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

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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.
- 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.

- 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 $\P 8$.

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 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

CIMAREX

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

<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

<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

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:	in the second			Date Prepared And July	16, 2009
Region Well Name	Well No.	Prospect or Field Name	Property Number	Jan Drillin	g,AFE,No :
Permian Mallon 34 Federal	20				
Location		County	State . 5	YYTHE CONTRACTOR	pe Well
N/2N/2 Section 34-19S-34E		Lea	NM	Oil x	Expl x
	. 12 ×		Campi Data	Formation %	Ale: A Est. TD
Estimate Type	**************************************	Est. Start Date Est-	Comp bare		
Revised Estimate O Supplemental Estimate O				Bone Spring	15,046'
Project Description					
Intangibles		Dry Hole Cost	After Casing I	Point Co	mpleted Well Cost
Drilling Costs Completion Costs		\$1,659,200	\$1,151,00	0	\$1,659,200 \$1,151,000
Total Intangible Costs		\$1,659,200	\$1,151,00		\$2,810,200
Tangibles					
Well Equipment		\$36,000	\$764,275		\$800,275
Lease Equipment Total Tangible Well Cost		\$36,000	\$36,500 \$800,77 5	<u> </u>	\$36,500 \$836,775
Plus and Abandon Cost		\$150,000	\$150.000		\$0
Plug and Abandon Cost		\$150,000	-\$150,000		50
Total Well Cost		\$1,845,200	\$1,801,77	5	\$3,646,975
Well Control Insurance Unless otherwise indicated below, you, as a non-op- so long as Operator conducts operations hereunde insurance, you must provide a certificate of such in later than commencement of drilling operations. Y by insurance procured by Operator. I elect to purchase my own well control insurance policy. Well control insurance procured by Operator, provi related redrilling and clean-up/pollution expense of The above costs are estimates only and anticipate in without affecting the authorization for expenditure actual legal, curative, regulatory and well costs und	perating worr and to passurance action agree the dides, amonovering drivers therein grant to the dides of the	d CEPS guidelines using the Historic P wrking interest owner, agree to be cov y your prorated share of the premiun ceptable to Operator, as to form and nat failure to provide the certificate o g other terms, for \$20,000,000 (100% lling (through completion) with a \$1,0 e operations without any foreseeable ented. By approval of this AFE, the wo	ered by Operator's one therefore. If you limits, at the time the finsurance, as provided to the control of the	well control insurance elect to purchase your nis AFE is returned, if a ded herein, will result Single Limit coverage for deductible.	procured by Operator own well control vailable, but in no event in your being covered or well control and executed the estimated costs portionate share of
		Cimarex Energy Co. Approv	al		
				Manager : Free Care	pression and the state of the s
Mark Audes Engineer - PB	Doug Park, N	Agr Operations PB	Roger Alexa	nder, Regional Manager PB	
Company		Joint Interest Approval		on the state of th	
Company of the second of make of the second of	BY F A		Date	Mark St. St. St. St. Co. St. St. St. St. St. St. St. St. St. St	and the first of the state of the state of



Project Cost Estimate

Lease Name: Malion 34 Federal							We	il No.:	20
Into acibles	and the Maria		Land Control of the	r State	10 10 10 (E)	Dry Hole Cost			ompleted Well
Intangibles					S. Je gathere			Point	Cost
Roads & Location Preparation / Restord	tion			***************************************	DIDC.100	\$50,000	-		\$50,000
Damages					DIDC.105	\$1,000	<u> </u>	452.500	\$1,000
Mud / Fluids Disposal Charges	· ·				DIDC.255	\$65,000	 	\$52,500	\$117,500
Day Rate 39 DH Days		ACP Days @	12,000	Per Day	DIDC.115	\$468,000	*************	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat	hole, pads, p	oile clusters, misc.)			DIDC.120	\$9,000	MAKE AREA PARTY		\$9,000
Bits	····				DIDC125	\$23,000		\$1,000	\$24,000
Fuel \$2.55	Per Gallon	70	Gallons Per Do		DIDC.135	\$90,000		\$12,000	\$102,000
Water / Completion Fluids				Per Day	DIDC.140	\$70,200	~~~~~~~~~	\$61,500	\$131,700
Mud & Additives			·		DIDC.145	\$39,000			\$39,000
Surface Rentals				Per Day	DIDC.150	\$61,000		\$84,000	\$145,000
Downhole Rentals					DIDC.155	\$88,000	DICC.145	\$74,000	\$162,000
Formation Evaluation (DST, Coring inclu	ıding evaluat	tion, G&G Services)			DIDC 160				\$0
Mud Logging		\$850 Days @	32	Per Day	DIDC.170	\$31,000			\$31,000
Open Hole Logging					DIPC.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	DICC1984	\$15,000	\$25,000
Extra Labor, Welding, Etc.					DIDC.200	\$31,000	DICC.170	\$5,000	\$36,000
Land Transporation (Trucking)					DIDC.205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision				Per Day	DIPC210	\$59,000	DICC, 180	\$26,000	\$85,000
Trailer House / Camp / Catering				Per Day	DB2.280	\$23,000	DIC 0. 255	\$4,000	\$27,000
Other Misc Expenses					DIDC.220	\$11,000	DICC,190	\$7,000	\$18,000
Overhead			300	Per Day	DIDCLESS	\$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					DIPC.250		DICC 230		\$0
Marine & Air Transportation					1MDC.275		DICC.250		\$0
Solids Control				Per Day	DIDC.260	\$88,000			\$88,000
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$90,000	DICC,248	\$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 L	Inits, WL Sur			·			DICC.200	\$10,000	\$10,000
Stimulation				^···			DICC.210	\$427,000	\$427,000
Legal / Regulatory / Curative					DIDC.300	\$1,000			\$1,000
Well Control Insurance	\$0.35	Per Foot			DIDC.285	\$5,000	מטטעששעעטע		\$5,000
The state of the s	of Drilling I				DIDC.435	\$79,000	CARRELLAR	\$54,000	\$133,000
Construction For Well Equipment							DWEA.110	\$20,000	\$20,000
Construction For Lease Equipment							DH.Q.110	\$0	\$0
Construction For Sales P/L				· · · · · · · · · · · · · · · · · · ·			DICC.265	¥=	\$0
Total Intangible Cost					STATE OF THE STATE	\$1,659,200		\$1,151,000	\$2,810,200
									,
Tangible - Well Equipment	programme of				William .	rinirenie.	Air Air Air		di conservatione
Casing		Size	Feet	\$/Foot					
Drive Pipe		20	40.00	\$0.00	DWEB.150	\$0	THE CONTRACTOR		\$0
Conductor Pipe					DWEB.130	\$0			\$0
Water String					DW18.135	ŚO			SO

				CCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCCC	444550 XXXXX			
Construction For Lease Equipment						DH.Q.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	The way to a capture on a constant	1- 1- 17-2 Miles	The State A	WALL ROLLING	A STATE OF THE STA	WAR THE STATE OF	is this section is a	t d
Casing	Size	Feet	\$/Foot					
Drive Pipe	20 "	40.00	\$0.00	DWEB.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			SO
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB 145	\$36,000			\$36,000
Drilling Liner				DWEB.145	\$0			SO
Drilling Liner				DWLB.145	\$0			SO
Production Casing or Liner	7"	11200.00	\$29.37			DWEA.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			DWF4 105	\$82,000	\$82,000
N/C Well Equipment						DWIA 115	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWEB.115		DWFA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWF8.100		DW9A,125	\$1,000	\$1,000
Packer, Nipples						DWFA,130	\$110,000	\$110,000
Pumping Unit, Engine						DEF 03.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLFQ.105	\$48,000	\$48,000
Tangible - Lease Equipment	「大学をから、 アーン・コークリ	the second	en Jakan	and and		Calculation of the Control of the Co	STATE OF THE PERSON OF THE PER	ar a land
N/C Lease Equipment						DLFQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs						DIFQ.120	\$20,000	\$20,000
Battery (Heater Treater, Separator, Gas Treating E						DLEQ.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central faci	ility)					DIFQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWFA.135		\$0
Pipeline to Sales						DWI A.140		\$0
Total Tangibles					\$36,000		\$800,775	\$836,775
P&A Costs				DIDC,295	\$150,000	9ICC.275	-\$150,000	\$(
					7130,000		\$130,000	
Total Cost					\$1,845,200		\$1,801,775	\$3,646,975



