

**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. 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

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.
2. 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.

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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

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.

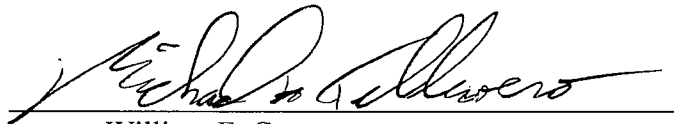
8. On August 17, 2009, Hyde Oil received the certified mailings. On that same date, Hyde Oil sent an email to Cimarex stating Hyde Oil was "confused because the paperwork we have received thus far from Cimarex, or on their behalf, combined with previous phone conversations, has not been clear as to Cimarex's 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 ¶ 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 its 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

A handwritten signature in black ink, appearing to read "William F. Carr", is written over a horizontal line.

William F. Carr

Michael H. Feldewert

Post Office Box 2208

Santa Fe, New Mexico 8750-2208

(505) 988-4421

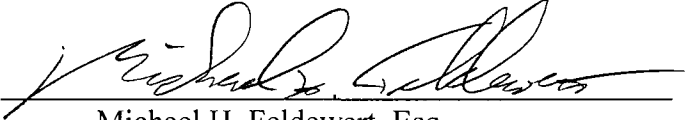
(505) 983-6043 Facsimile

**ATTORNEYS FOR
HYDE OIL AND GAS CORPORATION**

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

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. 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,

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

ATTACHMENT

A1



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.

A handwritten signature in black ink, appearing to read "Hayden P. Tresner", written over the printed name.

Hayden P. Tresner
Landman



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	20			

Location	County	State	Type Well
N/2N/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$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		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

20

Intangibles					Dry Hole Cost	After Casing Point	Completed Well Cost						
Roads & Location Preparation / Restoration					DHDC.100	\$50,000	DHCC.100	\$50,000					
Damages					DHDC.105	\$1,000	DHCC.105	\$1,000					
Mud / Fluids Disposal Charges					DHDC.255	\$65,000	DHCC.235	\$52,500					
Day Rate	39	DH Days	8	ACP Days @	12,000	Per Day	DHDC.115	\$468,000	DHCC.120	\$96,000	\$564,000		
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DHDC.120	\$9,000				\$9,000			
Bits					DHDC.125	\$23,000	DHCC.125	\$1,000		\$24,000			
Fuel	\$2.55	Per Gallon	700	Gallons Per Day	DHDC.135	\$90,000	DHCC.130	\$12,000		\$102,000			
Water / Completion Fluids					DHDC.140	\$70,200	DHCC.135	\$61,500		\$131,700			
Mud & Additives					DHDC.145	\$39,000				\$39,000			
Surface Rentals					DHDC.150	\$61,000	DHCC.140	\$84,000		\$145,000			
Downhole Rentals					DHDC.155	\$88,000	DHCC.145	\$74,000		\$162,000			
Formation Evaluation (DST, Coring including evaluation, G&G Services)					DHDC.160					\$0			
Mud Logging					\$850	Days @	32	Per Day	DHDC.170		\$31,000		
Open Hole Logging					DHDC.180	\$15,000				\$15,000			
Cementing & Float Equipment					DHDC.185	\$15,000	DHCC.155	\$50,000		\$65,000			
Tubular Inspections					DHDC.190	\$5,000	DHCC.160	\$3,000		\$8,000			
Casing Crews					DHDC.195	\$10,000	DHCC.165	\$15,000		\$25,000			
Extra Labor, Welding, Etc.					DHDC.200	\$31,000	DHCC.170	\$5,000		\$36,000			
Land Transportation (Trucking)					DHDC.205	\$20,000	DHCC.175	\$9,000		\$29,000			
Supervision						Per Day	DHDC.210	\$59,000	DHCC.180	\$26,000	\$85,000		
Trailer House / Camp / Catering						Per Day	DHDC.280	\$23,000	DHCC.255	\$4,000	\$27,000		
Other Misc Expenses					DHDC.220	\$11,000	DHCC.190	\$7,000		\$18,000			
Overhead						300	Per Day	DHDC.225	\$12,000	DHCC.195	\$11,000	\$23,000	
Remedial Cementing					DHDC.231		DHCC.215			\$0			
MOB/DEMOB					DHDC.240	\$60,000				\$60,000			
Directional Drilling Services						12	Days @	8,200	Per Day	DHDC.245	\$140,000	\$140,000	
Dock, Dispatcher, Crane					DHDC.250			DHCC.230		\$0			
Marine & Air Transportation					DHDC.275			DHCC.250		\$0			
Solids Control						Per Day	DHDC.260	\$88,000		\$88,000			
Well Control Equip (Snubbing Svcs.)					DHDC.265	\$90,000	DHCC.240	\$26,000		\$116,000			
Fishing & Sidetrack Operations					DHDC.270	\$0	DHCC.245			\$0			
Completion Rig						17	Days @	3,400	Per Day		DHCC.115	\$70,000	\$70,000
Coil Tubing						1	Days @	33,000	Per Day		DHCC.260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys									DHCC.200	\$10,000	\$10,000		
Stimulation									DHCC.210	\$427,000	\$427,000		
Legal / Regulatory / Curative					DHDC.300	\$1,000	DHCC.280			\$1,000			
Well Control Insurance						\$0.35	Per Foot	DHDC.285	\$5,000		\$5,000		
Contingency						5%	of Drilling Intangibles	DHDC.435	\$79,000	DHCC.220	\$54,000	\$133,000	
Construction For Well Equipment									DWEA.110	\$20,000	\$20,000		
Construction For Lease Equipment									DHLC.110	\$0	\$0		
Construction For Sales P/L									DHCC.265		\$0		
Total Intangible Cost						\$1,659,200		\$1,151,000		\$2,810,200			

