STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMEN OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY COMPANY FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

CASE NO. 14368

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CASE NO. 14370

MOTION TO DISMISS

Hyde Oil and Gas Corporation ("Hyde Oil") moves the Division to dismiss these applications on the grounds that Cimarex has (a) failed to properly propose these wells, and (b) failed to engage in good faith efforts to reach a voluntary agreement with the interest owners in the proposed spacing units prior to filing these applications. In support of this motion, Hyde Oil states:

- 1. Hyde Oil is the owner of uncommitted working interests in Section 34, T-19-S, R-34-E, the area that is the subject of these applications.
- The Division, by long-standing practice, has required an applicant for compulsory pooling to first furnish all interest owners a formal well proposal at least thirty days prior to filing an application for pooling, and to then engage in good faith efforts to reach an agreement on the development of the acreage before invoking the pooling authority of the Division.

- 3. To foster informed, good faith discussion, the Division has traditionally required that the formal well proposal include, at the very least, the footage location of the proposed well, the formations or pools targeted by the proposed well, a proposed form of joint operating agreement, and an authorization for expenditures (AFE) setting forth the estimated costs.
- 4. The Division recently confirmed these long-standing requirements in its Order No. R-13155 issued on August 11, 2009.
- 5. In these cases, Cimarex proposed to Hyde Oil three horizontal wells in Section 34 by letters dated July 17, 2009. However, these well proposals were deficient because:
 - a. The letters did not identify a footage location for either the surface or bottom hole location of the proposed wells; and
 - b. The letters did not contain a proposed form of joint operating agreement for consideration.

See Attachments A1 (involving Case No. 14368), A2 (involving Case No. 14369) and A3 (involving Case No. 14370).

- 6. In mid July, Cimarex represented to Hyde Oil that it intended to schedule a face to face meeting to discuss and explain its development proposals in Section 34. However, no such meeting took place prior to or after Cimarex sent these well proposals. *See* Exhibit C (Affidavit of Blair Hamburg) at ¶¶ 1-4.
- 7. On August 13, 2009, less than thirty days after sending its deficient well proposal letters, Cimarex filed and sent certified letters providing notice of its pooling applications in these cases. *See* Attachments B1, B2 and B3.¹

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¹ The certified letter for Case No. 14369 (Mallon 34 Well No. 19) was submitted under a cover letter dated July 28, 2009. However, all indications are that this letter was sent on August 13, 2009, with the certified letters for the Mallon 34 Well Nos. 18 and 20.

8. On August 17, 2009, Hyde Oil received the certified mailings. On that same date, Hyde Oil sent an email to Cimarex stating Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's plans, therefore making it difficult for us to make a decision." *See* Exhibit C at ¶¶ 6-7.

9. Cimarex has represented in its Applications to the Division that it "has in good faith sought to obtain the voluntary joinder of all other mineral interests" in each of the three proposed spacing units. However, no such good faith efforts have taken place prior to invoking the pooling authority of the Division. See Exhibit C at $\P 8$.

WHEREFORE, Hyde Oil respectfully requests that the Division dismiss these applications and require that Cimarex, (a) first furnish to the interest owners a proper well proposal for the development of the acreage comprising it proposed spacing units, and (b) thereafter attempt in good faith to reach a voluntary agreement with each of the interest owners prior to invoking the pooling authority of the Division.

Respectfully submitted,

Holland & Hart LLP

William F. Carr

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 8750-2208

(505) 988-4421

(505) 983-6043 Facsimile

ATTORNEYS FOR

CERTIFICATE OF SERVICE

I hereby certify that on the morning of September 1, 2009, I caused to be hand-delivered a copy of the foregoing **MOTION TO DISMISS** to the following counsel of record:

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
(505) 982-2151
jamesbruc@aol.com

Michael H. Feldewert, Esq.

Cimarex Energy Co.

600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432,571,7800



July 17, 2009

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4073</u>

Fuel Products, Inc. Attn: Thomas M. Beall P.O. Box 3098 Midland, Texas 79702

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4080</u>

MGT Partners I, L.P., et al. Attn: John Stroud 13727 Noel Road, Suite 500 Dallas, Texas 75240

<u>Via: E-mail and U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4059</u>

Pear Resources Attn: Alan Byars/Jerry M. Gahr P.O. Box 11044 Midland, Texas 79702

Via: U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4103

Michael J. Moncrief 2008 Trust A Attn: Jerry Goodwin, CPA 777 Taylor Street, Suite 1030 Fort Worth, Texas 76102

Re: Mallon 34 Federal No. 20 N/2N/2 Section 34-T19S-34E Lea County, New Mexico

Dear Working Interest Owners:

Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the project described in the enclosed AFE. If you choose to participate in the drilling of the well, please sign and return a copy of the AFE to the undersigned. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate,

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4066</u>

Hyde Oil and Gas Corporation Attn: Blair Hamburg 6300 Ridglea Place, Suite 1018 Fort Worth, Texas 76116

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4035</u>

U.S. Trust, Bank of America Attn: Janet M. Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113-2546

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4042</u>

W.A. Moncrief, Jr. Trust Attn: Monita Cebell 950 Commerce Street Fort Worth, Texas 76102-5418



Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.

Hayden P. Tresner

Landman



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Seals (city			2 () () ()		16, 2009
Region Well Name Permian Mallon 34 Federal	, Well No.	Prospect or Field Name	Property	Number	er e en e	AFENO
Location	eenerjavijs	County Page 1	The Frista			
N/2N/2 Section 34-19S-34E	and the second s	Lea	NI	A	Oil x Gas	Expl X Prod
Estimaté Type	essissier	ESYStart Date	Est! Comp Da	cantification	Formation	STORY TEST TO STORY
Original Estimate Revised Estimate Supplemental Estimate O					Bone Spring	15,046'
Project Description Project Description Project Description Project Drill and complete a third Bone Spring horizontal was a second project Description Project Descrip						
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Intangibles Drilling Costs		Dry Hole Cost \$1,659,200	Afte	er Casing Po	oint Co	mpleted Well Cost \$1,659,200
Completion Costs				\$1,151,000		\$1,151,000
Total Intangible Costs		\$1,659,200		\$1,151,000		\$2,810,200
Tangibles Well Equipment		\$36,000		\$764,275		\$800,275
Lease Equipment			<u> </u>	\$36,500		\$36,500
Total Tangible Well Cost		\$36,000		\$800,775		\$836,775
Plug and Abandon Cost		\$150,000		-\$150,000		\$0
Total Well Cost		\$1,845,200		\$1,801,775		\$3,646,975
Comments on Well Cost 1. All tubulars, well or lease equipment is priced by Well Control Insurance Unless otherwise indicated below, you, as a non-outle so long as Operator conducts operations hereunder insurance, you must provide a certificate of such in	y COPAS and perating we are and to pa	orking interest owner, agree to be	ric Price Multi	plier. perator's w re. If you e	rell control insurance lect to purchase your	procured by Operator own well control
later than commencement of drilling operations. It is insurance procured by Operator.	ou agree t	hat failure to provide the certifica	te of insuranc	e, as provid	led herein, will result	in your being covered
1 elect to purchase my own well control insurance policy.						
Well control insurance procured by Operator, proverelated redrilling and clean-up/pollution expense of	rides, amon overing dri	g other terms, for \$20,000,000 (1) Iling (through completion) with a	00% W.I.) of C \$1,000,000 (1	ombined Si 00% W.I.) d	ngle Limit coverage f eductible.	or well control and
Comments on AFER. The above costs are estimates only and anticipate without affecting the authorization for expendituration actual legal, curative, regulatory and well costs unit	trouble fre e herein gra	e operations without any foresees anted. By approval of this AFE, th	able change in e working inte	plans. The	e actual costs may exe agrees to pay its pro	portionate share of 🥤
		Cimarex Energy Co. App				
		d Completion Manager	A STATE OF THE SECOND	- 10	lanager (1994)	A TOWN OF THE PARTY OF THE PART
Mark Audas Engineer - PB	Doug Park, I	Mgr Operations PB		Roger Alexan	der, Regional Manager PB	
Company.	ÿB√∦°÷;,∵,∎	Joint Interest Approv		Dat		



Mud / Fluids Disposal Charges

Water / Completion Fluids

Mud & Additives

Surface Rentals

Mud Logging

Casing Crews

Supervision

Overhead

MOB/DEMOB

Solids Control

Completion Rig

Coil Tubing

Stimulation

Contingency

Downhole Rentals

Open Hole Logging

Tubular Inspections

Other Misc Expenses

Remedial Cementing

Directional Drilling Services

Marine & Air Transportation

Well Control Equip (Snubbing Svcs.)

Completion Logging, Perforating, WL Units, WL Surveys

Fishing & Sidetrack Operations

Legal / Regulatory / Curative

Construction For Well Equipment

Construction For Lease Equipment

Well Control Insurance

Construction For Sales P/L

Total Intangible Cost

Dock, Dispatcher, Crane

Extra Labor, Welding, Etc.