Authorization For Expenditure

Company Entity - 🚧 🤲	A Section				Da			
Region	Well Name	Well No.	Prospect or Field Name	3+ Property	y Number 🤘 💒	्रभूक ^{्ष} ेत्र A Drilling	AFE No.	
Permian Ma	llon 34 Federal	20						
ocation 🖟 🔄 🕬 🛶	A Marie Committee Co	, a 0° ja , a 1	County	st.	ate 🌭 🤼			
/2N/2 Section 34-19S-34E			Lea	N	IM Oil Ga		Prod X	
stimate Type	المراجع المراجع المراجع المراجع المراجع المراجع المراجع	f. Est.S	start:Date	Ēst: Gomp Þ	ate	** Eormation **	پر در کار یا پارستان اور در از در در از	
Original Estimate Revised Estimate Supplemental Estimate	0					Bone Spring	15,046'	
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ntangibles Orilling Costs			Dry Hole Cost \$1,659,200	Af	ter Casing Point	t Con	\$1,659,200	
Completion Costs Total Intangible Costs			\$1,659,200		\$1,151,000 \$1,151,000		July 16, 2009 Drilling AFE No. Type Well x	
			+ x) = 3 / 2 / 2 / 2		7-,-52,000			
angibles Vell Equipment			\$36,000		\$764,275		\$800.275	
ease Equipment	A				\$36,500	Completed Well Cost Formation Formatio		
otal Tangible Well Cost			\$36,000		\$800,775		\$836,775	
lug and Abandon Cost			\$150,000		-\$150,000		\$0	
otal Well Cost			\$1,845,200		\$1,801,775		\$3 646 975	
Well Control Insurance Unless otherwise indicated so long as Operator conduct insurance, you must provide ater than commencement op insurance procured by O I elect to purchase my own with well control insurance procured to the control insurance procured ater than comments on AFE	below, you, as a non-op ts operations hereunder a certificate of such in of drilling operations. Y perator. well control insurance policy. ured by Operator, provi up/pollution expense co	erating working and to pay yo surance accept ou agree that for des, among ot overing drilling arouble free op	ing interest owner, agree to our prorated share of the protable to Operator, as to fore aillure to provide the certification that the certification is a second completion of the certification in the certification is a second completion of the certification in the certification is a second certification in the certification is a second certification in the certification in the certification is a second certification in the certification in the certification is a second certification in the certification in the certification is a second certification in the certification in the certification in the certification is a second certification in the certifica	pe covered by one emiums therefore and limits, at cate of insurant (100% W.I.) of a \$1,000,000 (100% W.I.)	Operator's well ore. If you elect the time this A ice, as provided Combined Singl 100% W.I.) dedu	control insurance part to purchase your FE is returned, if average herein, will result in the Limit coverage for actible.	procured by Operator own well control vailable, but in no eve in your being covered or well control and	
without affecting the autho	rization for expenditure	herein grante er term of the	d. By approval of this AFE,	the working int regulatory ord	terest owner ag	rees to pay its prop	ortionate share of	
repared by			ompletion Manager,	A. In was at the	e Regional Man	agerer in the special	建设制作为100分元	
Mark Audas Engineer - PB		Doug Park, Mgr(Operations PB		Roger Alexander,	Regional Manager PB		
Company 🖽 💘	Marian Santa	Byerra	Joint Interest Appro	A SECTION OF THE PARTY OF THE P	oj Datės 🗟 🛶			
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Tanks, Tanks Steps, Stairs

Pipeline to Sales

Total Tangibles

P&A Costs

Total Cost

Battery (Heater Treater, Separator, Gas Treating Equipment)

Flow Lines (Line Pipe from wellhead to central facility)