Tangible - Well Equipment											
Casing	Size	Feet	\$ / Foot								
Drive Pipe	20 "	40.00	\$0.00	DWER.150		\$0					\$0
Conductor Pipe				DWER.130		\$0					\$0
Water String				DWER.135		\$0					\$0
Surface Casing	13-3/8"		\$0.00	DWER.140		\$0					\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWER.145		\$36,000					\$36,000
Drilling Liner				DWER.145		\$0					\$0
Drilling Liner				DWER.145		\$0					\$0
Production Casing or Liner	7"	11200.00	\$29.37				DWEA.100		\$329,000		\$329,000
Production Tie-Back	3 1/2"	5000.00					DWEA.100		\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03				DWEA.105		\$82,000		\$82,000
N/C Well Equipment							DWEA.115		\$20,000		\$20,000
Wellhead, Tree, Chokes					DWER.115		DWEA.120		\$10,000		\$10,000
Liner Hanger, Isolation Packer					DWER.100		DWEA.125		\$1,000		\$1,000
Packer, Nipples							DWEA.130		\$110,000		\$110,000
Pumping Unit, Engine							DHLC.100		\$98,000		\$98,000
Lift Equipment (BHP, Rods, Anchors)							DHLC.105		\$48,000		\$48,000
Tangible - Lease Equipment											
N/C Lease Equipment							DHLC.115		\$0		\$0
Tanks, Tanks Steps, Stairs							DHLC.120		\$20,000		\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)							DHLC.125		\$15,000		\$15,000
Flow Lines (Line Pipe from wellhead to central facility)							DHLC.130		\$1,500		\$1,500
Offshore Production Structure for Facilities							DWEA.135				\$0
Pipeline to Sales							DWEA.140				\$0
Total Tangibles									\$36,000	\$800,775	\$836,775

P&A Costs				DHDC.295		\$150,000	DHDC.275		-\$150,000		\$0
Total Cost									\$1,845,200	\$1,801,775	\$3,646,975



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	20			

Location	County	State	Type Well			
N/2N/2 Section 34-19S-34E	Lea	NM	Oil	x	Expl	x
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

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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		\$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 Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEP5 guidelines using the Historic Price Multiplier.

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

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related re-drilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr. Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.:

20

Intangibles					Code	Dry Hole Cost	Code	After Casing Point	Completed Well Cost		
Roads & Location Preparation / Restoration					DIDC.100	\$50,000	DICC.100		\$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 @	12,000	Per Day	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$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					DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700		
Mud & Additives					DIDC.145	\$39,000			\$39,000		
Surface Rentals					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 Services)					DIDC.160				\$0		
Mud Logging					\$850	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.185	\$50,000	\$65,000		
Tubular Inspections					DIDC.190	\$5,000	DICC.160	\$3,000	\$8,000		
Casing Crews					DIDC.195	\$10,000	DICC.165	\$15,000	\$25,000		
Extra Labor, Welding, Etc.					DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000		
Land Transportation (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000		
Supervision					DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000		
Trailer House / Camp / Catering					DIDC.280	\$23,000	DICC.255	\$4,000	\$27,000		
Other Misc Expenses					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 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					DIDC.250		DICC.230		\$0		
Marine & Air Transportation					DIDC.275		DICC.250		\$0		
Solids Control					DIDC.260	\$88,000			\$88,000		
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$90,000	DICC.240	\$26,000	\$116,000		
Fishing & Sidetrack Operations					DIDC.270	\$0	DICC.245		\$0		
Completion Rig					17	Days @	3,400	Per Day	DICC.115	\$70,000	\$70,000
Coil Tubing					1	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					DIDC.300	\$1,000	DICC.280		\$1,000		
Well Control Insurance					\$0.35	Per Foot	DIDC.285		\$5,000		
Contingency					5%	of Drilling Intangibles	DIDC.435	\$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		\$0		
Total Intangible Cost						\$1,659,200		\$1,151,000	\$2,810,200		

Tangible - Well Equipment								
Casing	Size	Feet	\$ / Foot					
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0			\$0
Conductor Pipe				DWEB.130	\$0			\$0
Water String				DWEB.135	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DWEB.140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEB.145	\$36,000			\$36,000
Drilling Liner				DWEB.145	\$0			\$0
Drilling Liner				DWEB.145	\$0			\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWEA.100	\$329,000	\$329,000
Production Tie-Back	3 1/2"	5000.00				DWEA.100	\$66,275	\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWEA.105	\$82,000	\$82,000
N/C Well Equipment						DWEA.115	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWFB.115		DWEA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWEB.100		DWEA.125	\$1,000	\$1,000
Packer, Nipples						DWEA.130	\$110,000	\$110,000
Pumping Unit, Engine						DLEQ.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$48,000	\$48,000
Tangible - Lease Equipment								
N/C Lease Equipment						DLEQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWEA.135		\$0
Pipeline to Sales						DWEA.140		\$0
Total Tangibles					\$36,000		\$800,775	\$836,775

P&A Costs	DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
Total Cost		\$1,845,200		\$1,801,775	\$3,646,975

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



July 17, 2009

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

ATTACHMENT

A2




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.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal	19			

Location	County	State	Type Well
S/2N/2 Section 34-19S-34E	Lea	NM	Oil x Expl x Gas Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formations	Est. TD
Original Estimate	<input checked="" type="radio"/>		Bone Spring	15,046'
Revised Estimate	<input type="radio"/>			
Supplemental Estimate	<input type="radio"/>			

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$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		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
-----------------	-------------	-------------	-------------

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

Well Control Insurance
Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.
<input type="checkbox"/> I elect to purchase my own well control insurance policy.
Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr. Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.: 19

Intangibles					Code	Dry Hole Cost	Code	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration					DIDC.100	\$50,000	DICC.100		\$50,000
Damages					DIDC.105	\$1,000	DICC.105		\$1,000
Mud / Fluids Disposal Charges					DIDC.135	\$65,000	DICC.135	\$52,500	\$117,500
Day Rate	39	DH Days	8	ACP Days @	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$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					DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives					DIDC.145	\$39,000			\$39,000
Surface Rentals					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 Services)					DIDC.160				\$0
Mud Logging	\$850	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	\$8,000
Casing Crews					DIDC.195	\$10,000	DICC.165	\$15,000	\$25,000
Extra Labor, Welding, Etc.					DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transportation (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision					DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering					DIDC.280	\$23,000	DICC.255	\$4,000	\$27,000
Other Misc Expenses					DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead					DIDC.225	\$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					DIDC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane					DIDC.250		DICC.230		\$0
Marine & Air Transportation					DIDC.275		DICC.250		\$0
Solids Control					DIDC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$90,000	DICC.240	\$26,000	\$116,000
Fishing & Sidetrack Operations					DIDC.270	\$0	DICC.245		\$0
Completion Rig							DICC.115	\$70,000	\$70,000
Coil Tubing							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					DIDC.300	\$1,000	DICC.280		\$1,000
Well Control Insurance					DIDC.285	\$5,000			\$5,000
Contingency					DIDC.435	\$79,000	DICC.220	\$54,000	\$133,000
Construction For Well Equipment							DWFA.110	\$20,000	\$20,000
Construction For Lease Equipment							DLEQ.110	\$0	\$0
Construction For Sales P/L							DICC.265		\$0
Total Intangible Cost						\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment									
Casing	Size	Feet	\$ / Foot						
Drive Pipe	20 "	40.00	\$0.00	DWFB.150	\$0				\$0
Conductor Pipe				DWFB.130	\$0				\$0
Water String				DWFB.135	\$0				\$0
Surface Casing	13-3/8"		\$0.00	DWFB.140	\$0				\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB.145	\$36,000				\$36,000
Drilling Liner				DWFB.145	\$0				\$0
Drilling Liner				DWFB.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				DWEA.100	\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWEA.105	\$82,000		\$82,000
N/C Well Equipment						DWFA.115	\$20,000		\$20,000
Wellhead, Tree, Chokes					DWFB.115		DWFA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer					DWFB.100		DWFA.125	\$1,000	\$1,000
Packer, Nipples							DWFA.130	\$110,000	\$110,000
Pumping Unit, Engine							DLEQ.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)							DLEQ.105	\$48,000	\$48,000