Cementing & Float Equipment

Land Transporation (Trucking)

Trailer House / Camp / Catering

Damages

Day Rate

Bits

Fuel

Roads & Location Preparation / Restoration

39 DH Days

\$2.55 Per Gallon

Project Cost Estimate

Mailon 34 Federal

1 Days @

\$0.35 Per Foot

5% of Drilling Intangibles

Well No.: 20 \$50,000 DIDC.100 \$50,000 DEC 100 \$1,000 \$1,000 PIDC.105 DICC 105 DIDC.255 \$65,000 DICC 235 \$52,500 \$117,500 \$96,000 \$564,000 \$468,000 8 ACP Days @ 12,000 Per Day PIDCEIS \$9,000 Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.) \$9,000 PIDC 126 \$23,000 DICC125 \$1,000 \$24,000 MPC 125 \$102,000 \$12,000 700 Gallons Per Day \$90,000 s picc.130 008.135 Per Day 0000,140 \$70,200 \$61,500 \$131,700 \$39,000 \$39,000 DIDC 145 \$145,000 \$61,000 DICC 140 \$84,000 Per Day 0000.150 \$74,000 \$162,000 \$88,000 DIDC:155 DK. \$31,000 50 Formation Evaluation (DST, Coring including evaluation, G&G Services) DIDC 160 32 Per Day \$31,000 \$850 Days @ \$15,000 DIPC.180 \$15,000 \$15,000 PICC 155 \$65,000 900 (8) \$50,000 \$8,000 00000390 \$5,000 DRC.160 \$3,000 DIDC 195 \$10,000 Dick less \$15,000 \$25,000 \$36,000 \$31,000 DG 170 \$5,000 DIDC.260 \$29,000 \$9,000 DIDC 205 \$20,000 Dick 125 оны 210 Per Day \$59,000 DICE INC \$26,000 \$85,000 \$23,000 \$4,000 \$27,000 Per Day pmc...se\$11,000 \$7,000 \$18,000 DIDC, De DICC 190 300 Per Day PIDE 22% \$12,000 DICC POS \$11,000 \$23,000 DIDC \$0 \$60,000 \$60,000 DB5C 24C 12 Days @ 8,200 Per Day \$140,000 \$140,000 DIDC.249 PIDELISE DICC 230 SO. 0000.27 sol \$88,000 \$88,000 Per Day \$116,000 DIDC 265 \$90,000 Dicc 246 \$26,000 PHDC 276 \$0i PICC.245 \$0 17 Days @ 3,400 Per Day \$70,000 \$70,000

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			DV01B 148	\$0			\$0
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					PWFA 115	\$20,000	\$20,000
			DWEB 115		DWFA 120	\$10,000	\$10,000
			DWFB.100		DWIA 125	\$1,000	\$1,000
					D5YE4 130	\$110,000	\$110,000
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Authorization For Expenditure

Company Entity And Andrew Energy Co.	A STATE OF					6, 2009
Region Well Name	Well No	Prospect of Field Na	me " The Prope	rty Number :	Dalling	AFE NO TRUE TO THE
Permian Mallon 34 Federal	20					;
Location。不是不可以用,或是不是这种,并被使用,		Founty**		State () (*) 727 (Well and a make a spirit
N/2N/2 Section 34-19S-34E		Lea		NM	Oil x Gas	Expl x Prod
Estimate Type 1988 1994 1994		St Start Date (****) ****	Str SeeEsty€onip	Date J. S. J. G.	Formation (*)	Were the Est TO
Original Estimate					Bone Spring	15,046'
Supplemental Estimate O						
Project Description Drill and complete a third Bone Spring horizontal v						
intangibles		Dry Hole Cost		After Casing Po	oint Con	pleted Well Cost
Drilling Costs Completion Costs		\$1,659,200		\$1,151,000		\$1,659,200 \$1,151,000
Total Intangible Costs		\$1,659,200		\$1,151,000		\$2,810,200
Tangibles						,
Well Equipment		\$36,000	בינוע מיני מיני מיני מיני מיני מיני מיני מינ	\$764,275		\$800,275
Lease Equipment Total Tangible Well Cost		\$36,000		\$36,500 \$800,775	1	\$36,500 \$836,775
Plug and Abandon Cost		\$150,000		-\$150,000		\$0
Total Well Cost		\$1,845,200		\$1,801,775		\$3,646,975
Well Control insurance Unless otherwise indicated below, you, as a non-o so long as Operator conducts operations hereunde insurance, you must provide a certificate of such in later than commencement of drilling operations. By insurance procured by Operator. I elect to purchase my own well control insurance policy. Well control insurance procured by Operator, province and clean-up/pollution expense of the superior of the super	perating wo er and to pa nsurance ac You agree the	orking interest owner, agrey your prorated share of the comparison	e Historic Price M e to be covered b the premiums ther o form and limits, certificate of insura	y Operator's wefore. If you elat the time this ance, as provid	ell control insurance p lect to purchase your o s AFE is returned, if av ed herein, will result in	procured by Operator own well control ailable, but in no event n your being covered
Comments on AFE. The above costs are estimates only and anticipate without affecting the authorization for expenditur actual legal, curative, regulatory and well costs un	trouble free e herein gra	e operations without any finted. By approval of this	oreseeable chang AFE, the working nent, regulatory o	e in plans. The interest owner	actual costs may exce agrees to pay its prop	ortionate share of
Prepared by	Djillingsan	dเติดก็pletion Mลักลัยยะ	• •	K Regionalin		
Mark Audas Engineer - PB	Doug Park, M	figr Operations PB		Roger Alexan	der, Regional Manager PB	
Company	[©] BV 2]∀ .	Joint Interest A	TO STATE OF STREET, IN CONTROL OF STREET,	wae Datesial ≪g		
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Project Cost Estimate