Offshore Production Structure for Facilities

Project Cost Estimate

Lease Name: Malion 34 Federal Well No.: 20

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Intangibles **	ophia in the	Y 1 22 1 1 1			Dry Hole Cost			Completed Well
	Additional of high services	30 13.00 2 20.00		gramesta (¢50,000		Point &	\$ Cost \$50,000
Roads & Location Preparation / Restoration				DIDC.100	\$50,000 \$1,000	DICC.100		\$1,000
Damages				DIDC.255	\$65,000	DICC.235	\$52,500	\$117,500
Mud / Fluids Disposal Charges Day Rate 39 DH Days 8 A	CP Days @	12,000 F	Per Day	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Day Rate 39 DH Days 8 A Misc Preparation Cost (mouse hole, rat hole, pads, pil		12,000	er Duy	DIDC.120				\$9,000
	e clusters, imse./			DIDC.125	\$23,000	DICC.125	\$1,000	\$24,000
Bits Fuel \$2.55 Per Gallon	700 (Gallons Per Day	v	DIDC.135	\$90,000	DICC.130	\$12,000	\$102,000
Water / Completion Fluids	700		Per Day	DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives			50)	DIDC.145	\$39,000	***********		\$39,000
Surface Rentals	T	İ	Per Day	DIDC.150	\$61,000	DICC. 140	\$84,000	\$145,000
Downhole Rentals		<u></u>		DIDC.155	\$88,000	DICC.145	\$74,000	\$162,000
Formation Evaluation (DST, Coring including evaluation	on G&G Services)		1	DIDC.160	V			\$0
Mud Logging	\$850 Days @	32 /	Per Day	DIDC.170	\$31,000			\$31,000
Open Hole Logging				DIDC.180				\$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
	sing Crews							\$25,000
Extra Labor, Welding, Etc.		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	T	11	Per Day	DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering	-		Per Day	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
Dock, Dispatcher, Crane				DIDC.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				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 Surve	eys					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 F	er Foot			DIDC.285	\$5,000			\$5,000
Contingency 5% of Drilling In:	tanaibles							75,000
Soloj Drilling III				DIDC.435	\$79,000	DICC.220	\$54,000	\$133,000
Construction For Well Equipment				DIDC.435		DICC.220 DWEA.110	\$54,000 \$20,000	
								\$133,000
Construction For Well Equipment						DWEA.110	\$20,000	\$133,000 \$20,000
Construction For Well Equipment Construction For Lease Equipment						DWEA.110 DLEQ.110	\$20,000	\$133,000 \$20,000 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost					\$1,659,200	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment	gai in normal destant forces de la factorio	e disere				DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing	Size	Feet	\$/Foot		\$1,659,200	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe	gai in normal destant forces de la factorio			DWEB.150	\$1,659,200 \$0	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$0 \$2,810,200
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe	Size	Feet	\$/Foot	DWEB.130	\$1,659,200 \$0 \$0	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$2,810,200
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String	Size 20 "	Feet	\$/Foot \$0.00	DWEB.150 DWEB.130 DWEB.135	\$1,659,200 \$0 \$0 \$0	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$2,810,200 \$0 \$2,810,200
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing	Size 20 "	Feet 40.00	\$/Foot \$0.00	DWEB.150 DWEB.130 DWEB.135 DWEB.140	\$1,659,200 \$0 \$0 \$0 \$0	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$2,810,200 \$0 \$0 \$0 \$0 \$0 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing	Size 20 "	Feet	\$/Foot \$0.00	DWEB.150 DWFB.130 DWEB.145 DWEB.1410 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$0 \$36,000	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$0 \$0 \$0 \$36,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner	Size 20 "	Feet 40.00	\$/Foot \$0.00	DWEB.150 DWFB.130 DWEB.140 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.110 DLEQ.110	\$20,000 \$0	\$133,000 \$20,000 \$0 \$2,810,200 \$0 \$0 \$0 \$0 \$0 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Drilling Liner	Size 20 " 13-3/8" 8-5/8"	Feet 40.00 40.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWEB.130 DWEB.135 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$0 \$36,000	DWEA.110 DIEQ.110 DICC.265	\$20,000 \$0 \$1,151,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$0 \$0 \$0 \$36,000 \$0
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner	Size 20 " 13-3/8" 8-5/8"	Feet 40.00 40.00 1485.00	\$/Foot \$0.00	DWEB.150 DWEB.130 DWEB.135 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100	\$20,000 \$0 \$1,151,000 \$329,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWEB.130 DWEB.135 DWEB.140 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.100 DWEA.100	\$20,000 \$0 \$1,151,000 \$329,000 \$66,275	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$2,810,200 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing	Size 20 " 13-3/8" 8-5/8"	Feet 40.00 40.00 1485.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWEB.130 DWEB.135 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.105	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$2,810,200 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.100 DWEA.105 DWEA.105 DWEA.105	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$2,810,200 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.100 DWEA.100 DWEA.105 DWEA.105 DWEA.105 DWEA.120	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$2,810,200 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.100 DWEA.100 DWEA.105 DWEA.105 DWEA.125	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$2,810,200 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.100 DWEA.100 DWEA.105 DWEA.105 DWEA.125 DWEA.130	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.100 DWEA.100 DWEA.100 DWEA.105 DWEA.105 DWEA.105 DWEA.105 DWEA.125 DWEA.130 DLEQ.100	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000	\$133,000 \$20,000 \$0 \$0 \$2,810,200 \$0 \$0 \$0 \$36,000 \$329,000 \$66,275 \$82,000 \$10,000 \$1,000 \$98,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors)	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.110 DIEQ.110 DICC.265 DICC.265 DICC.265 DWEA.100 DWEA.100 DWEA.100 DWEA.105 DWEA.120 DWEA.120 DWEA.120 DWEA.130 DUEA.130 DLEQ.100 DLEQ.105	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000	\$133,000 \$20,000 \$0 \$0 \$0 \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$11,000 \$98,000 \$48,000
Construction For Well Equipment Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible - Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine	Size 20 " 13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$/Foot \$0.00 \$0.00 \$24.31	DWEB.150 DWFB.130 DWEB.145 DWEB.145 DWEB.145	\$1,659,200 \$0 \$0 \$0 \$0 \$36,000 \$0	DWEA.110 DIEQ.110 DICC.265 DICC.265 DICC.265 DWEA.100 DWEA.100 DWEA.100 DWEA.105 DWEA.120 DWEA.120 DWEA.120 DWEA.130 DUEA.130 DLEQ.100 DLEQ.105	\$20,000 \$0 \$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000	\$133,000 \$20,000 \$0 \$0 \$0 \$2,810,200 \$0 \$0 \$0 \$36,000 \$0 \$329,000 \$66,275 \$82,000 \$10,000 \$11,000 \$98,000 \$48,000

\$20,000

\$15,000

\$836,775

\$3,646,975

\$1,500

\$0

\$0

\$0

\$20,000

\$15,000

\$800,775

-\$150,000

\$1,801,775

\$1,500

DIEQ.120

DIFO.125

DLEQ.130

DWFA.135

DWFA.140

\$36,000

\$1,845,200

\$150,000 DICC.275

DIDC.295

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800





<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> Return Receipt No. 7007 0710 0003 0317 4059

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

<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

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,

<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

marex Energy Co.	control of the state of the sta	Ray Market & Profit & 1999 A		Date Prep	ared 👍 🖟 💮 💮 July 16, 2009
Region 🕫 💆	†Well Name -	• • Well N	lo. 🚛 Prospect or Field Name - 🧸 🖡	Property Number	Drilling AFE No.
Permian	Mallon 34 Feder	al 19			
ocation 🚜 💮	the state of the state of	Property of the state of the	County	State .	Type Well
/2N/2 Section 34-			Lea	NM Oil	x Expl x
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stimate Type' 🦠 🦚	S. Z. J. Co. W. S.		eEst.Start Date Est	. Comp Dațe 💛 🛂 🗫 🌣 🖰 Forr	nationគឺ ្នាំគ្រះ គ្រះ Est. TD 🦠 🔻
evised Estimate		0		Bone	Spring 15,046'
upplemental Estim	nate	0			
tangibles rilling Costs			Dry Hole Cost \$1,659,200	After Casing Point	Completed Well Cost \$1,659,200
ompletion Costs				\$1,151,000	\$1,151,000
otal Intangible Co	osts		\$1,659,200	\$1,151,000	\$2,810,200
angibles			426,000	A764.376	4000 575
Vell Equipment			\$36,000	\$764,275 \$36,500	\$800,275 \$36,500
ease Equipment			<i></i>		
ease Equipment otal Tangible We	II Cost		\$36,000	\$800,775	\$836,775
			\$36,000 \$150,000	\$ 800,775 -\$150,000	\$836,775
otal Tangible Welling and Abandon otal Well Cost	Cost			-\$150,000 \$1,801,775	\$0 \$3,646,975
otal Tangible Welling and Abandon otal Well Cost omments on Well All tubulars, well Vell Control Insuration of long as Operatonsurance, you mu	ance and a conducts operations ast provide a certificate	s priced by COPAS s a non-operating hereunder and to	\$1,845,200 \$1,845,200 and CEPS guidelines using the Historic working interest owner, agree to be copay your prorated share of the premiue acceptable to Operator, as to form and	\$1,801,775 Price Multiplier. vered by Operator's well control ms therefore. If you elect to pur I limits, at the time this AFE is re	\$3,646,975 \$3,646,975 Insurance procured by Operatorchase your own well control turned, if available, but in no every control turned.
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otal Tangible Welling and Abandon otal Well Cost omments on Welling and Italian welling and Italian welling welling and Italian welling with the second with the second welling and the second welling with the second with the second welling with the second welling with the second welling with the second with the seco	ancer Indicated below, you, a per conducts operations ast provide a certificate incement of drilling operations are dependent of drilling operations. The provide a certificate incement of drilling operations are my own well control insurance procured by Operator.	is a non-operating hereunder and to of such insurance erations. You agree	\$1,845,200 \$1,845,200 and CEPS guidelines using the Historic working interest owner, agree to be copay your prorated share of the premiue acceptable to Operator, as to form and	\$1,801,775 Price Multiplier. vered by Operator's well control ms therefore. If you elect to pur a limits, at the time this AFE is re of insurance, as provided herein	\$3,646,975 \$3,646,975 Insurance procured by Operator chase your own well control turned, if available, but in no every will result in your being covered coverage for well control and
vell Control Insurater than comments on Well Control Insurance, you murater than comments on Well Control insurance procured in least to purchase well control insurance procured in the control insurance procure	ance and an ance and ance and ance and ance and ance and ance are the ance and ance and ance and ance ance and ance ance and ance ance ance ance and clean-up/pollution ance and clean-up/pollution are estimates only and atthe authorization for estimates and ance and ance and ance and clean-up/pollution are estimates only and atthe authorization for estimates and ance ance and ance ance and ance ance and ance ance ance and ance ance ance ance ance ance ance ance	s priced by COPAS s priced by COPAS s a non-operating hereunder and to of such insurance erations. You agre ance policy. rator, provides, am expense covering anticipate trouble xpenditure herein	\$1,845,200 \$1,845,200 and CEPS guidelines using the Historic working interest owner, agree to be compay your prorated share of the premiule acceptable to Operator, as to form and the that failure to provide the certificate company other terms, for \$20,000,000 (1005)	\$1,801,775 Price Multiplier. vered by Operator's well control in the state of insurance, as provided herein (% W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible. e change in plans. The actual covorking interest owner agrees to illatory order or other applicable	\$3,646,975 \$3,646,975 Insurance procured by Operatorchase your own well control turned, if available, but in no every will result in your being covered coverage for well control and sts may exceed the estimated copay its proportionate share of
vell Control Insurater than comments on Well Control Insurance, you murater than comments on Well Control insurance procured in least to purchase well control insurance procured in the control insurance procure	ancer ndicated below, you, a per conducts operations ist provide a certificate incement of drilling operator. See my own well control insurance procured by Operator and clean-up/pollution incements only and a the authorization for evive, regulatory and well incements only and a stress only and well inceptions.	s priced by COPAS as a non-operating hereunder and to of such insurance erations. You agre ance policy. rator, provides, am expense covering anticipate trouble xpenditure herein Il costs under term	\$1,845,200 \$1,845,200 and CEPS guidelines using the Historic working interest owner, agree to be contained by acceptable to Operator, as to form and the that failure to provide the certificate of the that failure to provide the certificate of the interest owners, for \$20,000,000 (100% drilling (through completion) with a \$1,000 drilling (through completion) with a \$1,00	\$1,801,775 Price Multiplier. vered by Operator's well control ms therefore. If you elect to pure I limits, at the time this AFE is resof insurance, as provided herein (% W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible. The actual covering interest owner agrees to elatory order or other applicable (val)	\$3,646,975 \$3,646,975 Insurance procured by Operator chase your own well control turned, if available, but in no every will result in your being covered coverage for well control and sts may exceed the estimated corpay its proportionate share of agreement covering this well.
Vell Control Insurater than comments on Well Control Insurater than comments on Well Control Insurater than comments on Well Control Insurater than comments on AFE The above costs are without affecting to include Ingal, curating the control Insurater than comments on AFE The above costs are without affecting the control Insurater than comments on AFE The above costs are without affecting the control Insurater than comments on AFE The above costs are without affecting the control Insurater than control Insurate	ancer Il Costs ancer Indicated below, you, a conducts operations ist provide a certificate incement of drilling operator. Is my own well control insurance procured by Operator and clean-up/pollution inceptance in the authorization for evive, regulatory and well inventorial well.	s priced by COPAS s priced by COPAS s a non-operating hereunder and to of such insurance erations. You agre ance policy. rator, provides, arr expense covering anticipate trouble xpenditure herein ll costs under term	\$1,845,200 \$1,845,200 and CEPS guidelines using the Historic working interest owner, agree to be compay your prorated share of the premiule acceptable to Operator, as to form and the that failure to provide the certificate of the interest owners, for \$20,000,000 (1005) drilling (through completion) with a \$1,000 free operations without any foreseeable granted. By approval of this AFE, the way of the joint operating agreement, regular compared to the point operation of the point operation ope	\$1,801,775 Price Multiplier. vered by Operator's well control ms therefore. If you elect to pure I limits, at the time this AFE is resof insurance, as provided herein (% W.I.) of Combined Single Limit (000,000 (100% W.I.) deductible. The actual covering interest owner agrees to elatory order or other applicable (val)	\$3,646,975 \$3,646,975 Insurance procured by Operator chase your own well control turned, if available, but in no every, will result in your being covered coverage for well control and sts may exceed the estimated copay its proportionate share of agreement covering this well.



