING 1 DAYS @ 38000 PER DAY			DICC.280	38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.200	5,000	\$5,000
STIMULATION			DICC.210	530,000	\$530,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	5,000	DICC.280		\$5,000
WELL CONTROL INSURANCE \$0.35 PER FOOT	DIDC.285	4,573			\$4,573
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	109,154	DICC.220	45,655	\$155,809
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110	1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	35,000	\$35,000
CONSTRUCTION FOR SALES P/L			DICC.265		
TOTAL INTANGIBLE COST		\$2,367,227		\$979,755	\$3,346,982
TANGIBLE - WELL EQUIPMENT					
CASING	SIZE	FEET	\$/FOOT		
DRIVE PIPE				DWEB.150	
CONDUCTOR PIPE	20 "	70	95.00	DWEB.130	4,000
WATER STRING				DWEB.135	
SURFACE CASING	13 3/8"	300	43.89	DWEB.140	13,167
INTERMEDIATE CASING	9 5/8"	3,850	24.67	DWEB.145	97,447
DRILLING LINER				DWEB.145	
DRILLING LINER				DWEB.145	
PRODUCTION CASING OR LINER	7 "	9,250	26.52	DWEA.100	245,310
PRODUCTION TIE-BACK	4 1/2"	4,800	13.09	DWEA.100	62,832
TUBING	2 7/8"	8,700	5.71	DWEA.105	49,677
N/C WELL EQUIPMENT				DWEA.115	6,000
WELLHEAD, TREE, CHOKES				DWEB.115	25,000
LINER HANGER, ISOLATION PACKER				DWEB.100	
PACKER, NIPPLES				DWEA.125	120,000
PUMPING UNIT, ENGINE				DWEA.130	
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.100	98,000
TANGIBLE - LEASE EQUIPMENT				DLEQ.105	28,275
N/C LEASE EQUIPMENT				DLEQ.115	44,000
TANKS, TANKS STEPS, STAIRS				DLEQ.120	17,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	13,000
FLOW LINES (Line Pipe from wellhead to central facility)				DLEQ.130	1,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES				DWEA.135	
PIPELINES TO SALES				DWEA.140	
TOTAL TANGIBLES		\$139,814		\$705,094	\$844,708
P&A COSTS		DIDC.295	150,000	DICC.275	(150,000)
TOTAL COST		\$2,656,840		\$1,534,848	\$4,191,688