Lease Name: Malion 34 Federal Weli No.: 20

	Mailon 34 Federal							***	eli No.:	20
The state of the s							Dry Hole Cost			ompleted Well
Intangibles :									Roint -	
Roads & Location	Preparation / Restora	tion				DIDC.100	\$50,000	DICC.100		\$50,000
Damages				 		DIDC:105	\$1,000	DICC:105		\$1,000
Mud / Fluids Disp						DIDC.255	\$65,000	DICC.235	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	L	12,000	Per Day	DIDC.115	\$468,000	DIC6.120	\$96,000	\$564,000
·	Cost (mouse hole, rat	hole, pads, pile clusters, r	misc.)			DIDC.120			THE RESERVE OF THE PARTY OF THE	\$9,000
Bits		To a di	700	G. H D D.		DIDC.125	\$23,000 \$90,000	DICC.125	\$1,000 \$12,000	\$24,000 \$102,000
Fuel		Per Gallon	700	Gallons Per Da	Per Day	DIDC.135	\$70,200	DICC.135	\$61,500	\$131,700
Water / Complete					Per Day	DIDC.140 DIDC.145				\$39,000
Mud & Additives				11	Per Day	DIDC.150	\$61,000	DICC. 140	\$84,000	\$145,000
Surface Rentals Downhole Rental	de .				er Duy	DIDC.155	\$88,000	DICC 145	\$74,000	\$162,000
		uding evaluation, G&G Se	rvices)			DIDC.160	720,000			\$0
Mud Logging	ation (D31) coming men		Days @	32 /	Per Day	DIDC.170	\$31,000			\$31,000
Open Hole Loggii	na		/			DIDC.180	\$15,000			\$15,000
Cementing & Flor						DIDC.185	\$15,000	DICC.155	\$50,000	\$65,000
Tubular Inspection						DIDC. 190	\$5,000	DICC 160	\$3,000	\$8,000
Casing Crews	,					DIDC.195	\$10,000	DICC.165	\$15,000	\$25,000
Extra Labor, Wel	ding, Etc.					DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transporati	ion (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision					Per Day	DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / C	amp / Catering				Per Day	DIDC./80	\$23,000	: -DICC.255	\$4,000	\$27,000
Other Misc Exper	nses					DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead				300	Per Day	DIDC.225	\$12,000	DICC. 195	\$11,000	\$23,000
Remedial Cemen	ting					DIDC.231		DICC.215	************	\$0
MOB/DEMOB						DIDC.240	\$60,000	A STATE OF THE STATE OF		\$60,000
Directional Drillin		12	Days @	8,200	Per Day	DIDC.245	\$140,000			\$140,000
Dock, Dispatcher						DIDC.250		DICC.230		\$0
Marine & Air Tra	insportation				00	DIDC.275	¢88.000	DICC.250		\$0
Solids Control				l	Per Day	DIDC.260				\$88,000
	uip (Snubbing Svcs.)					DIDC.265	\$90,000	DICC.240	\$26,000	\$116,000
Fishing & Sidetra	ick Operations	17	Days @	3 400	Per Day	DIDC.270	\$0 <i>[[[[[]]]]]</i>	DICC.245	\$70,000	\$0 \$70,000
Completion Rig			Days @	33,000				DICC.115	\$33,000	\$33,000
	ging, Perforating, WL U		Duys @	33,000	Per Day			DICC.260 DICC.200	\$10,000	\$10,000
Stimulation	ing, renjoiding, WE C	ints, WE surveys						DICC.210	\$427,000	\$427,000
Legal / Regulato	ou / Curative					DIDC.300	\$1,000	DICC 280	3427,000	\$1,000
Well Control Insu		\$0.35 Per Foot				DIDC.285	\$5,000			\$5,000
Contingency		of Drilling Intangibles				DIDC.435	\$79,000	DICC220	\$54,000	\$133,000
	r Well Equipment	1-7						DWFA.110	\$20,000	\$20,000
	Lease Equipment							DLEQ.110	SO	\$0
Construction For	Sales P/L							DICC265		SO
Total Intangible	Cost					والمراجعة المستورسات	\$1,659,200		\$1,151,000	\$2,810,200
			- A W.				***************************************			
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Casing	Equipment Pro-		(*** L*	经验的	die a Carporate Track					
	Ednibweur : 18 16 16 18 18	S. Herring and Action Section 19	Size	Feet	\$ / Foot					
Drive Pipe	Ednibweur : 100 Mary		4 4 4 4 4				\$0			\$0
Conductor Pipe	Edribweur: ************************************		Size	Feet	\$ / Foot		\$0 \$0			\$0 \$0
	Equipment:		Size 20 "	Feet	\$ / Foot	DWEB.150				
Conductor Pipe Water String Surface Casing			Size 20 " 13-3/8"	Feet 40.00	\$ / Foot	DWEB.150 DWEB.130 DWEB.135	\$0 \$0 \$0			\$0 \$0 \$0
Conductor Pipe Water String Surface Casing Intermediate Cas			Size 20 "	Feet	\$ / Foot \$0.00	DWEB.150 DWEB.130 DWEB.135 DWEB.140	\$0 \$0			\$0 \$0
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner			Size 20 " 13-3/8"	Feet 40.00	\$/Foot \$0.00 \$0.00	DWEB.150 DWEB.130 DWEB.135 DWEB.140	\$0 \$0 \$0			\$0 \$0 \$0
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Drilling Liner	sing		Size 20 " 13-3/8" 8-5/8"	Feet 40.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWEB.180 DWEB.135 DWEB.140 DWEB.145	\$0 \$0 \$0 \$36,000			\$0 \$0 \$0 \$36,000 \$0 \$0
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Drilling Liner Production Casin	sing ng or Liner		Size 20 " 13-3/8" 8-5/8"	Feet 40.00 1485.00 11200.00	\$/Foot \$0.00 \$0.00	DWEB.150 DWEB.130 DWEB.135 DWEB.140 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWEA.100	\$329,000	\$0 \$0 \$0 \$36,000 \$0 \$0 \$329,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B	sing ng or Liner		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	Feet 40.00 1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37	DWEB.150 DWFB.140 DWFB.135 DWFB.140 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100	\$66,275	\$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing	sing ng or Liner Back		Size 20 " 13-3/8" 8-5/8"	Feet 40.00 1485.00 11200.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.140 DWFB.135 DWFB.140 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.105	\$66,275 \$82,000	\$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm	sing ng or Liner Back nent		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	Feet 40.00 1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37	DWEB.150 DWEB.140 DWEB.145 DWEB.146 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWFA.115	\$66,275 \$82,000 \$20,000	\$0 \$0 \$36,000 \$0 \$0 \$0 \$329,000 \$66,275 \$82,000 \$20,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree,	sing ng or Liner Back nent Chokes		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	Feet 40.00 1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.105 DWFA.115 DWFA.120	\$66,275 \$82,000 \$20,000 \$10,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Iso	sing ng or Liner Back nent Chokes		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	Feet 40.00 1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37	DWEB.150 DWEB.140 DWEB.145 DWEB.146 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.125	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000	\$0 \$0 \$36,000 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Iso Packer, Nipples	sing ng or Liner Back nent Chokes plation Packer		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	Feet 40.00 1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.125 DWFA.130	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000	\$0 \$0 \$36,000 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Iso Packer, Nipples Pumping Unit, Ed	sing ng or Liner Back nent Chokes plation Packer		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	Feet 40.00 1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.105 DWFA.115 DWFA.120 DWFA.120 DWFA.130 DUFQ.100	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000	\$0 \$0 \$36,000 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Iso Packer, Nipples Pumping Unit, Ei	sing ng or Liner Back nent Chokes plation Packer ingine BHP, Rods, Anchors)		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWFA.120 DWFA.126 DWFA.130 DHFA.130 DHFA.130	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Iso Packer, Nipples Pumping Unit, Ei	sing ng or Liner Back nent Chokes Clation Packer ngine BHP, Rods, Anchors) Equipment		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.125 DWFA.130 DEG.100 DEG.105	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000
Conductor Pipe Water String Surface Casing Intermediate Casing Intermediate Casing Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, El	sing ng or Liner Sack nent Chokes plation Packer ngine BHP, Rods, Anchors) Equipment		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.125 DWFA.130 DEG.100 DEG.105	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0 \$0 \$36,000 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000
Conductor Pipe Water String Surface Casing Intermediate Cos Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, El Lift Equipment (L Tangible* Lease N/C Lease Equipm Tanks, Tanks Ste	sing ng or Liner Back nent Chokes plation Packer ngine BHP, Rods, Anchors) Equipment pps, Stairs		Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.125 DWFA.130 DEG.100 DEG.105 DEG.115 DEG.115	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, En Lift Equipment (L Tangible* Lease N/C Lease Equip Tanks, Tanks Ste Battery (Heater	sing ng or Liner Sack nent Chokes plation Packer ngine BHP, Rods, Anchors) Equipment	s Treating Equipment)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.127 DWFA.130 DUFQ.100 DUFQ.105 DUFQ.115 DUFQ.125	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0 \$0 \$36,000 \$0 \$329,000 \$329,000 \$10,000 \$10,000 \$110,000 \$110,000 \$48,000 \$0 \$20,000 \$15,000
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, En Lift Equipment (L Tangible* Lease N/C Lease Equipm Tanks, Tanks Ste Battery (Heater Flow Lines (Line	sing ng or Liner Back nent Chokes plation Packer ngine BHP, Rods, Anchors) Equipment ment ps, Stairs Treater, Separator, Ga	s Treating Equipment) central facility)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.120 DWFA.130 DUFQ.100 DUFQ.105 DUFQ.115 DUFQ.120 DUFQ.125 DUFQ.130	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$15,000
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, En Lift Equipment (L Tangible* Lease N/C Lease Equipm Tanks, Tanks Ste Battery (Heater Flow Lines (Line	sing ng or Liner Back nent Chokes plation Packer BHP, Rods, Anchors) Equipment ips, Stairs Treater, Separator, Gar Pipe from wellhead to	s Treating Equipment) central facility)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.120 DWFA.130 DUFQ.100 DUFQ.105 DUFQ.115 DUFQ.120 DUFQ.125 DUFQ.130 DUFQ.130 DUFQ.130	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$48,000 \$15,000 \$15,000 \$15,000
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, Ei Lift Equipment (Lase N/C Lease Equipm Tanks, Tanks Ste Battery (Heater Flow Lines (Line)	sing ng or Liner Back nent Chokes plation Packer BHP, Rods, Anchors) Equipment ips, Stairs Treater, Separator, Gar Pipe from wellhead to	s Treating Equipment) central facility)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.120 DWFA.130 DUFQ.100 DUFQ.105 DUFQ.115 DUFQ.120 DUFQ.125 DUFQ.130	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$15,000 \$15,000 \$0 \$0
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, En Lift Equipment (Lease N/C Lease Equipm Tanks, Tanks Ste Battery (Heater is Flow Lines (Line is Offshore Product Pipeline to Sales	sing ng or Liner Back nent Chokes plation Packer BHP, Rods, Anchors) Equipment ips, Stairs Treater, Separator, Gar Pipe from wellhead to	s Treating Equipment) central facility)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.120 DWEA.120 DWFA.130 DUFQ.100 DUFQ.105 DUFQ.115 DUFQ.120 DUFQ.125 DUFQ.130 DUFQ.130 DUFQ.130	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$50,000 \$15,000
Conductor Pipe Water String Surface Casing Intermediate Cas Drilling Liner Production Casin Production Tie-B Tubing N/C Well Equipm Wellhead, Tree, Liner Hanger, Isa Packer, Nipples Pumping Unit, En Lift Equipment (Lease N/C Lease Equipm Tanks, Tanks Ste Battery (Heater Flow Lines (Line) Offshore Product Pipeline to Sales	sing ng or Liner Back nent Chokes plation Packer BHP, Rods, Anchors) Equipment ips, Stairs Treater, Separator, Gar Pipe from wellhead to	s Treating Equipment) central facility)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00 10200.00	\$/Foot \$0.00 \$0.00 \$24.31 \$29.37 \$8.03	DWEB.150 DWEB.140 DWEB.145 DWEB.145 DWEB.145 DWEB.145	\$0 \$0 \$36,000 \$0	DWFA.100 DWFA.105 DWEA.115 DWEA.125 DWFA.130 DEQ.100 DEQ.100 DEQ.105 DEFQ.115 DEFQ.125 DEFQ.130 DWFA.1340	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500	\$0 \$0 \$0 \$36,000 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$15,000 \$15,000 \$0 \$20,000 \$15,000 \$15,000 \$15,000 \$15,000
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Cimarex Energy Co.

600 N. Marienfeld St. Suite 600 Midland, Texas 79701 PHONE 432,571,7800





Via: U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc. Attn: Thomas M. Beall P.O. Box 3098 Midland, Texas 79702

Via: E-mail U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al. Attn: John Stroud 13727 Noel Road, Suite 500 Dallas, Texas 75240

Via: E-mail and U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4059

Pear Resources Attn: Alan Byars/Jerry M. Gahr P.O. Box 11044 Midland, Texas 79702

Via: U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4103

Michael J. Moncrief 2008 Trust A Attn: Jerry Goodwin, CPA 777 Taylor Street, Suite 1030 Fort Worth, Texas 76102

Re: Mallon 34 Federal No. 19 S/2N/2 Section 34-T19S-34E Lea County, New Mexico

Dear Working Interest Owners:

Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the project described in the enclosed AFE. If you choose to participate in the drilling of the well, please sign and return a copy of the AFE to the undersigned. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate,

Via: E-mail U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4066

Hyde Oil and Gas Corporation Attn: Blair Hamburg 6300 Ridglea Place, Suite 1018 Fort Worth, Texas 76116

Via: E-mail U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4035

U.S. Trust, Bank of America Attn: Janet M. Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113-2546

Via: U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4042

W.A. Moncrief, Jr. Trust Attn: Monita Cebell 950 Commerce Street Fort Worth, Texas 76102-5418



Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.

Hayden P. Tresner

Landman



Authorization For Expenditure

Company Entity Cimarex Energy Co.			er construction				Date Prep	aredik Vi. July 1	L6, 2009	(i ka saniirian v
Region	W. Z. C. Swin	Livamer 👫	**************************************	Prospect of Field I	Jame -	PropertyNumber		A Dollin	AFE NO.	2017年
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otal Intangible Co	sts			\$1,659,200		\$1,151,00)0		\$2,810,20)0
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Vell Equipment ease Equipment				\$36,000		\$764,275 \$36,500			\$800,27 \$36,500	
Total Tangible Well	l Cost			\$36,000		\$800,77			\$836,77	·
Plug and Abandon	Cost			\$150,000		-\$150,00	0		\$0	
otal Well Cost				\$1,845,200		\$1,801,77			\$3,646,9	
so long as Operator insurance, you mus later than comment by insurance procured I elect to purchase	ndicated below r conducts op st provide a concernent of dr red by Opera e my own well co	w, you, as a not erations here ertificate of su illing operatio tor. ontrol insurance p	on-operating wo under and to pa ich insurance ac ns. You agree the olicy.	orking interest owner, ag y your prorated share of ceptable to Operator, as hat failure to provide the	ree to be cove the premium to form and li certificate of	red by Operator's s therefore. If you mits, at the time ti insurance, as prov	well contro elect to pu his AFE is re ided herein	rchase your turned, if av , will result	own well c vailable, bu in your beir	ontrol t in no even ng covered
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he above costs are vithout affecting th	e estimates o ne authorizat	nly and anticipion for expend	oate trouble free liture herein gra	e operations without any ented. By approval of thi the joint operating agree	foreseeable of sAFE, the wor	hange in plans. The king interest own	he actual co er agrees to	sts may exc pay its prop	oortionate s	hare of
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Prepared by Mark Audas Engineer - F	PB	. The mark in the state of the		d Completion (Manager) Mgr Operations PB	Programme of the		Manager ander, Regions	Manager PB		the state of the
		,	!	Joint Interest	Approval					
ompany - ፍርህ (ዲ	MANAGEMENT	18. 3. m; 19. 18. 18.	, 上 B A B A B A B A B A B A B A B A B A B B B B B B B B B B B B B		The Country of the Co	will MicDate Ma	400 P. P.		77,776,000	styroter with