Total Cost

Project Cost Estimate

Wall No .

Lease Name: Mallon 34 Federal						Wel	l No.:	19
Intangibles:		A Children		Dr	v Hole Cöst		A DE TO THE PART A THE TANK	ompleted Well
				Codb(5)	J. 130, 67 "	. Godos Fila	Point	Cost
Roads & Location Preparation / Restoration				DIDC.100	\$50,000	DICC, 100		\$50,000
Damages				DIDC.105	\$1,000	DICC, 105	653.500	\$1,000
Mud / Fluids Disposal Charges		42.000		DIDC.255	\$65,000	DICC 235	\$52,500	\$117,500
Day Rate 39 DH Days 8 ACP Days		12,000	Per Day	PIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters	s, misc.)			DIDC.120				\$9,000
Bits	т			DIDC.125	\$23,000	DICC 125	\$1,000	\$24,000
Fuel \$2.55 Per Gallon	700	Gallons Per Do		DIDC.135	\$90,000	DICt 130	\$12,000	\$102,000
Water / Completion Fluids			Per Day	DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives				DIDC.145	\$39,000			\$39,000
Surface Rentals			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			····	DIDC.160				\$0
Mud Logging \$850	Days @	32	Per Day	PEPC.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 Transporation (Trucking)		Marie Control of the		DIDC205	\$20,000	DICC.175	\$9,000	\$29,000
Supervision			Per Day	DIDC.210	\$59,000	DICC.180	\$26,000	\$85,000
Trailer House / Camp / Catering			Per Day	DIDC.280	\$23,000		\$4,000	\$27,000
Other Misc Expenses		L		DIDC.220	\$11,000		\$7,000	\$18,000
Overhead		300	Per Day	DIDC.225	\$12,000		\$11,000	\$23,000
Remedial Cementing			TODAY	DIDC.231	312,000	DICC.215	311,000	\$0
MOB/DEMOB				DIDC.240	\$60,000			\$60,000
	2 Days @	8 200	Per Day	DIDC.245				\$140,000
	Z Duys w	8,200	reibay	 	3140,000			\$140,000
Dock, Dispatcher, Crane				DIDC.250		DICC.230		50
Marine & Air Transportation			0	DIDC,275	¢00,000	DICC,250		
Solids Control		<u> </u>	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	-!		1	DIDC.270	\$0) <i>(1000) (1000)</i>	DICC.245		\$0
	7 Days @		Per Day			DICC.115	\$70,000	\$70,000
	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			\$5,000
Contingency 5% of Drilling Intangibles				PIDC.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	ero ga ali.	a hiji kadan ji w	A STATE	nicki, k			eramers in th	gerare.
Casing	Size	Feet						
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0			\$0
Conductor Pipe				DWFB.130		CHARACTERA		\$0

Tangible - Well Equipment				10 6 3 4				C.C.
Casing	Size	Feet	\$/Foot					
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0			\$0
Conductor Pipe			·	DWFB.130	\$0			\$0
Water String				DWEB, 135	\$0			\$0
Surface Casing	13-3/8"		\$0.00	DWI B. (40	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWER.145	\$36,000			\$36,000
Drilling Liner				DWFB.145	\$0			\$0
Drilling Liner				DWF8.145	\$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			DWFA.105	\$82,000	\$82,000
N/C Well Equipment						DWEA.115	\$20,000	\$20,000
Wellhead, Tree, Chokes				DWEB.115		DWFA.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWFB, t00		DWEA.125	\$1,000	\$1,000
Packer, Nipples						DWFA.130	\$110,000	\$110,000
Pumping Unit, Engine						DLFQ.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)						DLFO.105	\$48,000	\$48,000
Tangible - Lease Equipment	re working to be a fire	3 - a - a - a - a - a	Carles Carlo			***********	的基本。在第一个	Early St.
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)						DIFO.125	\$15,000	\$15,000
Flow Lines (Line Pipe from wellhead to central facility)						DLFQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWLA.135		\$(
Pipeline to Sales						DWFA (40		\$(
Total Tangibles					\$36,000		\$800,775	\$836,77
P&A Costs				DIDC.295	\$150,000	DICC 275	-\$150,000	Ş

