

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL
CONSERVATION
DIVISION**

CASE #: 14195

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. 14,195

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 owners being pooled have 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/2N/2 of Section 16, 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 Ticonderoga 16 State Com. Well No. 1H, a horizontal well to be drilled at a surface location 1980 feet from the north line and 330 feet from the west line, with a terminus 1980 feet from the north line and 330 feet from the east line, of Section 16. The well unit is non-standard because of the horizontal well, and applicant seeks to pool the non-standard well unit.

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

Oil Conservation Division

Case No. 14,195

Exhibit No. 1

Estate of Louis Walter	<u>6.25</u>	%
Estate of Manuel Walter	<u>6.25</u>	%
Toni Walter Stern	<u>6.25</u>	%
Lance J. Walter	<u>6.25</u>	%

No. 245
9150 Wilshire Boulevard
Beverly Hills, California 90212

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

(i) W½ of Section 10.
Chesapeake Exploration Limited Partnership
P.O. Box 18496
Oklahoma City, Oklahoma 73154-0496

COG Operating, LLC
Suite 1300
550 West Texas
Midland, Texas 79701

(ii) N½NE¼ of Section 16.
Cimarex Energy Co. of Colorado

(iii) NE¼NW¼ of Section 16.
Chesapeake Exploration Limited Partnership

(iv) NW¼NW¼ of Section 16.
Anadarko Petroleum Corporation
1201 Lake Robbins Drive
The Woodlands, Texas 77380

(v) SW¼NE¼ of Section 16.
XTO Energy Inc.
Suite 2000
810 Houston Street
Fort Worth, Texas 76102

- (vi) N½SE¼ of Section 16.
Cimarex Energy Co. of Colorado
- (vii) NE¼SW¼ of Section 16.
Chevron U.S.A. Inc.
11111 South Wilcrest Drive
Houston, Texas 77099-4310
- (viii) NW¼SW¼ of Section 16.
Cimarex Energy Co. of Colorado
- (ix) E½ of Section 17.
Kevin O. Butler & Associates, Inc.
P.O. Box 1171
Midland, Texas 79702

(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 Chaves County.

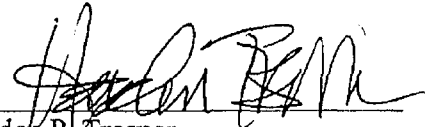
(i) Overhead charges of \$ 6,500.00/month for a drilling well, and \$ 650.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted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

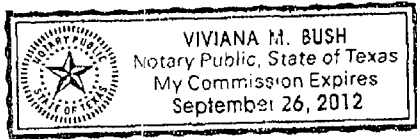
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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