Intangibles 🕌 📜

Project Cost Estimate

Lease Name: Mallon 34 Federal Well No.: 19

Roads & Location Preparation / Restorat		14 Sept. 1 4 1 1 1 1 1		DIDC.100	\$50,000	DICC, LOG	tig « Pointe (tale etc. «	\$50,000
Damages				DIDC 105	\$1,000	DICC 105	1	\$1,000
Mud / Fluids Disposal Charges				DIDC 25%	\$65,000	DICC 235	\$52,500	\$117,500
Day Rate 39 DH Days	8 ACP Days @	12,000 P	er Day	DIDCLES	\$468,000	Disc (20)	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat h	nole, pads, pile clusters, misc.)			DIDCAPG DIDCAPS	\$9,000	DICC 125	\$1,000	\$9,000: \$24,000!
Bits Fuel \$2.55	Per Gallon 700	Gallons Per Day	v	DIPC 145	\$90,000	DIG 130	\$12,000	\$102,000
Water / Completion Fluids	11.00		Per Day	DIDC.146	\$70,200	DICC ES	\$61,500	\$131,700
Mud & Additives		<u></u>		DIDC.145				\$39,000
Surface Rentals		F	Per Day	PIDC 150	\$61,000	DECC.140	\$84,000	\$145,000
Downhole Rentals				DIDC.155	\$88,000	DICK 145	\$74,000	\$162,000
Formation Evaluation (DST, Coring inclu				MDC 160				\$0
Mud Logging	\$850 Days @	32 F	Per Day	PIPCLE/G	\$31,000			\$31,000
Open Hole Logging				DIDC 100				\$15,000
Cementing & Float Equipment				MDC.185	\$15,000	DICC.155	\$50,000	\$65,000
Tubular Inspections				DIDC.19C	\$5,000 \$10,000	DICC 165	\$3,000 \$15,000	\$8,000 \$25,000
Casing Crews Extra Labor, Welding, Etc.				DIDC 195 DIDC,200	\$31,000	FHCC 170	\$5,000	\$36,000
Land Transporation (Trucking)				DIDC.205	\$20,000	DIC: 175	\$9,000	\$29,000
Supervision	1	F	Per Day	DIDC 210	\$59,000	DICC, 180	\$26,000	\$85,000
Trailer House / Camp / Catering			Per Day	DIDC'80	\$23,000	DICC 3355	\$4,000	\$27,000
Other Misc Expenses				DIDC.220	\$11,000	DICC, 190	\$7,000	\$18,000
Overhead		300 /	Per Day	DIDC 2.25	\$12,000	DICC.195	\$11,000	\$23,000
Remedial Cementing				DIDC 533		DR C. 15	**********	\$0
MOB/DEMOB				OIDC 240	\$60,000			\$60,000
Directional Drilling Services	12 Days @	8,200	Per Day	DIDC 245	\$140,000			\$140,000
Dock, Dispatcher, Crane				DIDC.,950		DICC 230		\$0
Marine & Air Transportation		<u>-</u>	Per Day	DIDC 275	¢88.000	PIČC 150		\$0
Solids Control Well Control Equip (Snubbing Svcs.)		L	Per Day	DIDC,266	\$88,000 \$90,000	DICC.240	\$26,000	\$88,000 \$116,000
Fishing & Sidetrack Operations				DIDC.270	\$50,000	DICC 245	\$26,000	\$110,000
Completion Riq	17 Days @	3,400	Per Day			DICC 115	\$70,000	\$70,000
Coil Tubing	1 Days @	33,000 /				DICC 260	\$33,000	\$33,000
Completion Logging, Perforating, WL U						DICC.200	\$10,000	\$10,000
Stimulation			• (DICCOID	\$427,000	\$427,000
Legal / Regulatory / Curative				DIDC 300	\$1,000	DICC.280		\$1,000
Well Control Insurance	\$0.35 Per Foot			DIDC 285	\$5,000			\$5,000
Contingency 5%	of Drilling Intangibles			DIDCARG	\$79,000	DICC.,220	\$54,000	\$133,000
Construction For Well Equipment						DWEA.110	\$20,000	\$20,000
Construction For Lease Equipment		 				DLEQ.110	\$0	\$0
Construction For Sales P/L						DICC 265 [£4.454.000	\$0
Total Intangible Cost					\$1,659,200		\$1,151,000	\$2,810,200
Tangible - Well Equipment		North Tra	10 A 10 A 10 A					
Casing	Size	Feet	\$ / Foot					manna
Drive Pipe	20 "	40.00	\$0.00	DWFB.150	\$0			\$0
Conductor Pipe				DWTB.:30	\$0			\$0
Water String				DWf8.135	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DW18.140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEB.145	\$36,000			\$36,000
Drilling Liner				DWFB.145	\$0			\$0
Drilling Liner			····	DWIRIGS	\$0			.\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWFA.100	\$329,000	\$329,000
Production Tie-Back	3 1/2"	5000.00	A =			DWEA 100	\$66,275	\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWEA 105	\$82,000	\$82,000
N/C Well Equipment Wellhead Tree Chokes		 		CINE S T T		DWEA 115	\$20,000	\$20,000
Wellhead, Tree, Chokes Liner Hanger, Isolation Packer				DWEB.115 DWEB.100		DWEA DS	\$10,000 \$1,000	\$10,000 \$1,000
Packer, Nipples						DWIA 130	\$1,000	\$1,000
Pumping Unit, Engine				William Contraction of the Contr		DH 0 100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						PtFo.te5	\$48,000	\$48,000
Tangible - Lease Equipment	compression of a fire of	作为《宋代中华	Contract of the				efficiency decisions	AND SECTION
N/C Lease Equipment						DUFQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs						DIEQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas						DEFO. US	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to a						DIFO 130	\$1,500	\$1,500
Offshore Production Structure for Facilit	ies					DWEALUS		\$0
Pipeline to Sales		··········				DWFA 146		\$0
Total Tangibles					\$36,000		\$800,775	\$836,775
P&A Costs		· · · · · · · · · · · · · · · · · · ·		59(DC),295	\$150,000	IMC 3.3	-\$150,000	\$0
				1 . 16.14	\$120,000	DIG 275	-3130,000	\$U
Total Cost			·		\$1,845,200		\$1,801,775	\$3,646,975



Authorization For Expenditure

Company Entity Cimarex Energy Co.				y 16, 200 9
Region Region Well Name	Well No A Prospect of Fi	eld Name S. Property Num	oer project of only	THE AFEING HALL WAS TO
Permian Mallon 34 Federal	19			
	PHENING PRICES OF THE PER SECOND STREET		AND THE RESIDENCE OF THE PROPERTY OF THE PROPE	
Location			Oil x	/pe-Well x
S/2N/2 Section 34-19S-34E	Lea	NM	Gas	Prod
Estimate Type 1	Est Start Date	* TEST Comp Datest	χ γ βαγβ-Formation. *	FST TO
Original Estimate				
Revised Estimate O Supplemental Estimate O			Bone Spring	15,046'
Project Description Drill and complete a third Bone Spring horizontal we				
Intangibles	Dry Hole	Cost After Cas	sing Point C	ompleted Well Cost
Drilling Costs	\$1,659,		1.000	\$1,659,200 \$1,151,000
Completion Costs Total Intangible Costs	\$1,659,		51,000 51,000	\$2,810,200
Tangibles Well Equipment	\$36,0	00 \$76	1,275	\$800,275
Lease Equipment			,500	\$36,500
Total Tangible Well Cost	\$36,0	580	0,775	\$836,775
Plug and Abandon Cost	\$150,0	000 -\$15	0,000	\$0
Total Well Cost	\$1,845	200 \$1,80	1,775	\$3,646,975
Well Control Insurance Unless otherwise indicated below, you, as a non-op- so long as Operator conducts operations hereunder insurance, you must provide a certificate of such ins later than commencement of drilling operations. Yo by insurance procured by Operator. I elect to purchase my own well control insurance policy. Well control insurance procured by Operator, proving related redrilling and clean-up/pollution expense co	verating working interest owner and to pay your prorated sha surance acceptable to Operate ou agree that failure to provide ides, among other terms, for \$20 overing drilling (through complete)	r, agree to be covered by Operatore of the premiums therefore. If or, as to form and limits, at the time the certificate of insurance, as 20,000,000 (100% W.I.) of Combination) with a \$1,000,000 (100% W.I.)	nor's well control insurance you elect to purchase you me this AFE is returned, if provided herein, will resul med Single Limit coverage N.I.) deductible.	e procured by Operator or own well control available, but in no event it in your being covered for well control and
without affecting the authorization for expenditure actual legal, curative, regulatory and well costs under the second sec	e herein granted. By approval of the term of the joint operating	of this AFE, the working interest of agreement, regulatory order or of agreement, regulatory or of agreement, regulatory order or of agreement, regulatory order or of agreement, regulatory or of agreement or of agreement, regulatory or of agreement, regulatory or of agreement or of agree	owner agrees to pay its pr	oportionate share of nt covering this well.
Company	Joint Inter	est Approval		