\$3,646,975

\$1,801,775

\$1,845,200



Company Entity

Authorization For Expenditure

Company Entity Co.	A Maria		332.3]			Dațe Prepa		6, 2009	
Region	well r	Vame 💉 🔻	- Well'No:-	Prospect or Field Name:	-x. Prope	erty:Number	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	→ Drilling	AFE None	
Permian	Mallon 34		19							
			i				L.,			:
Location (*******)	x, - 1 - 1 - 196	6 A		County	2	.State 😘 🔻	5 . " d Va.	» Τype	Well	
S/2N/Z Section 34-19	9S-34E			Lea		NM	Oil Gas	×	Expl x Prod	
			<u> </u>	1			Gus	L	riou	
	Do Arts William		ass direct	Est.Start Date	Est. Comp	Date: [** * * * * * * * * * * * * * * * * *	A. Form	nation 🤫 🛝	🚁 😘 Est, TD	
Original Estimate Revised Estimate		<u> </u>	4				Rone	Spring	15,046'	
Supplemental Estima	te	0					Done	3pi ing	13,040	
Project Descriptions	11 / 1 / 1 (A) .			the season of th		A war to				
				Pilot 10840 TVD/15046 MD (450	00 VS).					
Intangibles			-	Dry Hole Cost		After Casing Po	nint .	Com	pleted Well Cost	
Drilling Costs				\$1,659,200		Arter Casing Fr	JIII		\$1,659,200	
Completion Costs			-			\$1,151,000			\$1,151,000	
Total Intangible Cost	ts		5-2	\$1,659,200		\$1,151,000	·=	<u>,,</u>	\$2,810,200	
Tangibles				·						\neg
Well Equipment				\$36,000		\$764,275			\$800,275	
Lease Equipment				\$36,000		\$36,500 \$800,775		<u> </u>	\$36,500	
Total Tangible Well	COST			\$30,000		\$600,775			\$836,775	
Plug and Abandon C	ost			\$150,000		-\$150,000			\$0	
Total Well Cost				\$1,845,200		\$1,801,775		·····	\$3,646,975	
Well Control Insuran Unless otherwise ind so long as Operator o insurance, you must later than commence by insurance procure I elect to purchase of Well control insurance related redrilling and	ces icated below conducts open provide a cerement of drill ed by Operatory own well contucted by	you, as a non-orations hereunder tificate of such in ing operations. for. trol insurance policy. by Operator, provilution expense of	perating wo er and to pa nsurance ac You agree to vides, amon covering dri	orking interest owner, agree to y your prorated share of the proceptable to Operator, as to form that failure to provide the certification of the provide the provided th	be covered be emiums ther m and limits, cate of insur (100% W.I.) a \$1,000,000	oy Operator's werefore. If you e at the time this rance, as provide of Combined Si 0 (100% W.I.) d	rell control i lect to purc s AFE is retu led herein, ngle Limit c eductible.	insurance p chase your c urned, if ava will result in coverage for	rocured by Operato own well control ailable, but in no ev a your being covere	ent
The above costs are without affecting the	estimates onle e authorizatio , regulatory a	y and anticipate in for expenditur and well costs un	trouble free e herein gra der term of	e operations without any forest anted. By approval of this AFE, the joint operating agreement, Cimarex Energy Co. Ap	eeable chang the working regulatory o	ge in plans. The interest owner order or other a	e actual cos agrees to p applicable a	ts may exce pay its prop greement c	ortionate share of overing this well.	osts
Mark Audas Engineer - PE		Control of the Contro		Mgr Operations PB	* * * * * * * * * * * * * * * * * * *		der, Regional	2 4462 (1.1	Same and March 18 on 18th of 18	
and a second second						1.00				
Company :	orti e-velotati.	strecija obrahan se ob	N Bi√finani-As	Joint Interest Appro		÷ns∮Date)•i s.⊬.¢	alas de Salas	hi hadali	Properties will pare	·* . 8
	and of minimum & m						عود الكوم ة و م مالات	A Control of the Control	The second secon	243



Project Cost Estimate

Lease Name: Mallon 34 Federal Well No.:

Lease Name: Mallon 34 Federal					wei	i No.:	19
Intangibles:			Çüdeş (ry Hole Cost	State of the Control of the	After Casing C	
Roads & Location Preparation / Restoration			DIDC.100	\$50,000	DECC.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 D	ays @	12,000 Per Day	DIDC.115	\$468,000	DICC.120	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clu	sters, misc.)		DIDC.120	\$9,000			\$9,000
Bits			DIDC.125	\$23,000	DICC.125	\$1,000	\$24,000
Fuel \$2.55 Per Gallon	700 G	Gallons Per Day	DIDC.135	\$90,000	DICC.130	\$12,000	\$102,000
Water / Completion Fluids		Per Day	DIDC.140	\$70,200	DICC.135	\$61,500	\$131,700
Mud & Additives			DIDC.145	\$39,000			\$39,000
Surface Rentals		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 Services)		DIDC.160				\$0
	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	THE REAL PROPERTY.	\$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 Transporation (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 / Camp / Catering		Per Day	DIDC.280	\$23,000	DICC.255	\$4,000	\$27,000
Other Misc Expenses	i	7 (1 5 4)	DIDC.220	\$11,000	DICC.190	\$7,000	\$18,000
Overhead Overhead		300 Per Day	DIDC.225	\$12,000	DICC.195	\$11,000	\$23,000
Remedial Cementing		300 (1 6. 5 4)	DIDC.231	\$12,000	DICC.215	\$22,000	\$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	12 Days &	a,zoo / E/ Day	DIDC.250	\$140,000	DICC-230		\$140,000
Marine & Air Transportation			DIDC.275		DICC.250		\$0
Solids Control		Per Day	DIDC.260	\$88,000	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		\$88,000
Well Control Equip (Snubbing Svcs.)		rei buy	DIDC.265	\$90,000	************************	\$26,000	\$116,000
			DIDC.270	\$90,000		320,000	\$110,000
Fishing & Sidetrack Operations	17 Days @	3,400 Per Day	WILLIAM STATE	30)		\$70,000	\$70,000
Completion Rig			- 4 44446		DICC.115		
Coil Tubing	1 Days @	33,000 Per Day			DICC.260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			-44444		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 Fo			DIDC.285	\$5,000			\$5,000
Contingency 5% of Drilling Intangi	DIES		DIDC.435	\$79,000		\$54,000	\$133,000
Construction For Well Equipment			- <i>VIIIIIII</i>		DWFA.110	\$20,000	\$20,000
Construction For Lease Equipment				DLFQ.110	\$0	\$0	
Construction For Sales P/L					DICC.265	A	\$0
Total Intangible Cost				\$1,659,200		\$1,151,000	\$2,810,200

Tourist Wall Facility of the State of S	00 T 7/28 10 40 E 1	Karatan 1813	in cart 2 to	To the San San San St Are		initial arms of	n Tanah Salah Salah in ing 1981	- HC
Tangible - Well Equipment	Size	Feet						
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0			<i>nanganganga</i> \$0
Conductor Pipe			,	DWFB.130	\$0			\$0
Water String				DWEB.135	ŚO			\$0
Surface Casing	13-3/8"		\$0.00	DWEB.140	\$0			\$0
Intermediate Casing	8-5/8"	1485.00	\$24.31	DWFB.145	\$36,000			\$36,000
Drilling Liner	7 - 7.2			DWEB.145	\$0			\$0
Drilling Liner			 » • • • • • • • • • • • • • • • • • 	DWEB.145	\$0			\$0
Production Casing or Liner	7"	11200.00	\$29.37			OWEA.100	\$329,000	\$329,000
Production Tie-Back	3 1/2"	5000.00				DW/FA.100	\$66,275	\$66,275
Tubing	27/8"	10200.00	\$8.03			OWEA.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				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	sign the first of	orrest, e			ethe political surpris	The state of the s	Carry Coast N.	of the same
N/C Lease Equipment	<u> </u>				THE STATE OF	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 fac						DLFQ.130	\$1,500	\$1,500
Offshore Production Structure for Facilities						DWEA.135		\$0
Pipeline to Sales						DWFA.140		\$0
Total Tangibles					\$36,000		\$800,775	\$836,775
	10							
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