Hayden P. Tresner

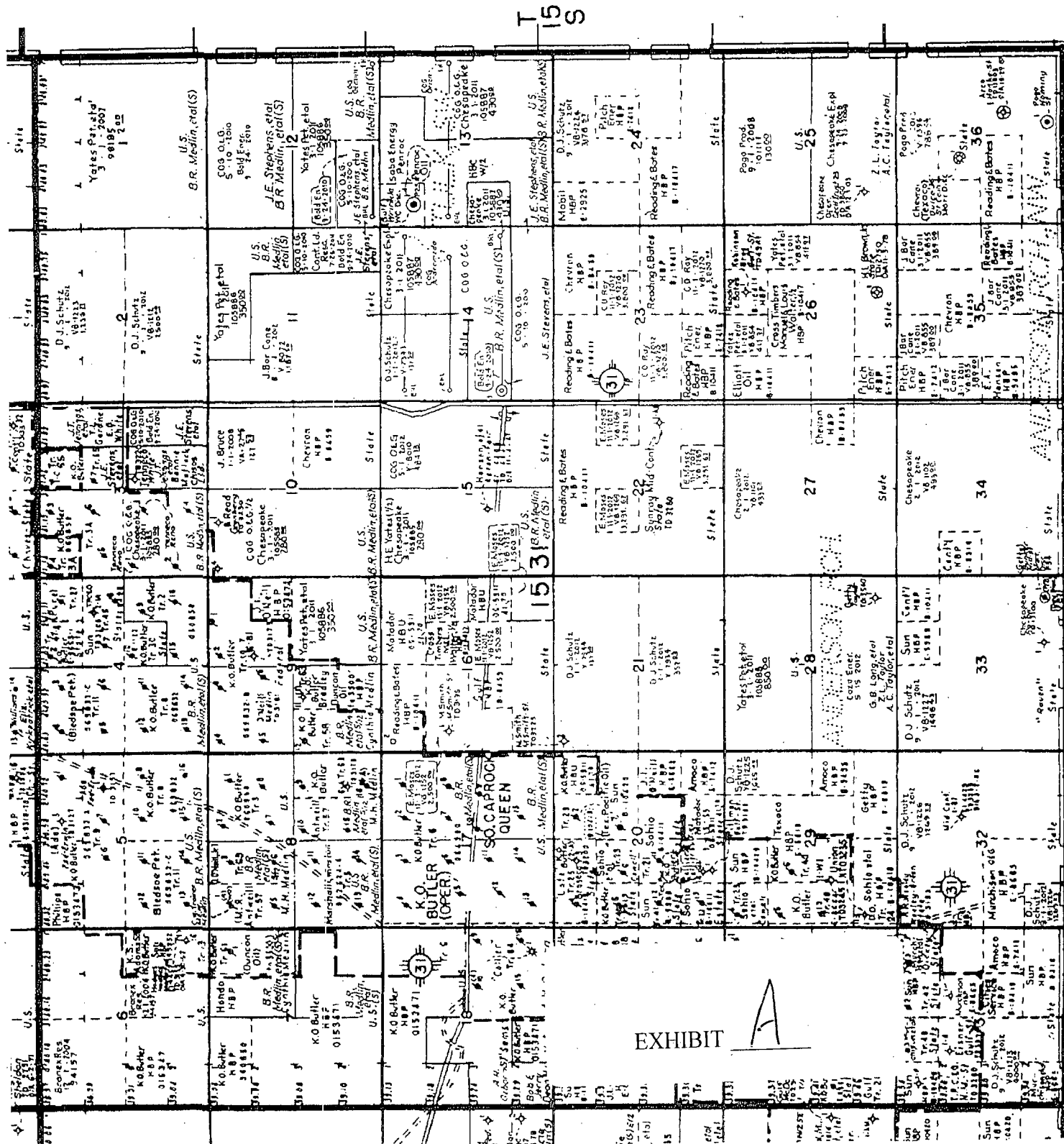
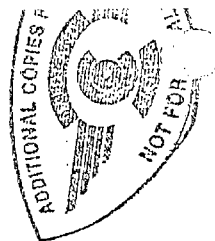
SUBSCRIBED AND SWORN TO before me this 15th day of October, 2008 by
Hayden P. Tresner.

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



[illegible]

ANY VIOLATION OF THIS LICENSE OR THE EFFECTING THIS MAP SHALL BE PRESUMED TO BE CONSTRUED AS AN INTENTIONAL RECKLESS VIOLATION, AND WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW BECAUSE OF THE ACTUAL HARM OF ANY SUCH VIOLATION, THE ACTUAL LOSS, AND THE ADEQUACY OF OBTAINING AN ADEQUATE REMEDY AS REQUIRED BY TEX. BUS. & COM. CODE § 2718. AUTOMATICALLY CARRIES WITH IT A LIQUIDATED DAMAGES OF AT LEAST \$10,000 PER VIOLATION.



EDDY. East LEA. Southwest

0217

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



August 26, 2008

Via Certified U.S. Mail-Return Receipt Requested No. 7004 1160 0000 4496 1339

The Walter Company
9150 Wilshire Blvd., #245
Beverly Hills, California 90212

Attn: Lance Walter

Re: Cimarex Energy Co's.
Ticonderoga 16 State Com No. 1-H
Well proposal

Dear Lance:

The public records of Chaves County, New Mexico indicate that Walter Amusements, Inc. and the heir(s) of Manuel Walter and Louis Walter ("Walter") own part of a lease that covers the SW/4NE/4 of Section 16-T15S-R31E, N.M.P.M., Chaves County, New Mexico. Cimarex Energy Co. ("Cimarex") owns leases that cover the S/2NW/4 and SE/4NE/4 of Section 16. Cimarex would like to form a 160-acre working interest unit comprised of the S/2N/2 of this section and then drill a horizontal to test the lower Abo formation.