Project Cost Estimate

Well No.: Mailon 34 Federal Lease Name: 19

			NAMES OF THE PERSON AND A STREET OF THE ASSESSOR	maerikanina i daniya	OT PRINCIPAL PROPERTY PROPERTY	20.04100040140191919191		
Intangibles/ 1975					Dry Hole Cost	(11 6 −4	After Casing - Co	1379
Roads & Location Preparation / Restoration	the morning to a server	Alex Sal a See leaving	an the a second to selv	DIDC.100	\$50,000	DICC.100	Point Com	\$50,000
Damages				DIDC.105	\$1,000	DICC 105		\$1,000
Mud / Fluids Disposal Charges		- -		DIDC.255	\$65,000	DICC.235	\$52,500	\$117,500
Day Rate 39 DH Days 8 ACP Days	a l	12,000 F	Per Day	DIDC.115	\$468,000	DICG-120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters				DIDC.126	\$9,000			\$9,000
Bits				DIDC 125	\$23,000	DICC.125	\$1,000	\$24,000
Fuel \$2.55 Per Gallon	700	Gallons Per Day	/	DIDC.135	\$90,000	DICC.130	\$12,000	\$102,000
Water / Completion Fluids		F	Per Day	DIDC.140	\$70,200	DICC 135	\$61,500	\$131,700
Mud & Additives				DIDC 145	\$39,000			\$39,000
Surface Rentals		F	Per Day	DIDC.150	\$61,000	DICC.140	\$84,000	\$145,000
Downhole Rentals				DIDC.155	\$88,000	DICC 145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G				PIDC.160				\$0
	Days @	32	Per Day	DIDC.170	\$31,000			\$31,000
Open Hole Logging				DIDC 180	\$15,000			\$15,000
Cementing & Float Equipment				DIDC.185	\$15,000	DICC.155	\$50,000	\$65,000
Tubular Inspections				DIDC.190	\$5,000	DICC. 160	\$3,000 \$15,000	\$8,000
Casing Crews Extra Labor, Welding, Etc.				DIDC 195 DIDC 200	\$10,000 \$31,000	DICC.170	\$5,000	\$36,000
Land Transporation (Trucking)				DIDC.205	\$20,000	DICC 175	\$9,000	\$29,000
Supervision		1	Per Day	DIDC.210	\$59,000	DICC.130	\$26,000	\$85,000
Trailer House / Camp / Catering			Per Day	DIPC.280	\$23,000	DICC 255	\$4,000	\$27,000
Other Misc Expenses				DIDC.220	\$11,000		\$7,000	\$18,000
Overhead		300 /	Per Day	PIDC225	\$12,000	DICC.195	\$11,000	\$23,000
Remedial Cementing				DIDC 231		DICC 215		\$0
MOB/DEMOB				DIDC:240	\$60,000			\$60,000
Directional Drilling Services 12	Days @	8,200	Per Day	DIDC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane				PIPC.250		DICC.230		\$0
Marine & Air Transportation				DIDC.275		DICC.250		\$0
Solids Control			Per Day	DIDC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)				DIDC.265	\$90,000	DICC 240	\$26,000	\$116,000
Fishing & Sidetrack Operations	T T			DIDC.276	\$0 ************************************	DICC.245		\$0
	Days @	3,400				DICC.115	\$70,000	\$70,000
	Days @	33,000	Per Day			DICC.,260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys						DICC.200	\$10,000	\$10,000
Stimulation						DICC,210	\$427,000	\$427,000
Legal / Regulatory / Curative Well Control Insurance \$0.35 Per Foot				DIDC.300	\$1,000 \$5,000	DICC 780		\$1,000 \$5,000
γ γ γ γ γ γ γ γ γ γ γ γ γ γ γ γ γ γ γ				DIDC 285 DIDC.435	\$79,000	DICC.220	\$54,000	\$133,000
Contingency 5% of Drilling Intangibles Construction For Well Equipment			·····		3/3,000 [[[]]]]]]]]		\$20,000	\$20,000
Construction For Lease Equipment						DLEQ.110	\$20,000	\$0,000
Construction For Sales P/L						DICU265	30	\$0
Total Intangible Cost					\$1,659,200		\$1,151,000	\$2,810,200
							1	
Tangible - Well Equipment		or of the same					Plot No.	Especial Pro
Casing	Size	Feet	\$/Foot					
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0			\$0
Conductor Pipe				DWFB.130	\$0			\$0
Water String				DW18.135	\$0	4///////		\$0
Surface Casing	13-3/8"		\$0.00	DWFR.140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DW/FB.145	\$36,000			\$36,000
Drilling Liner				DWLB.145	\$0			\$0
Drilling Liner	1			DWEB 145	\$0			\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWFA.100	\$329,000	\$329,000
Production Tie-Back	3 1/2"	5000.00				DWFA.100	\$66,275	\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWFA.105	\$82,000	\$82,000
N/C Well Equipment			·			DWFA.11*	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWFB.115		DMEA 150	\$10,000	\$10,000
Liner Hanger, Isolation Packer Packer, Nipples				DWEB. 100		DWEA.125	\$1,000 \$110,000	\$1,000
Packer, Nipples Pumping Unit, Engine						DWEALL30 DLEQ.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.100	\$48,000	\$48,000
Tangible - Lease Equipment		RAKE SANTAN	化关键的影片					Carl Arter Section
N/C Lease Equipment						DLFQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$20,000	\$20,000
Rattery (Heater Treater Senarator Gos Treating Equipment)							\$15,000	\$15,000

Total Cost					\$1,845,200	\$1,801,775	\$3,646,975
P&A Costs			-	DID(295	\$150,000 DRC.378	-\$150,000	\$0
Total Tangibles					\$36,000	\$800,775	\$836,775
Pipeline to Sales					DWFA.1-10	4000 777	\$026.77
Offshore Production Structure for Facilities					DWEA.135		\$0
Flow Lines (Line Pipe from wellhead to central faci	ility)				DHQ.130	\$1,500	\$1,500
Battery (Heater Treater, Separator, Gas Treating E	- ^ -	·			DLFQ.125	\$15,000	\$15,000
Tanks, Tanks Steps, Stairs					DLEQ.120	\$20,000	\$20,000
N/C Lease Equipment					DLFQ,115	\$0	\$0
Tangible - Lease Equipment		RAME TANK I SHOW	ACTION TO			常是特色的	# 4 1 1 2 m. C.
Lift Equipment (BHP, Rods, Anchors)					DEQ 105	\$48,000	\$48,000
Pumping Unit, Engine					DLEQ.100	\$98,000	\$98,000
Packer, Nipples					DWEA.130	\$110,000	\$110,000
Liner Hanger, Isolation Packer				DWEB.100	DWEA.125	\$1,000	\$1,000
Wellhead, Tree, Chokes				DWEB.115	DWIA 150	\$10,000	\$10,000
N/C Well Equipment	2770	10200.00	70.03		DWFA.115	\$20,000	\$20,000
Tubing	2 7/8"	10200.00	\$8.03		DWEA.100	\$82,000	\$82,000
Production Casing or Liner Production Tie-Back	3 1/2"	11200.00 5000.00	\$29.37		DWFA.100	\$329,000 \$66,275	\$329,000 \$66,275
Drilling Liner	7"	11222	4	DWEB 145	50 ////////		\$0
Drilling Liner				DWEB.145	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DW/FB.145	\$36,000		\$36,000
Surface Casing	13-3/8"		\$0.00	DWFR.140	\$0		\$0



Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

7007 0710 0003 0317 4066



July 17, 2009

<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4073

Fuel Products, Inc. Attn: Thomas M. Beall P.O. Box 3098 Midland, Texas 79702

Via: E-mail U.S. Certified Mail Return Receipt No. 7007 0710 0003 0317 4080

MGT Partners I, L.P., et al. Attn: John Stroud 13727 Noel Road, Suite 500 Dallas, Texas 75240

<u>Via: E-mail and U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4059</u>

Pear Resources Attn: Alan Byars/Jerry M. Gahr P.O. Box 11044 Midland, Texas 79702

<u>Via: U.S. Certified Mail</u> Return Receipt No. 7007 0710 0003 0317 4097

Providence Minerals, LLC 14860 Montfort Drive, Suite 209 Dallas, Texas 75254

Re: Mallon 34 Federal Com No. 18 S/2S/2 Section 34-T19S-34E Lea County, New Mexico

Dear Working Interest Owners:

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4066</u>

Hyde Oil and Gas Corporation Attn: Blair Hamburg 6300 Ridglea Place, Suite 1018 Fort Worth, Texas 76116

<u>Via: E-mail U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4035</u>

U.S. Trust, Bank of America Attn: Janet M. Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113-2546

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4042</u>

W.A. Moncrief, Jr. Trust Attn: Monita Cebell 950 Commerce Street Fort Worth, Texas 76102-5418

<u>Via: U.S. Certified Mail</u> <u>Return Receipt No. 7007 0710 0003 0317 4103</u>

Michael J. Moncrief 2008 Trust A Attn: Jerry Goodwin, CPA 777 Taylor Street, Suite 1030 Fort Worth, Texas 76102

project described in the enclosed AFE. If you choose to participate in the drilling of the well, please sign and return a copy of the AFE to the undersigned. I will send Cimarex's proposed form of operating agreement to you upon receipt of your approved AFE. Alternatively, if you choose not to participate,

Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the



Cimarex would be interested in acquiring a farmout of your leasehold interest in Section 34 of the above-captioned township and range.

Please do not hesitate to contact me if there is anything further that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.