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

<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

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

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

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

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,



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		decapto in					Date	Prepared July	16, 2009	
Region :	Well Name		-Well No ∰	Prospect or Field	Name + -	Property Nur	nber#.	raio : ☆☆∜Drillir	ig/AFE No 🖈 🚉	护的者
Permian	Mallon 34 Federa	al Com	18		CORRECT OF LEFT A					
Location 💖 🚧		Acioni yenda		et a legeounity			W. 5-12 1.11 G	NEW TOTAL	pe Well	
S/2S/2 Section 34	-19S-34E			Lea	***	NM	Oil Gas	×	Expl Prod	Х
Estimate Type	Colors are United	7.00200774	SEASSE WEST	Start Date	Markey Brets	como Date;≑		a Formation:	e wayt a EstaTiD	Caraly.
Original Estimate	and the state of t	0	Se knowled The Cor.	عره برن ۱۹۶۰ هند ۱۳۶۸ ما ۱۹۶۹	1.00 m. 00 00 2-3 0.0	comp bates,				
Revised Estimate Supplemental Estir	mate	0		t of a Suppose of the Appendix Suppose to the Appendix Suppose to the Suppose to	: :	4 - 16-birds department of		Bone Spring	15,046'	
Project:Description	ninites in the section of the		erie () de ja							
Drill and complete	a third Bone Spring	norizontal w	ell. 11200 Pilo	t 10840 TVD/15046	MD (4500 VS).					
		and a final statement of the statement o	The second second second second second second		** * . *** *				* 8979	• ·
Intangibles			<u>.</u>	Dry Hole Co	st	After C	asing Point	Co	mpleted Well Co	st
Drilling Costs Completion Costs				\$1,659,200)	\$1 °	151,000		\$1,659,200 \$1,151,000	
Total Intangible C	osts			\$1,659,200)		L51,000		\$2,810,200	
Tangibles		·						· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·	
Well Equipment		erfolgering and angeling angeling and angeling angeling and angeling and angeling and angeling and angeling and angeling and angeling and angeling angel		\$36,000			64,275		\$800,275	-
Lease Equipment Total Tangible We	ell Cost			\$36,000			36,500 00,775		\$36,500 \$836,775	
Plug and Abando	n Cost			\$150,000		-\$1	50,000	!	\$0	
Total Well Cost				\$1,845,200			301,775		\$3,646,975	
	ell or lease equipmen									
Unless otherwise so long as Operato insurance, you mulater than comme by insurance proclaim I elect to purcha	indicated below, you or conducts operation ust provide a certifica ncement of drilling oured by Operator. see my own well control instance procured by Opand clean-up/pollution	, as a non-op ns hereunder te of such in: perations. Y surance policy. erator, provi	r and to pay yo surance accep ou agree that ides, among o	our prorated share on table to Operator, a failure to provide the there terms, for \$20,0	of the premium is to form and se certificate of 000,000 (100%	ns therefore. limits, at the t finsurance, a W.I.) of Comi	If you elect to time this AFE is provided he poined Single	o purchase you is returned, if a erein, will result Limit coverage f	r own well control available, but in no in your being cov	l o event rered
The above costs a without affecting	re estimates only and the authorization for ive, regulatory and w	i anticipate t expenditure	herein grante	ed. By approval of t	his AFE, the wo	orking interest	t owner agre	es to pay its pro	portionate share	of
		\$16(a.) 250a 2012		Cimarex Energy						
Prepared by Mark Audas Engineer			Drillingrand @ Doug Park, Mgr	ompletion Manager		Rei Roo		egional Manager PE		
- Superior Superior							or riioxander, Ri	ogranu manayer Pt		
Company- J	rations of the last court		RV TE	Joint Interes	Approval	20 30 W 20	67.53	TAN TENENCE		
	A STATE OF THE PARTY OF THE PAR			and the state of t		erre vi⊵ ⊵a				10 TO 10