Tangible - Lease Equipment									
N/C Lease Equipment							DLEQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs							DLEQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)							DLEQ.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)							DLEQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities							DWFA.135		\$0
Pipeline to Sales							DWFA.140		\$0
Total Tangibles						\$36,000		\$800,775	\$836,775

P&A Costs					DIDC.295	\$150,000	DICC.225	-\$150,000	\$0
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Total Cost						\$1,845,200		\$1,801,775	\$3,646,975
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Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No	Prospect or Field Name	Property Number	Drilling AFE No
Permian	Mallon 34 Federal	19			

Location	County	State	Type Well
S/2N/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$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		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal

Well No.: 19

Intangibles					Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration					DIDC.100	\$50,000	DICC.100		\$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 @	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$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					DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives					DIDC.145	\$39,000			\$39,000
Surface Rentals					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 Services)					DIDC.160				\$0
Mud Logging	\$850	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	\$8,000
Casing Crews					DIDC.195	\$10,000	DICC.165	\$15,000	\$25,000
Extra Labor, Welding, Etc.					DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transportation (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision					DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering					DIDC.280	\$23,000	DICC.255	\$4,000	\$27,000
Other Misc Expenses					DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead					DIDC.225	\$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					DIDC.245	\$140,000			\$140,000
Dock, Dispatcher, Crane					DIDC.250		DICC.230		\$0
Marine & Air Transportation					DIDC.275		DICC.250		\$0
Solids Control					DIDC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$90,000	DICC.240	\$26,000	\$116,000
Fishing & Sidetrack Operations					DIDC.270	\$0	DICC.245		\$0
Completion Rig	17	Days @	3,400	Per Day			DICC.115	\$70,000	\$70,000
Coil Tubing	1	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					DIDC.300	\$1,000	DICC.280		\$1,000
Well Control Insurance					DIDC.285	\$5,000			\$5,000
Contingency					DIDC.435	\$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		\$0
Total Intangible Cost						\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment									
Casing	Size	Feet	\$ / Foot						
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0				\$0
Conductor Pipe				DWEB.130	\$0				\$0
Water String				DWEB.135	\$0				\$0
Surface Casing	13-3/8"		\$0.00	DWEB.140	\$0				\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWEB.145	\$36,000				\$36,000
Drilling Liner				DWEB.145	\$0				\$0
Drilling Liner				DWEB.145	\$0				\$0
Production Casing or Liner	7"	11200.00	\$29.37			DWEA.100	\$329,000		\$329,000
Production Tie-Back	3 1/2"	5000.00				DWEA.100	\$66,275		\$66,275
Tubing	2 7/8"	10200.00	\$8.03			DWEA.105	\$82,000		\$82,000
N/C Well Equipment							DWEA.115	\$20,000	\$20,000
Wellhead, Tree, Chokes					DWEB.115		DWEA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer					DWEB.100		DWEA.125	\$1,000	\$1,000
Packer, Nipples							DWEA.130	\$110,000	\$110,000
Pumping Unit, Engine							DLEQ.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)							DLEQ.105	\$48,000	\$48,000
Tangible - Lease Equipment									
N/C Lease Equipment							DLEQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs							DLEQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)							DLEQ.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)							DLEQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities							DWEA.135		\$0
Pipeline to Sales							DWEA.140		\$0
Total Tangibles						\$36,000		\$800,775	\$836,775

P&A Costs					DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
Total Cost						\$1,845,200		\$1,801,775	\$3,646,975

07/20/09
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

CERTIFIED MAIL

7007 0710 0003 0317 4066

CIMAREX

July 17, 2009

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 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:

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

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

ATTACHMENT

A3



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.