Hayden P. Tresner

Landman



Authorization For Expenditure

ompany Entity imarex Energy Co.		Date Pri	epared July 16, 2009
Region Well Name ()	Well No. Prospect of Field Name	Property Number	Drilling AFE No.
Permian Mallon 34 Federal Com	18	· · · · · · · · · · · · · · · · · · ·	-
cation	County	State	Type Well
/2S/2 Section 34-19S-34E	Lea	NM Oil Gas	x Expl x Prod
stimate Type1	Est-Start Date	st Comp Date Fr	ormation Est. TD
Original Estimate Devised Estimate Upplemental Estimate		Во	ne Spring 15,046'
roject Description		S).	
ntangibles Drilling Costs	Dry Hole Cost \$1,659,200	After Casing Point	Completed Well Cost \$1,659,200
Completion Costs		\$1,151,000	\$1,151,000
Total Intangible Costs	\$1,659,200	\$1,151,000	\$2,810,200
Tangibles			
Well Equipment	\$36,000	\$764,275	\$800,275 \$36,500
ease Equipment Total Tangible Well Cost	\$36,000	\$36,500 \$800,775	\$836,775
Plug and Abandon Cost	\$150,000	-\$150,000	\$0
otal Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
Veil Control Insurance Unless otherwise indicated below, you, as a non-ope o long as Operator conducts operations hereunder ansurance, you must provide a certificate of such insurance than commencement of drilling operations. You insurance procured by Operator.	and to pay your prorated share of the prem urance acceptable to Operator, as to form a	covered by Operator's well cont iums therefore. If you elect to p nd limits, at the time this AFE is	ourchase your own well control returned, if available, but in no even
Vell control insurance procured by Operator, providelated redrilling and clean-up/pollution expense con		. •	•
Omments on AFE The above costs are estimates only and anticipate travithout affecting the authorization for expenditure to ctual legal, curative, regulatory and well costs unde	ouble free operations without any foreseea herein granted. By approval of this AFE, the	ble change in plans. The actual working interest owner agrees	costs may exceed the estimated cos to pay its proportionate share of
	Cimarex Energy Co. Appr	The same was a little and because it is not a second and the same and	
	Drilling and Completion Manager	Regional Manager Roger Alexander, Regional	nal Manager PB
	Joint Interest Approva		
Dompany •		Date	



Project Cost Estimate

Lease Name: Mallon 34 Federal Com Well No.: 18

Costs		Burnage.	\$150,000	\$150,000	\$1

Tangibles			\$36,000	\$800,775	\$836,77
ore Production Structure for Facilities ine to Sales					. \$1 . \$1
Lines (Line Pipe from wellhead to central facility)				\$1,500	\$1,50
ry (Heater Treater, Separator, Gas Treating Equipment)	:			\$15,000	\$15.00
.ease Equipment s, Tanks Steps, Stairs				NHO 116 \$0 \$20,000	\$ \$20,00
ible - Lease Equipment					
quipment (BHP, Rods, Anchors)	Orgin of a labor - and			\$48,000	\$48.00
er, Nipples ping Unit, Engine				## \$110,000 \$18,000 \$98,000 \$10,000 \$1	\$110,00 \$98,00
Hanger, Isolation Packer		TOTAL PARK BUDDIN		\$1,000	\$1.00 \$1.10.00
nead, Tree, Chokes		. 17 1 17 7 11	ener aradikana.	\$10,000	\$10.00
Well Equipment	\$0.U5			\$82,000; \$20,000;	\$82,00 \$20.00
getion Tie-Back 3 1/2" 5000.00 ag 2 7/8" 10200.00	\$8.03			\$66,275 \$66,275 \$82,000 \$82,00	\$66-27! \$82,006
uction Casing or Liner 7" 11200.00	\$29.37			\$329,000	\$329,00
ng Liner		Part 11	\$0		51
mediate Casing 8-5/8" 1485.00 ang Liner	\$24.31	PARKED.	\$36,000 \$0		\$36.00 \$
ice Cosing 13-3/8" mediate Casing 8-5/8" 1485.00	\$0.00		ેં 000 ેે \$36.000		\$36,000
or String		e parties.	\$0		
uctor Pipe	\$0.00		\$0 S		 \$!
g Size Feet Pipe 20 " 40.00	\$ / Foot \$0.00	00.46 150	\$0:		<u> 2014/01/27/20</u>
ible - Well Equipment	6/5				Alan de Palación
	And the Control of th				. ,,-
Iruction For Sales P/L Intangible Cost		<u> 1970 (\$4.45) </u>	\$1,659,200	\$1,151,000	\$2,810,200
truction For Lease Equipment				maran (\$0) Swall b	\$(s)
truction For Well Equipment				\$20,000	\$20,000
ngency 5% of Drilling Intangibles	7	pr. 13	\$79.000	(987) \$54.000°	\$133.00
Control Insurance \$0.35 Per Foot		nam na	\$5,000		\$5.00
ulation // Regulatory / Curative			\$1,000	997 (1) \$427,000 1997 (1)	\$427.00 \$1,00
pletion Logging, Perforating, WL Units, WL Surveys				\$10,000	\$10.00
Tubing 1 Days @ 33,000	s			\$33,000	\$33 00
***************************************	Per Day		ېن مار	\$70,000°	570,00
Control Equip (Snubbing Svcs.) ng & Sidetrack Operations		in 1946 (1956) Tomper Tree	\$90,000	1967 13 \$26,000 \$26,000	\$116,00 S
وبالراب والمالة والمنافظة والمراق والمنافظة وا	Per Day	THE THE	\$88,000		588 00
ne & Air Transportation		11.		N CONTRACTOR	5
, Dispotcher, Crone	111 2119	eren eren eren eren eren eren eren eren	\$140.000%	Y <u>ANGANY</u> EANEEN ZANGEZAN. - P	\$ \$
/DEMOB tional Drilling Services 12 Days @ 8,200	Per Day	100 100	\$60,000 \$140,000		\$140.00
edial Cementing		ogle 1	¢60.000 €		\$60.000 \$60.000
head 300	Per Day	in the second	\$12,000	\$11,000	\$23,000
r Misc Expenses	· c. Duv	Diff. 2.5	\$11,000	\$7,000	\$18,00
	Per Day : Per Day	 		FIG. 23 \$26,000 \$4,000	_\$85,000 \$27,000
Transporation (Trucking)				\$9,000	\$29,000
Labor, Welding, Etc.		fait of	\$31,000	\$5,000	\$36.000
lar Inspections g Crews		11 15 15 15 15 15 15 15 15 15 15 15 15 1	\$5,000 \$10,000	987 144 \$3,000; the let \$15,000;	525 00i
enting & Float Equipment		Miles to	V = -7000;	PRO 10% \$50,000 PRO 10% \$3,000	\$65,000 \$8,000
Hole Logging		_ Pate to	\$15,000	10412#8071112	\$15,000
	Per Day	1 pm 1 7	\$31,000		\$31 000
ation Evaluation (DST, Coring including evaluation, G&G Services)		1965	\$66,000	\$74,000	\$102.000
ce Rentals thole Rentals	Per Day -	Telefort from	\$61,0 0 0:	## \$74,000 \$74,000.	\$145,000 \$162,000
& Additives		1.12.1.1.1.1.	\$39,000		\$39,000
The state of the s	Per Day	Harristan .	\$70,200	\$61,500	\$131,700
\$2.55 Per Gallon 700 Gallons Per Da		. H. C. 134	\$90,000	\$12,000	\$102,000
reputation cost (mouse note, ratifole, paus, pile clarities, misc.)			\$23,000		\$24,000
Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)		Sign for an arrangement	\$468,000 \$9, 000	\$96,000	300,4000 <u></u>
			C 4 / O O O O		\$564,000
late 39 DH Days 8 ACP Days @ 12,000 7	Doc Day	ingan in kita		· · · · · · · · · · · · · · · · · · ·	
	Pos Day		\$65,000		\$1.00 <u>0</u> \$117 500