Cimarex hereby proposes to drill the well to a vertical depth of approximately 9,600' from a surface location at approximately 1980' FNL and 330' FWL, then kick off up the wellbore and continue to drill an estimated 4,500' lateral leg to a proposed bottom hole location at approximately 1980' FNL and 330' FEL for a TVD of approximately 8800' and an approximate final MD of 13,250'.

Enclosed herewith are two (2) copies of Cimarex' AFE in the total amount of \$ 4,861,424 that sets forth our estimated cost to drill and complete the well. If Walter would like to participate in this well, please sign and return a copy of the AFE to the undersigned at the above letterhead address. Cimarex' proposed form operating agreement will be delivered upon receipt of Walter's election to participate in the well. Alternatively, if Walter chooses not to participate, Cimarex would be interested in entering into a term assignment or farmout of Walter's leasehold interest in this proposed 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 13

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



August 8, 2008

Via Certified U.S. Mail-Return Receipt Requested No. 7004 1160 0000 4496 1278

Louis Walter, et al
9350 Wilshire Blvd. #212
Beverly Hills, California 90212

Re: Cimarex Energy Co's.
Well proposal
Ticonderoga 16 State Com No. 1-H

Gentlemen:

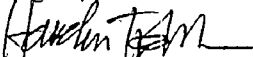
The public records of Chaves County, New Mexico indicate that Walter Amusements, Inc., Manuel Walter and Louis Walter ("Walter") own part of a lease that covers the SW/4NE/4 of Section 16-T15S-R31E, N.M.P.M. Chaves County, New Mexico. Cimarex Energy Co. ("Cimarex") owns leases that cover the S/2NW/4 and SE/4NE/4 of Section 16. We would like to form a 160-acre working interest unit comprised of the S/2N/2 of this section and then drill a horizontal well to test the lower Abo formation.

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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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AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.				DATE PREPARED August 7, 2008	
REGION Permian	WELL NAME Ticonderoga 16 State Corn	WELL NO 1H	PROSPECT OR FIELD NAME Lower Abo Horizontal	PROPERTY NUMBER 309742-018.01	DRILLING AFE NO. 258060
LOCATION Sec 16 15S-31E Horizontal			COUNTY Chaves	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 13,240'	
REVISED ESTIMATE					
SUPPLEMENTAL ESTIMATE					

PROJECT DESCRIPTION:

Drill and complete a Lower Abo horizontal well. Pilot 9600 horiz TVD 8800'/MD 13250 (4500 VS)

INTANGIBLES	DRY HOLE COST	AFTER CASING POINT	COMPLETED WELL COST
Intangible Drilling Costs	\$2,490,958		\$2,490,958
Intangible Completion Costs		1,325,835	1,325,835
TOTAL INTANGIBLE COSTS	2,490,958	1,325,835	3,816,793
TANGIBLES			
Well Equipment	245,238	724,393	969,631
Lease Equipment		75,000	75,000
TOTAL TANGIBLE WELL COST	245,238	799,393	1,044,631
PLUG AND ABANDON COST	150,000	(150,000)	
TOTAL WELL COST:	\$2,886,196	\$1,975,228	\$4,861,424

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.

217.60

CIMAREX ENERGY CO. APPROVAL

PREPARED BY Mark Audas Drilling/Completions Engineer - PB	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Permian Region	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 7:47 PM

EXHIBIT



PROJECT COST ESTIMATE

LEASE NAME: Ticonderoga 16 State Com

WELL NO.:

1H

INTANGIBLES	Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$110,000	DICC.100	\$3,000	\$113,000
DAMAGES	DIDC.105	6,000	DICC.105		\$6,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	28,000	DICC.235	65,000	\$93,000
DAY RATE 37 DH DAYS 11 ACP DAYS @ 18000 PER DAY	DIDC.115	666,000	DICC.120	198,000	\$864,000
MISC PREPARATION COST (mouse hole, rat hole, pads, plg clusters, misc.)	DIDC.120	16,000			\$16,000
BITS	DIDC.125	65,000	DICC.125	1,000	\$66,000
FUEL \$4.50 PER GALLON 1100 Gals/Day	DIDC.135	183,150	DICC.130	7,000	\$190,150
WATER / COMPLETION FLUIDS	DIDC.140	48,100	DICC.135	65,000	\$113,100
MUD & ADDITIVES	DIDC.145	76,800			\$76,800
SURFACE RENTALS	DIDC.150	33,300	DICC.140	103,200	\$136,500
DOWNHOLE RENTALS	DIDC.155	128,000	DICC.145	37,200	\$166,200
FORMATION EVALUATION (DST, Co-ting including evaluation, G&G SERVICES)	DIDC.160				
MUD LOGGING 25 DAYS @ \$1,200 PER DAY	DIDC.170	38,200			\$38,200
OPEN HOLE LOGGING	DIDC.180	40,000			\$40,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	60,000	DICC.155	40,000	\$100,000
TUBULAR INSPECTIONS	DIDC.190	5,000	DICC.160	6,000	\$11,000
CASING CREWS	DIDC.195	16,000	DICC.165	40,000	\$56,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	22,200	DICC.170	5,000	\$27,200
LAND TRANSPORTATION (Trucking)	DIDC.205	22,200	DICC.175	2,800	\$25,000
SUPERVISION	DIDC.210	76,800	DICC.180	22,400	\$99,200
TRAILER HOUSE/CAMP/CATERING	DIDC.280	28,800	DICC.255	4,000	\$32,800
OTHER MISC EXPENSES	DIDC.220	11,100	DICC.190	1,000	\$12,100
OVERHEAD	DIDC.225	11,100	DICC.195	5,400	\$16,500
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	115,000			\$115,000
DIRECTIONAL DRILLING SERVICES 19 DAYS @ 12000 PER DAY	DIDC.245	246,000			\$246,000
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.260	182,800			\$182,800
WELL CONTROL EQUIP (Snubbing services)	DIDC.265	50,000	DICC.240	10,500	\$60,500
FISHING & SIDETRACK OPERATIONS	DIDC.270	80,000	DICC.245		\$80,000
COMPLETION RIG 7 DAYS @ 4600 PER DAY			DICC.115	32,200	\$32,200
COIL TUBING 1 DAYS @ 38000 PER DAY			DICC.260	38,000	\$38,000
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.260	10,000	\$10,000
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	4,601			\$4,601
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	114,808	DICC.220	63,135	\$177,943
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		\$2,490,958		\$1,325,835	\$3,816,793
TANGIBLE - WELL EQUIPMENT					
CASING					
DRIVE PIPE			DWEB.150		
CONDUCTOR PIPE	20"	70	DWEB.130	4,000	\$4,000
WATER STRING			DWEB.135		
SURFACE CASING	13 3/8"	340	DWEB.140	23,800	\$23,800
INTERMEDIATE CASING	8 5/8"	3,950	DWEB.145	202,438	\$202,438
DRILLING LINER			DWEB.145		
DRILLING LINER			DWEB.145		
PRODUCTION CASING OR LINER	7"	9,250	DWEA.100	272,875	\$272,875
PRODUCTION TIE-BACK	-1/2" x 2-7/8"	4,500	DWEA.100	65,478	\$65,478
TUBING	2 7/8"	8,800	DWEA.105	88,440	\$88,440
N/C WELL EQUIPMENT			DWEA.115	6,000	\$6,000
WELLHEAD, TREE, CHOKES			DWEB.115	15,000	\$15,000
LINER HANGER, ISOLATION PACKER			DWEB.100	DWEA.125	125,000
PACKER, NIPPLES				DWEA.130	
PUMPING UNIT, ENGINE				DLEQ.100	110,000
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.105	28,600
TANGIBLE - LEASE EQUIPMENT					
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		\$245,238		\$799,393	\$1,044,631
P&A COSTS	DIDC.285	150,000	DICC.275	(150,000)	
TOTAL COST		\$2,886,196		\$1,975,228	\$4,861,424