A handwritten signature in black ink, appearing to read "Hayden Tresner", written over the printed name.

Hayden P. Tresner

Landman



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No	Prospect or Field Name	Property Number	Drilling AFE No
Permian	Mallon 34 Federal Com	18			

Location	County	State	Type Well
S/2S/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Expl <input checked="" type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$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		\$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 Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE
The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Mallon 34 Federal Com

Well No.: 18

Intangibles				Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration				ENR 100	\$50,000	ENR 100		\$50,000
Damages				ENR 105	\$1,000	ENR 105		\$1,000
Mud / Fluids Disposal Charges				ENR 245	\$65,000	ENR 245	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	ENR 117	\$468,000	ENR 117	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				ENR 137	\$9,000			\$9,000
Bits				ENR 139	\$23,000	ENR 139	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		ENR 145	\$90,000	ENR 145	\$12,000	\$102,000
Water / Completion Fluids				ENR 140	\$70,200	ENR 140	\$61,500	\$131,700
Mud & Additives				ENR 135	\$39,000			\$39,000
Surface Rentals				ENR 240	\$61,000	ENR 240	\$84,000	\$145,000
Downhole Rentals				ENR 134	\$88,000	ENR 134	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				ENR 142				\$0
Mud Logging	\$850 Days @	32 Per Day		ENR 120	\$31,000			\$31,000
Open Hole Logging				ENR 140	\$15,000			\$15,000
Cementing & Float Equipment				ENR 180	\$15,000	ENR 180	\$50,000	\$65,000
Tubular Inspections				ENR 128	\$5,000	ENR 128	\$3,000	\$8,000
Casing Crews				ENR 185	\$10,000	ENR 185	\$15,000	\$25,000
Extra Labor, Welding, Etc.				ENR 205	\$31,000	ENR 205	\$5,000	\$36,000
Land Transportation (Trucking)				ENR 108	\$20,000	ENR 108	\$9,000	\$29,000
Supervision				ENR 110	\$59,000	ENR 110	\$26,000	\$85,000
Trailer House / Camp / Catering				ENR 230	\$23,000	ENR 230	\$4,000	\$27,000
Other Misc Expenses				ENR 130	\$11,000	ENR 130	\$7,000	\$18,000
Overhead				ENR 155	\$12,000	ENR 155	\$11,000	\$23,000
Remedial Cementing				ENR 215		ENR 215		\$0
MOB/DEMOB				ENR 240	\$60,000			\$60,000
Directional Drilling Services				ENR 145	\$140,000			\$140,000
Dock, Dispatcher, Crane				ENR 240		ENR 240		\$0
Marine & Air Transportation				ENR 210		ENR 210		\$0
Solids Control				ENR 240	\$88,000			\$88,000
Well Control Equip (Shubbing Svcs.)				ENR 240	\$90,000	ENR 240	\$26,000	\$116,000
Fishing & Sidetrack Operations				ENR 230	\$0	ENR 230		\$0
Completion Rig	17 Days @	3,400 Per Day		ENR 115		ENR 115	\$70,000	\$70,000
Coil Tubing	1 Days @	33,000 Per Day		ENR 260		ENR 260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys						ENR 200	\$10,000	\$10,000
Stimulation						ENR 105	\$427,000	\$427,000
Legal / Regulatory / Curative				ENR 300	\$1,000	ENR 300		\$1,000
Well Control Insurance	\$0.35 Per Foot			ENR 280	\$5,000			\$5,000
Contingency	5% of Drilling Intangibles			ENR 310	\$79,000	ENR 310	\$54,000	\$133,000
Construction For Well Equipment						ENR 110	\$20,000	\$20,000
Construction For Lease Equipment						ENR 110	\$0	\$0
Construction For Sales P/L						ENR 105		\$0
Total Intangible Cost					\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment							
Casing	Size	Feet	\$ / Foot				
Drive Pipe	20 "	40.00	\$0.00	ENR 150	\$0		\$0
Conductor Pipe				ENR 140	\$0		\$0
Water String				ENR 135	\$0		\$0
Surface Casing	13-3/8"		\$0.00	ENR 140	\$0		\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	ENR 145	\$36,000		\$36,000
Drilling Liner				ENR 145	\$0		\$0
Drilling Liner				ENR 145	\$0		\$0
Production Casing or Liner	7"	11200.00	\$29.37	ENR 140		ENR 140	\$329,000
Production Tie-Back	3 1/2"	5000.00		ENR 135		ENR 135	\$66,275
Tubing	2 7/8"	10200.00	\$8.03	ENR 105		ENR 105	\$82,000
N/C Well Equipment						ENR 115	\$20,000
Wellhead, Tree, Chokes				ENR 115		ENR 115	\$10,000
Liner Hanger, Isolation Packer				ENR 120		ENR 115	\$1,000
Packer, Nipples						ENR 130	\$110,000
Pumping Unit, Engine						ENR 105	\$98,000
Lift Equipment (BHP, Rods, Anchors)						ENR 145	\$48,000