Authorization For Expenditure

Region Well Name Well No.			red July 16, 2009
	Prospect or Field Name	Property Number	Drilling AFE No.
Permian Mallon 34 Federal Com 18		·	
cation	County	State	Type Well
2S/2 Section 34-19S-34E	Lea	NM Oil Gas	x Expl x Prod
timate Type	t:Start Date.	·Comp Date	nation Est TD
riginal Estimate	:	Bone	Spring 15,046'
pplemental Estimate			
oject Description : ill and complete a third Bone Spring horizontal well. 11200 Pil			The state of the s
tangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
orilling Costs	\$1,659,200	\$1,151,000	\$1,659,200 \$1,151,000
otal Intangible Costs	\$1,659,200	\$1,151,000	\$2,810,200
ngibles			
rell Equipment rase Equipment	\$36,000	\$764,275 \$36,500	\$800,275 \$36,500
otal Tangible Well Cost	\$36,000	\$800,775	\$836,775
ug and Abandon Cost	\$150,000	-\$150,000	\$0
omments on Well Costs All tubulars, well or lease equipment is priced by COPAS and			\$3,646,975
omments on Well Costs	CEPS guidelines using the Historic king interest owner, agree to be coyour prorated share of the premiue ptable to Operator, as to form and	Price Multiplier. vered by Operator's well control ms therefore. If you elect to pure things, at the time this AFE is ret	insurance procured by Operator chase your own well control urned, if available, but in no eve
All tubulars, well or lease equipment is priced by COPAS and control insurance in less otherwise indicated below, you, as a non-operating work or long as Operator conducts operations hereunder and to pay surance, you must provide a certificate of such insurance accepter than commencement of drilling operations. You agree that y insurance procured by Operator.	ceps guidelines using the Historic with the component of the premiure ptable to Operator, as to form and at failure to provide the certificate other terms, for \$20,000,000 (1005)	Price Multiplier. vered by Operator's well control ms therefore. If you elect to pure dilimits, at the time this AFE is ret of insurance, as provided herein,	insurance procured by Operator chase your own well control urned, if available, but in no eve will result in your being covered
All tubulars, well or lease equipment is priced by COPAS and vell Control Insurance including a control insurance of long as Operator conducts operations hereunder and to pay surance, you must provide a certificate of such insurance accepter than commencement of drilling operations. You agree that y insurance procured by Operator. I elect to purchase my own well control insurance policy.	ceps guidelines using the Historic with a standard failure to provide the certificate other terms, for \$20,000,000 (1009 ng (through completion) with a \$1,000 perations without any foreseeable ted. By approval of this AFE, the with a standard failure to provide the certificate of the certificate o	Price Multiplier. Price Multiplier. Vered by Operator's well control ms therefore. If you elect to pure il limits, at the time this AFE is ret of insurance, as provided herein, 6 W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible.	insurance procured by Operator chase your own well control urned, if available, but in no eve will result in your being covered coverage for well control and ts may exceed the estimated co
All tubulars, well or lease equipment is priced by COPAS and cell Control Insurance inless otherwise indicated below, you, as a non-operating work of long as Operator conducts operations hereunder and to pay surance, you must provide a certificate of such insurance accepter than commencement of drilling operations. You agree that insurance procured by Operator. I elect to purchase my own well control insurance policy. Vell control insurance procured by Operator, provides, among elated redrilling and clean-up/pollution expense covering drilling operators on AFE in the above costs are estimates only and anticipate trouble free elathout affecting the authorization for expenditure herein grant	ceps guidelines using the Historic with the component of the premiure the provided the certificate of the premiure that failure to provide the certificate of the premiure that failure to provide the certificate of the provided that the provided the	Price Multiplier. Vered by Operator's well control ms therefore. If you elect to pure a limits, at the time this AFE is ret of insurance, as provided herein, 6 W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible. The change in plans. The actual costorking interest owner agrees to latory order or other applicable and the control of the c	insurance procured by Operator chase your own well control urned, if available, but in no eve will result in your being covered coverage for well control and ts may exceed the estimated co-
All tubulars, well or lease equipment is priced by COPAS and vell Control Insurance in less otherwise indicated below, you, as a non-operating work of long as Operator conducts operations hereunder and to pay surance, you must provide a certificate of such insurance acceptant acceptance in the procured by Operator. I elect to purchase my own well control insurance policy. Vell control insurance procured by Operator, provides, among elated redrilling and clean-up/pollution expense covering drilling and clean-up/pollution expense covering drilling and anticipate trouble free of the above costs are estimates only and anticipate trouble free of ithout affecting the authorization for expenditure herein grant ctual legal, curative, regulatory and well costs under term of the	ceps guidelines using the Historic with a standard failure to provide the certificate other terms, for \$20,000,000 (1009 ng (through completion) with a \$1,000 perations without any foreseeable ted. By approval of this AFE, the with a standard failure to provide the certificate of the certificate o	vered by Operator's well control ms therefore. If you elect to pure dilimits, at the time this AFE is ret of insurance, as provided herein, 6 W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible.	insurance procured by Operator chase your own well control urned, if available, but in no eve will result in your being covered coverage for well control and ts may exceed the estimated corporates that proportionate share of agreement covering this well.
All tubulars, well or lease equipment is priced by COPAS and rell Control Insurance related to purchase my own well control insurance procured by Operator. I elect to purchase my own well control insurance policy. Related redrilling and clean-up/pollution expense covering drilling related redrilling the authorization for expenditure herein gran citual legal, curative, regulatory and well costs under term of the parent of the par	cepts guidelines using the Historic wing interest owner, agree to be conjugate to Operator, as to form and the provide the certificate of the premium of the provide the certificate of the provide the provide the provide the provided the provid	vered by Operator's well control ms therefore. If you elect to pure dilimits, at the time this AFE is ret of insurance, as provided herein, 6 W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible.	insurance procured by Operator chase your own well control urned, if available, but in no eve will result in your being covered coverage for well control and test may exceed the estimated cospay its proportionate share of agreement covering this well.
All tubulars, well or lease equipment is priced by COPAS and rell Control Insurance related to purchase my own well control insurance procured by Operator. I elect to purchase my own well control insurance policy. Related redrilling and clean-up/pollution expense covering drilling related redrilling the authorization for expenditure herein gran citual legal, curative, regulatory and well costs under term of the parent of the par	ceps guidelines using the Historic with the component of the premiure that failure to provide the certificate of the premiure that failure to provide the certificate of the premiure that failure to provide the certificate of the premiure that failure to provide the certificate of the provide the pro	Price Multiplier. Vered by Operator's well control ms therefore. If you elect to pure a limits, at the time this AFE is ret of insurance, as provided herein, which was a provided herein, as provided herein, as provided herein, which was a provided herein, as provid	insurance procured by Operator chase your own well control urned, if available, but in no eve will result in your being covered coverage for well control and test may exceed the estimated corpay its proportionate share of agreement covering this well.



Project Cost Estimate

Well No.: 18 Lease Name: Mallon 34 Federal Com \$50,000 Roads & Location Preparation / Restoration tape por \$1,000 \$1,000 We be \$52,500 \$117,500 \$65,000 Mud / Fluids Disposal Charges BID: 755 Mud / Fluids Disposal Charges
Day Rate 39 DH Days 8 ACP Days (a) \$96,000 \$564,000 \$468,000 \$9,000 \$9,000 Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.) \$23,000 \$24,000 700 Gallons Per Day \$12,000 \$102,000 \$90,000 \$2.55 Per Gallon Water / Completion Fluids \$131,700 \$70,200 \$61,500 \$39,000 \$39,000 Mud & Additives \$84,000 \$145,000 \$61,000 Surface Rentals \$74,000 \$162,000 \$88,000 Formation Evaluation (DST, Coring including evaluation, G&G Services) \$0 \$850 Days @ 32 Per Day 1916 124 \$31,000 \$31,000 Mud Loaging \$15,000 \$15,000 Open Hole Logging (RC Lize \$15,000 \$50,000 \$65,000 Cementing & Float Equipment Tubular Inspections \$5,000 1977 166 \$8,000 table tra \$3,000 2000/1992 \$10,000 \$15,000 \$25,000 Casina Crews \$5,000 \$36,000 \$31,000 Extra Labor, Welding, Etc. Land Transporation (Trucking) \$9,000 \$29,000 \$20,000 DRG 175 THOM 3C1 L Fere Zie \$59,000 100 123 \$26,000 \$85,000 Supervision Per Day One And \$23,000 anice jes \$4.000 \$27,000 Trailer House / Camp / Catering \$7,000 \$18,000 Other Misc Expenses \$11,000 00 . 190 THE CO. \$12,000 \$11,000 \$23,000 Remedial Cementing ope 25 50 12 Days (ii) 8,200 Per Day 1918 (4) 1918 (4) \$60,000 MOB/DEMOB \$140,000 \$140,000 Directional Drilling Services \$0 Dock, Dispatcher, Crane DICK JOS \$0 1367 Marine & Air Transportation EMPA Star \$88,000 \$88,000 Solids Control \$90,000 PICC 240 \$26,000 \$116,000 Well Control Equip (Snubbing Svcs.) \$0 1967,735 \$0 Fishing & Sidetrack Operations Completion Rig \$70,000 570 000 **17** Days @ 3,400 Per Day 19G 137 \$33,000: \$33,000 Coil Tubing 1963 (189 1907 (19 Completion Logging, Perforating, WL Units, WL Surveys \$10,000 \$10,000 \$427,000 Stimulation \$427,000: **\$1,000** \$5,000 Legal / Regulatory / Curative \$1,000 Well Control Insurance \$0.35 Per Foot \$5,000 \$79,000 190 226 \$54,000 \$133,000 5% of Drilling Intangibles Contingency 94 pt/0/10 pt/1/110 \$20,000 \$20,000 Construction For Well Equipment SO: SO Construction For Lease Equipment Construction For Sales P/L

Total Intangible Cost					\$1,659,200	\$1,151,000	\$2,810,200
Tangible - Well Equipment							MATTER PER
Casing	Size	Feet	\$/Foot		10.000.000.000.000.000.000.000.000.000.	00.000000000000000000000000000000000000	
Drive Pipe	20 "	40.00		pyvi P.) i n	\$0		\$0
Conductor Pipe				EWINE WE	\$0		\$0
Water String	- · · · · · · · · · · · · · · · · · · ·			perial by	\$0		\$0
Surface Casing	13-3/8"	i	\$0.00	TANTA LID .	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	psylp profit	\$36,000		\$36,000
Drilling Liner	· · · · · · · · · · · · · · · · · · ·		-	DAVIB 185.	\$0		\$0
Drilling Liner				DWIR RE.	\$0.		 50
Production Casing or Liner	7"	11200.00	\$29.37		DWIA I	\$329,000	\$329,000
Production Tie-Back	3 1/2"	5000.00			AND DESCRIPTION OF A LICENSE	\$66,275	\$66,275
Tubing	2 7/8"	10200.00	\$8.03		r in the	\$82,000	\$82,000
N/C Well Equipment					kana kana maran	\$20,000	\$20,000
Wellhead, Tree, Chokes				PrvIB 116	PMA.	\$10,000	\$10,000
Liner Hanger, Isolation Packer				1800 B 100	- pwis	\$1,000	\$1,000
Packer, Nipples	to the state of the property of				DWIA	\$110,000	\$110,000
Pumping Unit, Engine					1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	nr \$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)				11.	ar (ato)		\$48,000
Tangible - Lease Equipment			and the second		· 1966年 · 1965年	rt var kart generale at t	Marie Carlo
N/C Lease Equipment				11871816	HAMPING DIFO !	15 \$0	\$0
Tanks, Tanks Steps, Stairs					110	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Ed	quipment)			200	PHO:	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facil	ity)				3. 14. 1010: 1	\$1,500	\$1,500
Offshore Production Structure for Facilities	V				1777 - 1880 A	125	\$(
Pipeline to Sales		APPROXIMATION AND A ST.			To the second	Marij	50
Total Tangibles					\$36,000	\$800,775	\$836,775
P&A Costs				1914 191	\$150,000	-\$150,000	\$(
Total Cost					\$1,845,200	\$1,801,775	\$3,646,975

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone) (505) 660-6612 (Cell) (505) 982-2151 (Fax)

jamesbruc@aol.com

August 13, 2009

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the N½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,

James Bruce

Attorney for Cimarex Energy Co.

EXHIBIT A

Pear Resources P.O. Box 11044 Midland, Texas 79702

Fuel Products, Inc. P.O. Box 3098 Midland, Texas 79702

Michael J. Moncrief 2008 Trust A Attention: Jerry Goodwin, CPA Suite 1030 777 Taylor Street Fort Worth, Texas 76102

Lee Wiley Moncrief Trust c/o U.S. Trust, Bank of America Attention: Janet Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113

Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116

W.A. Moncrief, Jr. Trust Attention: Monica Cebell 950 Commerce Street Fort Worth, Texas 76102

MGT Partners I, L.P., et al. Suite 500 13727 Noel Road Dallas, Texas 75240

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY CO. FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

_		
Case	No.	