Tangible - Lease Equipment							
N/C Lease Equipment						ENR 115	\$0
Tanks, Tanks Steps, Stairs						ENR 120	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						ENR 120	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						ENR 110	\$1,500
Offshore Production Structure for Facilities						ENR 115	\$0
Pipeline to Sales						ENR 110	\$0
Total Tangibles					\$36,000		\$800,775

P&A Costs				ENR 205	\$150,000	ENR 205	-\$150,000	\$0
Total Cost					\$1,845,200		\$1,801,775	\$3,646,975



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
July 16, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Mallon 34 Federal Com	18			

Location	County	State	Type Well
S/2S/2 Section 34-19S-34E	Lea	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate <input checked="" type="radio"/>			Bone Spring	15,046'
Revised Estimate <input type="radio"/>				
Supplemental Estimate <input type="radio"/>				

Project Description
Drill and complete a third Bone Spring horizontal well. 11200 Pilot 10840 TVD/15046 MD (4500 VS).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,659,200		\$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		\$36,500	\$36,500
Total Tangible Well Cost	\$36,000	\$800,775	\$836,775

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,845,200	\$1,801,775	\$3,646,975
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Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

Well Control Insurance

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

☐ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

Comments on AFE

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date
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Project Cost Estimate

Lease Name: Mallon 34 Federal Com

Well No.: 18

Intangibles				Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration				DHRC 100	\$50,000	DHRC 100		\$50,000
Damages				DHRC 105	\$1,000	DHRC 105		\$1,000
Mud / Fluids Disposal Charges				DHRC 235	\$65,000	DHRC 235	\$52,500	\$117,500
Day Rate	39 DH Days	8 ACP Days @	12,000 Per Day	DHRC 115	\$468,000	DHRC 120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				DHRC 125	\$9,000			\$9,000
Bits				DHRC 125	\$23,000	DHRC 125	\$1,000	\$24,000
Fuel	\$2.55 Per Gallon	700 Gallons Per Day		DHRC 135	\$90,000	DHRC 130	\$12,000	\$102,000
Water / Completion Fluids				DHRC 140	\$70,200	DHRC 135	\$61,500	\$131,700
Mud & Additives				DHRC 145	\$39,000			\$39,000
Surface Rentals				DHRC 150	\$61,000	DHRC 140	\$84,000	\$145,000
Downhole Rentals				DHRC 155	\$88,000	DHRC 145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				DHRC 160				\$0
Mud Logging	\$850 Days @	32 Per Day		DHRC 170	\$31,000			\$31,000
Open Hole Logging				DHRC 180	\$15,000			\$15,000
Cementing & Float Equipment				DHRC 185	\$15,000	DHRC 185	\$50,000	\$65,000
Tubular Inspections				DHRC 190	\$5,000	DHRC 160	\$3,000	\$8,000
Casing Crews				DHRC 195	\$10,000	DHRC 165	\$15,000	\$25,000
Extra Labor, Welding, Etc.				DHRC 200	\$31,000	DHRC 170	\$5,000	\$36,000
Land Transportation (Trucking)				DHRC 205	\$20,000	DHRC 175	\$9,000	\$29,000
Supervision				DHRC 210	\$59,000	DHRC 180	\$26,000	\$85,000
Trailer House / Camp / Catering				DHRC 280	\$23,000	DHRC 255	\$4,000	\$27,000
Other Misc Expenses				DHRC 220	\$11,000	DHRC 190	\$7,000	\$18,000
Overhead				DHRC 225	\$12,000	DHRC 205	\$11,000	\$23,000
Remedial Cementing				DHRC 235		DHRC 215		\$0
MOB/DEMOB				DHRC 240	\$60,000			\$60,000
Directional Drilling Services				DHRC 245	\$140,000			\$140,000
Dock, Dispatcher, Crane				DHRC 250		DHRC 235		\$0
Marine & Air Transportation				DHRC 275		DHRC 250		\$0
Solids Control				DHRC 260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)				DHRC 265	\$90,000	DHRC 240	\$26,000	\$116,000
Fishing & Sidetrack Operations				DHRC 270	\$0	DHRC 245		\$0
Completion Rig	17 Days @	3,400 Per Day				DHRC 215	\$70,000	\$70,000
Coil Tubing	1 Days @	33,000 Per Day				DHRC 260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys						DHRC 200	\$10,000	\$10,000
Stimulation						DHRC 210	\$427,000	\$427,000
Legal / Regulatory / Curative				DHRC 300	\$1,000	DHRC 280		\$1,000
Well Control Insurance	\$0.35 Per Foot			DHRC 285	\$5,000			\$5,000
Contingency	5% of Drilling Intangibles			DHRC 435	\$79,000	DHRC 230	\$54,000	\$133,000
Construction For Well Equipment						DWFA 110	\$20,000	\$20,000
Construction For Lease Equipment						DHRC 110	\$0	\$0
Construction For Sales P/L						DHRC 265		\$0
Total Intangible Cost					\$1,659,200		\$1,151,000	\$2,810,200

Tangible - Well Equipment								
Casing	Size	Feet	\$ / Foot					
Drive Pipe	20 "	40.00	\$0.00	DWFB 150	\$0			\$0
Conductor Pipe				DWFB 130	\$0			\$0
Water String				DWFB 125	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DWFB 160	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB 145	\$36,000			\$36,000
Drilling Liner				DWFB 145	\$0			\$0
Drilling Liner				DWFB 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 115	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWFB 115		DWFA 120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWFB 100		DWFA 125	\$1,000	\$1,000
Packer, Nipples						DWFA 130	\$110,000	\$110,000
Pumping Unit, Engine						DHRC 100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DHRC 105	\$48,000	\$48,000
Tangible - Lease Equipment								
N/C Lease Equipment						DHRC 115	\$0	\$0
Tanks, Tanks Steps, Stairs						DHRC 120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DHRC 125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DHRC 130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWFA 135		\$0
Pipeline to Sales						DWFA 140		\$0
Total Tangibles					\$36,000		\$800,775	\$836,775
P&A Costs				DHRC 205	\$150,000	DHRC 175	-\$150,000	\$0
Total Cost					\$1,845,200		\$1,801,775	\$3,646,975

4/10/09

p-115
9/2/09

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

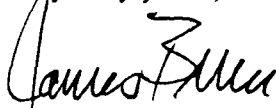
Ladies and gentlemen:

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 N $\frac{1}{2}$ N $\frac{1}{2}$ 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.

ATTACHMENT
B1

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 N $\frac{1}{2}$ N $\frac{1}{2}$ 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 re-enter 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 N $\frac{1}{2}$ N $\frac{1}{2}$ 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 NW $\frac{1}{4}$ NW $\frac{1}{4}$, and a terminus at an orthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$, of Section 34.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N $\frac{1}{2}$ N $\frac{1}{2}$ 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.

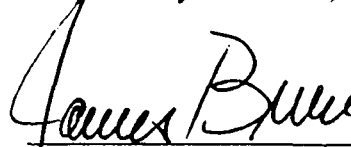
Therefore, applicant seeks an order pooling all mineral interest owners in the N½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

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 N½N½ 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,

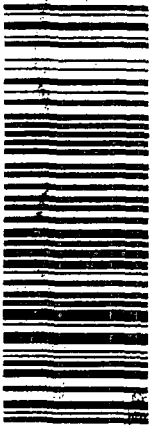


James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

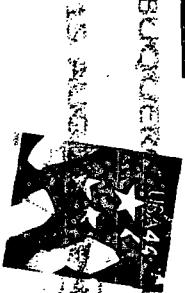
Attorney for Cimarex Energy Co.