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the N½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

- 1. Applicant is an interest owner in the $N\frac{1}{2}N\frac{1}{2}$ of Section 34, and has the right to reenter or drill a well thereon.
- 2. Applicant proposes to drill the Mallon 34 Fed. Well No. 20 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate N½N½ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the NW¼NW¼, and a terminus at an orthodox location in the NE¼NE¼, of Section 34.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½N½ of Section 34 for the purposes set forth herein.
- 4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

• • • •

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the N½N½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the N½N½ of Section 34;
- B. Pooling all mineral interests in the $N\frac{1}{2}N\frac{1}{2}$ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

lames Bruce

Rost Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Cimarex Energy Co.

" PEUTIFIED MAIL"

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James Bruce
P.O. Box 1056
Santa Fe. New Mexico 87504,

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Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116

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PO/17/80

JAMES BRUCE ATTORNEY AT LAW

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jamesbruc@aol.com

July 28, 2009

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the S½N½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY CO. FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case	No.	

APPLICATION

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- 1. Applicant is an interest owner in the S½N½ of Section 34, and has the right to reenter or drill a well thereon.
- 2. Applicant proposes to drill the Mallon 34 Fed. Well No. 19 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate S½N½ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SE½NE¾, and a terminus at an orthodox location in the SW½NW¼, of Section 34.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½N½ of Section 34 for the purposes set forth herein.
- 4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the S½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S½N½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½N½ of Section 34;
- B. Pooling all mineral interests in the $S\frac{1}{2}N\frac{1}{2}$ of Section 34 in the Bone Spring formation;
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- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Cimarex Energy Co.

Halling

James Bruce P.O. Box 1056 Santa Fe, New Mexico 87504

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PARKET WITH STATE OF THE STATE

Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116

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Harden Hambert and Hambert Ham

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JAMES BRUCE ATTORNEY AT LAW

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August 13, 2009

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Ladies and gentlemen:

Enclosed is a copy of an application for a non-standard unit and compulsory pooling, filed with the New Mexico Oil Conservation Division by Cimarex Energy Co., regarding the S½S½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

This matter is scheduled for hearing at 8:15 a.m. on Thursday, September 3, 2009, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting the matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, August 27, 2009. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours.

Imes Bruce

Attorney for Cimarex Energy Co.

EXHIBIT A

Pear Resources P.O. Box 11044 Midland, Texas 79702

Fuel Products, Inc. P.O. Box 3098 Midland, Texas 79702

Michael J. Moncrief 2008 Trust A Attention: Jerry Goodwin, CPA Suite 1030 777 Taylor Street Fort Worth, Texas 76102

Lee Wiley Moncrief Trust c/o U.S. Trust, Bank of America Attention: Janet Cunningham, CPL P.O. Box 2546 Fort Worth, Texas 76113

Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116

W.A. Moncrief, Jr. Trust Attention: Monica Cebell 950 Commerce Street Fort Worth, Texas 76102

MGT Partners I, L.P., et al. Suite 500 13727 Noel Road Dallas, Texas 75240

Providence Minerals, LLC Suite 209 14860 Montfort Drive Dallas, Texas 75254

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY CO. FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case	No.		

APPLICATION

Cimarex Energy Co. applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S½S½ of Section 34, Township 19 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

- 1. Applicant is an interest owner in the S½S½ of Section 34, and has the right to reenter or drill a well thereon.
- 2. Applicant proposes to drill the Mallon 34 Fed. Well No. 18 to a depth sufficient to test the Bone Spring formation, and seeks to dedicate S½S½ of Section 34 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the South Quail Ridge-Bone Spring Pool. The well is a horizontal well, with a surface location at an orthodox location in the SE½SE½, of Section 34.
- 3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½S½ of Section 34 for the purposes set forth herein.
- 4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

Therefore, applicant seeks an order pooling all mineral interest owners in the S½S½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

5. The approval of the non-standard unit and the pooling of all mineral interests underlying the S½S½ of Section 34 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the S½S½ of Section 34;
- B. Pooling all mineral interests in the S½S½ of Section 34 in the Bone Spring formation;
- C. Designating Cimarex Energy Co. of Colorado as operator of the well;
- D. Considering the cost of re-drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Cimarex Energy Co.

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P.O. Box 1056 Santa Fe, New Mexico 87504 James Bruce

Hyde Oil and Gas Corporation Attention: Blair Hamburg Suite 1018 6300 Ridglea Place Fort Worth, Texas 76116

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STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 14361

APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 14368

APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO
CASE NO. 14369

APPLICATION OF CIMAREX ENERGY COMPANY
FOR APPROVAL OF A NON-STANDARD OIL SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 14370

AFFIDAVIT OF BLAIR HAMBURG

Blair Hamburg being of lawful age and first duly sworn, declares and states as follows:

- 1. I am the President of Hyde Oil and Gas Corporation and submit this affidavit based on my personal knowledge.
- 2. In early July of 2009, Hayden Tresner of Cimarex called me to discuss whether Hyde Oil and Gas Corporation was willing to farmout all of our acreage in Sections 33 and 34 of Township 19 South, Range 34 East in Lea County, New Mexico. I informed him that Hyde Oil did not want to farmout such a large block of acreage but

ATTACHMENT

would consider a farmout or other agreement on a well by well basis. Mr. Tresner expressed a desire to meet at our offices the following Monday to discuss an initial well, which he noted would be the Mallon 34 No. 16 well in the N/2 S/2 of Section 34.

- 3. During a second conversation, Mr. Tresner informed me that his trip had been cancelled, that he would be meeting with management the following afternoon, and that he would send me an email after his meeting.
- 4. No email was received from Mr. Tresner following this meeting nor did Cimarex arrange any meeting with Hyde Oil to discuss its development plans.
- 5. Subsequent to these conversations with Mr. Tresner, Hyde Oil received letters dated July 17, 2009 containing AFEs for the Mallon 34 Well Nos. 18, 19 and 20. On August 3, 2009, Hyde Oil received a certified mailing from Cimarex's attorney concerning an application to pool for the Mallon 34 Well No. 16 and noting that a hearing was scheduled before the Oil Conservation Division for August 20, 2009.
- 6. On August 17, 2009, Hyde Oil and Gas received a second certified mailing from Cimarex's attorney that included applications for pooling for the Mallon 34 Well Nos. 18, 19 and 20 and noting that a hearing was schedule before the Division for September 3, 2009.
- 7. On August 17th, I sent an email to Mr. Tresner stating the Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's plans, therefore making it difficult for us to make a decision." Mr. Tresner called by telephone and apologized for not providing a well proposal for the Mallon Well No. 16.

He stated that he would extend the pooling hearing if need be and get a well proposal to Hyde Oil. Mr. Tresner followed up our conversation with the attached August 17th email, sent after business hours, providing for the first time an AFE for the Mallon Well No. 16 and indicating the pooling hearing for this well would be continued.

- 8. On August 26th, Mr. Tresner called to inform me that Cimarex was proceeding with multiple pooling applications to avoid any down time after the drilling of the initial well, that Cimarex desired a farmout covering both Sections 34 and 35, and that if an agreement could not be worked out, Hyde Oil will be locked into a non-consent position for the proposed wells.
- 9. On August 27th I telephoned Mr. Will Jones at the Division and informed him about my lack of familiarity with pooling proceedings in New Mexico and my concerns about the actions taken by Cimarex. Mr. Jones suggested I contact and obtain counsel, which I did on Friday, August 28th.

FURTHER AFFIANT SAYETH NAUGHT

	Blair Hamburg
The foregoing instrument was	subscribed and sworn to before me this day of August
2009 by Blair Hamburg.	
Witness my hand and official s	seal.
My commission expires:	Notary Public

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FURTHER AFFIANT SAYETH NAUGHT

Blair Hamburg

The foregoing instrument was subscribed and sworn to before me this 31 day of August, 2009 by Blair Hamburg.

Witness my hand and official seal.

My commission expired. SINGLE PURISHER PURISHER

Notary Public Sengleton

---- Forwarded Message ----

From: Hayden Tresner https://www.news.com To: blair hamburg hogbhh@sbcglobal.net Sent: Monday, August 17, 2009 5:28:49 PM

Subject: FW:

Blair:

In regard to our telephone conversation today, and also in response to your email of this date, attached is our proposal for the reentry of the Mallon 34 Federal #16 Well, which will be the first of three additional wells that we will possibly drill in Section 34. Therefore, we propose to form a working interest unit that consists of all of Section 34. We welcome Hyde to participate, and enter into an operating agreement naming Cimarex as operator. However, in the event that you wish to farm-out a portion of you interest, we request that the any farmout covers that portion of your interest in both Sections 34 and 35, as we have plans to propose four more wells in Section 35 later this week. Because ownership is not common throughout both sections, we will need to have two separate operating agreements-one covering all of Section 34 and the other covering all of Section 35.

Thus far we have everyone but Hyde committed to either farm-out their interest in both sections, or participate in the reentry by entering into an operating agreement covering all of Section 34. Obviously, once your interest is under contract, we will retract o proposals for the grassroot wells in Section 34, which will be proposed at a later date (after the results of the reentry have been evaluated) under the operating agreement.

The proposed Farmout Agreement that you received from us is identical to the one the Moncriefs executed. Hyde and Moncrief both farmed-out their interests to our predecessors in title (Mallon Oil Co., et al.) when they drilled the Delaware wells in Section: 34 and 35, and consequently, we earned down to 100' below the TD of each well. So now we are basically going back and farming-out the deeper rights i.e. below the depths earned under the previous farmout agreements, and the Exhibit "A" has been prepared accordingly.

I apologize for any confusion that we have caused, but hopefully this email will help to clarify the situation. And please let me know if there's any additional information that you need.

P.S. I am going to inform our regulatory attorney that I did not propose the reentry to you and ask him to continue the hearing. I understand that the hearing is set for this Thursday, but hopefully we will have your interest committed before then.

Regards,

Hayden P. Tresner
Landman-Permian Basin Exploration
Cimarex Energy Co.
600 N. Marienfeld, Ste. 600
Midland, Texas 79701
(432) 571-7800 Phone
(432) 571-7856 Direct
(432) 571-7840 Fax
htresner@cimarex.com

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