CERTIFIED MAIL™

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

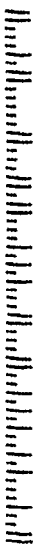


7008 3230 0000 2324 8985



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

76116+5774



Over 100 yrs

08/17/09

JAMES BRUCE
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jamesbruc@aol.com

July 28, 2009

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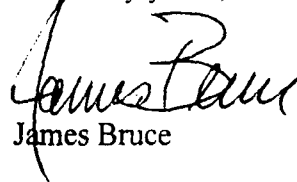
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Very truly yours,



James Bruce

Attorney for Cimarex Energy Co.

ATTACHMENT
B2

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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 S½N½ 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 S½N½ of Section 34, and has the right to re-enter 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 SE¼NE¼, and a terminus at an orthodox location in the SW¼NW¼, 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.

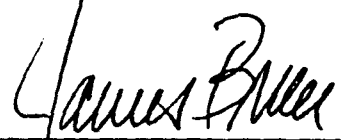
Therefore, applicant seeks an order pooling all mineral interest owners in the S½N½ of Section 34, pursuant to NMSA 1978 §§70-2-17, 18.

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 S½N½ 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.

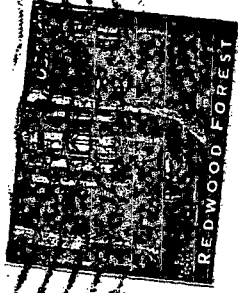
James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

CERTIFIED MAIL™



7008 3230 0000 2324 8886

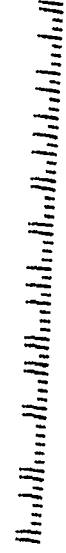
UQUEMQUE NM 871



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

Handwritten signature and date: 10/1/88

76116+5772



10/1/09

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

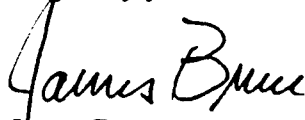
Ladies and gentlemen:

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 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,


James Bruce

Attorney for Cimarex Energy Co.

ATTACHMENT
B3

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,
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Case No. _____

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1. Applicant is an interest owner in the S½S½ of Section 34, and has the right to re-enter 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 SW¼SW¼, and a terminus at an orthodox location in the SE¼SE¼, of Section 34.
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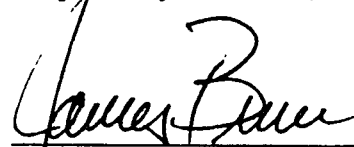
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WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

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- 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

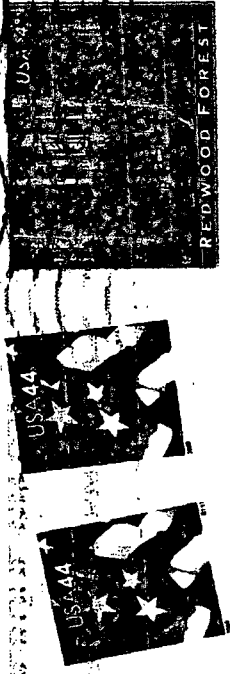
Attorney for Cimarex Energy Co.

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

CERTIFIED MAIL™



7006 3230 0000 2324 9043

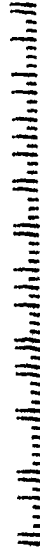


08/17

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

08/13
08/13

76116+577A



**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

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 seal.

Notary Public

My commission expires:

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.

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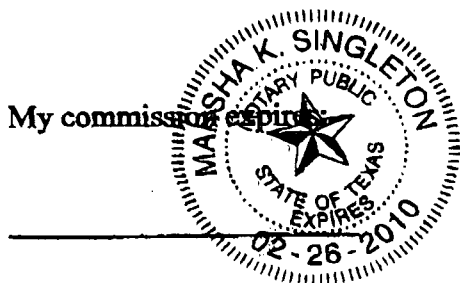
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FURTHER AFFIANT SAYETH NAUGHT


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.




Notary Public

----- Forwarded Message -----

From: Hayden Tresner <htresner@cimarex.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 your 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 our 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 Sections 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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