Project Cost Estimate

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

Intangibles	ATEN, E		D Codes	ry Hole Cost	Codes 7		Completed Well
Roads & Location Preparation / Restoration			Diff. For	\$50,000	DICT 100		\$50,000
Damages			into the	\$1,000	THE C YES		\$1.000
'Mud / Fluids Disposal Charges	· · · · · · · · · · · · · · · · · · ·	***	I pare per I	\$65,000	967.195	\$52,500	\$117.500
Day Rate 39 DH Days 8 ACP Days @	12,000	Per Day	MM.TH	\$468,000	PMCC (UI) experiencement	\$96,000	\$564,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)			LEWINL	\$9,000	MARI		\$9,000
Bits Fuel \$2.55; Per Gallon 70	00 Gallons Per Da		LIMIN DA V	\$23,000 \$90,000	DM (177	\$1,000	\$24,000.
Water / Completion Fluids		Per Day	Dible 146	\$70,200	1961 J. 195 1964 J. 195	\$12,000 \$ 61,500	\$102,000† \$131,700‡
Mud & Additives		111 Day	- 010 134	\$39,000	15.75.70	301,300	\$39,000
:Surface Rentals	1	Per Day	i DINGSE i	\$61,000	<u> 196 (j. 140</u>	\$84,000	\$145,000
Downhole Rentals			DANK DAN	\$88,000	THE 1 135	\$74,000	\$162,000;
Formation Evaluation (DST, Coring including evaluation, G&G Services)		E Official	3			\$0
Mud Logging \$850 Days (જ) 32	Per Day	(901),170	\$31,000			\$31,000
Open Hole Logging	The last same transfer and all the state of the same section of th		Table the	\$15,000	4888 C	GOOD WALL	\$15,000
Cementing & Float Equipment		**********************	MM 18:	\$15,000	piccine.	\$50,000	\$65,000
Tubular Inspections Casing Crews		***************************************	Tuly I'v	\$5,000	PW C 1665	\$3,000	\$8,000,
Extra Labor, Welding, Etc.			DANCTON	\$10,000 \$31,000	1907-165 1907-176	\$15,000 \$5,000	\$25.000 \$36.000
Land Transporation (Trucking)			CAPCOR	\$20,000	.27 <u>0. 125</u> 	\$9,000	\$30,000;
Supervision		Per Day	HIV JIG	\$59,000	PICC 136	\$26,000	\$85,000
Trailer House / Camp / Catering		Per Day	Francisco I	\$23,000	MCC 756	\$4,000	\$27,000
Other Misc Expenses	nazione francosione mere de nazione in particolor particolor de la compania del compania del compania de la compania del la compania de	ence mand	pulse also	\$11,000	INFO 1500	\$7,000	\$18,000
Overhead	300	Per Day	pun in l	\$12,000	ble cine	\$11,000	\$23,000!
Remedial Cementing			1407 7 1		1967 115		\$0'
MOB/DEMOB		· · · · · · · · · · · · · · · · · · ·	2407 240	\$60,000			\$60,000
Directional Drilling Services 12 Days (ন) 8,200	Per Day	riffer (4).	\$140,000	90 B B B B B B B B B B B B B B B B B B B		\$140,000
Dock, Dispatcher, Crane			CHIM NO. 1	<u>i.</u>	1307 J.M.	1	\$0
Marine & Air Transportation	: : :		Enter And En	¢00,000√	- 017 - 150 22384278822		\$0.
Solids Control Well Control Equip (Snubbing Svcs.)	i	Per Day	Lingty (A44)	\$88,000 \$90,000	22222222 - 1967 - 140	\$26.000	\$88.000 \$116,000
Fishing & Sidetrack Operations			PROCESS :	\$90,000	Alternation	\$26,000	\$116,000
Completion Riq 17 Days (3 400	Per Day			1967 115	\$70,000	\$70,000
Coil Tubing 1 Days (DE 1 260	\$33,000	\$33.000
Completion Logging, Perforating, WL Units, WL Surveys					DEC 200	\$10,000	\$10,000
Stimulation			100		1Mr - 100	\$427,000	\$427,000
Legal / Regulatory / Curative			: pgv 900 f	\$1,000	1964-276		\$1,000
Well Control Insurance \$0.35 Per Foot			TMIN 2005	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles			March 11	\$79,000	DEC 220	\$54.000	\$133,000
Construction For Well Equipment			44444		1577 F V 110	\$20,000	\$20,000
Construction For Lease Equipment					MICH.	\$0	
Construction For Sales P/L Total Intangible Cost				\$1,659,200	PMC1 186	\$1,151,000	\$2,810,200
Total Management Cost				\$2,033,200	<u></u>	72,232,000	72,010,200
Tangible - Well Equipment	edent to the	AVE V					建筑的 的
Casing Size	Feet		16.55.56.56	60000000000000000000000000000000000000			
Drive Pipe 20 Conductor Pipe	" 40.00	\$0.00	DWFB.158 I	\$0 \$0			\$0 \$0
Water String			DELIFER I	\$0 \$0			\$0:
Surface Casing 13-3/8	,,,	\$0.00	19/74 P 140	508			SO!
					Market Control		
Untermediate Casina 8-5/8"	1400.00	S24.31	·	——————————————————————————————————————	40.00		\$36.000°
Intermediate Casing 8-5/8" Drilling Liner	1483.00	\$24.31	0%10-145 10%10,145	\$36,000 \$0		_	
	1483.00	\$24.31	DM18-145	\$36,000		_	\$36,000 \$0: \$0:
Drilling Liner	11200.00	\$24.31	DM (B. 145 DM (B. 145 DM (B. 145	\$36,000 \$0	193,47, 190	\$329,000	\$0:
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back 3 1/2"	11200.00 5000.00	\$29.37	PATE 145 PATE 145 PATE 145	\$36,000 \$0	PASE 100 PASE 100	\$66,275	\$0: \$0: \$329,000 \$66,275
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing 2 7/8"	11200.00	\$29.37	PATE 145 PATE 145 PATE 145	\$36,000 \$0 \$0		\$66,275 \$82,000	\$0: \$0: \$329,000 \$66,275 \$82,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment	11200.00 5000.00	\$29.37	PM FR 145 PM FR 145 PM FR 145	\$36,000 \$0 \$0	1671 V 110 1671 V 100 1573 V 100	\$66,275 \$82,000 \$20,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes	11200.00 5000.00	\$29.37	PM F 145 PM F 145 PM F 145 PM F 145 BM F 146	\$36,000 \$0 \$0	DV17 FB DV17 FB DV17 FB	\$66,275 \$82,000 \$20,000 \$10,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer	11200.00 5000.00	\$29.37	PM FR 145 PM FR 145 PM FR 145	\$36,000 \$0 \$0	PAGE 100 PAGE 100 PAGE 110 PAGE 170 PAGE 170	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000	\$0: \$0: \$329.000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples	11200.00 5000.00	\$29.37	PM F 145 PM F 145 PM F 145 PM F 145 BM F 146	\$36,000 \$0 \$0	PACEA 100 DATA 100 DATA 110 DATA 110 DATA 110 DATA 130	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000	\$0: \$0: \$329.000 \$66,275 \$82.000 \$20.000 \$10,000 \$110,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine	11200.00 5000.00	\$29.37	PM F 145 PM F 145 PM F 145 PM F 145 BM F 146	\$36,000 \$0 \$0	PWIA 106 PWIA 106 PWIA 115 PWIA 115 PWIA 130 PWIA 130 OHO 106	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples	11200.00 5000.00	\$29.37	PM F 145 PM F 145 PM F 145 PM F 145 BM F 146	\$36,000 \$0 \$0	PACEA 100 DATA 100 DATA 110 DATA 110 DATA 110 DATA 130	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors)	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	PAGE 106 PAGE 106 PAGE 116 PAGE 106 PAGE 106 PAGE 130 PAGE 130 PAGE 130 PAGE 130	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	PAGE 106 PAGE 116 PAGE 116 PAGE 126 PAGE 126 PAGE 136 PAGE 136 PAGE 136 PAGE 136	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible Lease Equipment N/C Lease Equipment	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	PATE 100 PATE 105 PATE 115 PATE 175 PATE 175 PATE 175 PATE 175 PATE 175 PATE 175 PATE 175 PATE 175 PATE 175 PATE 175	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$0: \$20,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back 3 1/2" Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible **Lease** Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment) Flow Lines (Line Pipe from wellhead to central facility)	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	PWEA 100 DATA 100 DATA 100 DATA 100 DATA 100 DATA 100 DATA 100 DIFO 100 DIFO 110 DIFO 115	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back 3 1/2" Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment) Flow Lines (Line Pipe from wellhead to central facility) Offshore Production Structure for Facilities	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	PMEA 100 PMEA 100 PMEA 110 PMEA 110	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0: \$0: \$329,000 \$66,275; \$82,000; \$20,000; \$10,000 \$110,000; \$98,000; \$48,000; \$0: \$20,000; \$15,000; \$0:
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back 3 1/2" Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment) Flow Lines (Line Pipe from wellhead to central facility) Offshore Production Structure for Facilities Pipeline to Sales	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	PMEA 100 DMEA 100 DMEA 110 DMEA 110	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500 \$0: \$0:
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment) Flow Lines (Line Pipe from wellhead to central facility) Offshore Production Structure for Facilities	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	DWI & 100 DWI A 100 DWI A 110 DWI A 110 DWI A 110 DWI A 110 DWI A 110 DWI O 110	\$66,275 \$82,000 \$20,000 \$10,000 \$1,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$10,000 \$11,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500 \$0:
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back 3 1/2" Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment) Flow Lines (Line Pipe from wellhead to central facility) Offshore Production Structure for Facilities Pipeline to Sales	11200.00 5000.00	\$29.37	PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE PATE HE	\$36,000 \$0 \$0	DWI & 100 DWI A 100 DWI A 110 DWI A 110 DWI A 110 DWI A 110 DWI A 110 DWI O 110	\$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$0: \$0: \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500 \$0: \$0: \$20,500 \$1,500 \$0: \$0: \$0:
Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible: Lease Equipment N/C Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment) Flow Lines (Line Pipe from wellhead to central facility) Offshore Production Structure for Facilities Pipeline to Sales Total Tangibles	11200.00 5000.00	\$29.37	PARENT PARENTS	\$36,000	PWE 6 100 PWE 6 110 PWE 6 110 PWE 6 110 PWE 6 100 PWE 6 100 PWE 6 110 PWE 6 110	\$66,275 \$82,000 \$20,000 \$10,000 \$11,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500	\$0: \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000 \$48,000 \$20,000 \$15,000 \$1,500 \$0: \$0:



Authorization For Expenditure

Company Entity Co.			<u>Date</u>	Prepared Library July 16, 2009
Region:	Well No.	্, Prospect or Field <u>Name শুণ</u> ্ডা	Property.Number 🧦 🛒	Company Drilling AFE No. 4
Permian Mallon 34 Federal	Com 18		- - - - - -	· · · · · · · · · · · · · · · · · · ·
Location		并是《集County》是一次,	் த State இரும்	Type Well
S/2S/2 Section 34-19S-34E		Lea	NM Oil Gas	x Expl x Prod
Estimate Type	Est.	Start Date 1992 1993 CESTS	omp Date : #	Formation Table Section Este TD * 50 Pt
Original Estimate Revised Estimate	⊚ O O			Bone Spring 15,046'
Project Description Complete a third Bone Spring ho	rizontal well. 11200 Pilo	t 10840 TVD/15046 MD (4500 VS).	學上的學學學學學學學	
Intangibles		Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs		\$1,659,200		\$1,659,200
Completion Costs Total Intangible Costs		\$1,659,200	\$1,151,000 \$1,151,000	\$1,151,000 \$2,810,200
Tangibles				
Well Equipment	277	\$36,000	\$764,275	\$800,275
Lease Equipment Total Tangible Well Cost	<i></i>	\$36,000	\$36,500 \$800,775	\$36,500 \$ 836,775
Total Tangible Well Cost			 	7030,773
Plug and Abandon Cost	1	\$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, a so long as Operator conducts operations insurance, you must provide a certificate later than commencement of drilling ope by insurance procured by Operator. I elect to purchase my own well control insurance procured by Operator well control insurance procured by Operator related redrilling and clean-up/pollution	s a non-operating working hereunder and to pay your of such insurance accept rations. You agree that hance policy. ator, provides, among of expense covering drilling	ng interest owner, agree to be cove our prorated share of the premium otable to Operator, as to form and I failure to provide the certificate of ther terms, for \$20,000,000 (100% g (through completion) with a \$1,00	ered by Operator's well co s therefore. If you elect t imits, at the time this AFE insurance, as provided h W.I.) of Combined Single 00,000 (100% W.I.) deduc	to purchase your own well control is returned, if available, but in no event erein, will result in your being covered Limit coverage for well control and tible.
The above costs are estimates only and a without affecting the authorization for exactual legal, curative, regulatory and wel	penditure herein grante	ed. By approval of this AFE, the wo	rking interest owner agre	es to pay its proportionate share of
Prepared by		Cimarex Energy Co. Approva	Regional Mana	ortona jost elemento de constitución de la constitu
Mark Audas Engineer - PB	Doug Park, Mgr			egional Manager PB
		Joint Interest Approval		
Company	BY		Date of white	AND PROBLEMS OF A STREET



Project Cost Estimate

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

Roads & Location Preparation / Restoration				Godes (Dry Hole Cost	Confess	Point	ompleted Well
				PIDC 100	\$50,000	DR1,100		\$50,000
amages				DID(.10%	\$1,000	DM C 104		\$1,000
lud / Fluids Disposal Charges				D#PC 255	\$65,000	DIC1.235	\$52,500	\$117,500
	ACP Days @	12,000	Per Day	1MDC 315	\$468,000	1900,120	\$96,000	\$564,000
lisc Preparation Cost (mouse hole, rat hole, pads, p	ile clusters, misc.)			DIDC L24	\$9,000			\$9,000
its				(40)(-1,45-	\$23,000	190 125	\$1,000	\$24,000
uel \$2.55 Per Gallon	700	Gallons Per Da	y j	1907 135	\$90,000	DR C 130	\$12,000	\$102,000
/ater / Completion Fluids		;	Per Day	THUR TWO	\$70,200	500 135	\$61,500	\$131,700
1ud & Additives				DIDC. (AS	\$39,000			\$39,000
urface Rentals	; 		Per Day	[MIN 150]	\$61,000	DR (140	\$84,000	\$145,000
ownhole Rentals				DID(155	\$88,000	14(1.145.)	\$74,000	\$1,62,000
ormation Evaluation (DST, Coring including evaluat		· · · · · · · · · · · · · · · · · · ·		Harrier !				\$(
1ud Logging	\$850 Days @	32	Per Day	DBM .170	\$31,000			_\$31,000
pen Hole Logging				min ise j	\$15,000		0.000.000.000	\$15,00
ementing & Float Equipment				_ iMDr is-	\$15,000	Dicc. 188	\$50,000	\$65,00
ubular Inspections	at an at Mathematica and a second at the second at			1.00 LOC	\$5,000	DICC 160	\$3,000	\$8,00
asing Crews				DWY 191.	\$10,000	DICC 165	\$15,000	\$25,000
xtra Labor, Welding, Etc.				1900 200	\$31,000	DICC 170	\$5,000	\$36,00
and Transporation (Trucking)		· · · · · · · · · · · · · · · · · ·		DIDC .20%	\$20,000	[MCC] 75	\$9,000	\$29,00
upervision		1	Per Day	Dipc. Ge	\$59,000	DRC 180	\$26,000	\$85,000
railer House / Camp / Catering			Per Day	_PIPC 280	\$23,000	DICC 255	\$4,000	\$27,000
Other Misc Expenses			: 1 1	Discussed.	\$11,000	ORC 190	\$7,000	\$18,000
Dverhead		300	Per Day	_1908.225_]	\$12,000	DICC 100	\$11,000	\$23,000
Remedial Cementing				BIDG231	· · · · · · · · · · · · · · · · · · ·	DICE 215		\$1
MOB/DEMOB				1919C 240	\$60,000	100		\$60,00
Directional Drilling Services	12 Days (ii	8,200	Per Day	IMDC, MS	\$140,000	THE WAR		\$140,000
Pock, Dispatcher, Crane		alon 11 millions of		_punc 250		DRC 130		
Marine & Air Transportation				DIDC 275		DICC,350		\$!
Solids Control			Per Day	DEM 260	\$88,000	HAMA)		\$88,000
Well Control Equip (Snubbing Svcs.)				DEM 265	\$90,000	DEC 240	\$26,000	\$116,000
ishing & Sidetrack Operations				DIOC 276	\$0	PR7 785		\$0
Completion Rig	17 Days @	3,400	Per Day			DRC 117	\$70,000	\$70,000
Coil Tubing	1 Days @	33,000	Per Day			ORC7,260	\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surv	veys					DRC 200	\$10,000	\$10,000
Stimulation						DICC 210	\$427,000	\$427,000
Legal / Regulatory / Curative	- P1177E - 11-4 1 P			DIDC, YOC	\$1,000	19K (780		\$1,000
Well Control Insurance \$0.35	Per Foot			pipe /ss	\$5,000			\$5,000
Contingency 5% of Drilling Ir	ntangibles			(HDC,435	\$79,000	DICC 220	\$54,000	\$133,000
E-1				Control of the second second				
Construction For Well Equipment						DWTALID	\$20,000	
Construction For Well Equipment Construction For Lease Equipment						DWIATIO DHC 110		\$20,000
			~				\$20,000 \$0	\$20,000
Construction For Lease Equipment					\$1,659,200	DIE 116		\$20,000
Construction For Lease Equipment Construction For Sales P/L					\$1,659,200	DIE 116	\$0	\$20,000 \$0 \$0
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost		38.49.26.26			\$1,659,200	DIE 116	\$0	\$20,000 \$0 \$0
Construction For Lease Equipment Construction For Sales P/L	Size	Feet	\$/Foot		\$1,659,200	DIE 116	\$0	\$20,000 \$0 \$0
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible Well Equipment Casing	Size 20 "			DV/I B.150	\$1,659,200 \$0	DIE 116	\$0	\$20,000 \$0 \$0
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible Well Equipment Casing Drive Pipe				DW/ 8, 160 DW/ 8 140		DIE 116	\$0	\$20,000 \$1 \$1 \$2,810,200
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Drive Pipe Conductor Pipe					\$0	DIE 116	\$0	\$20,000 \$ \$ \$2,810,20 \$ \$ \$ \$ \$
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible: Well Equipment Casing Drive Pipe Conductor Pipe Water String			\$0.00	DV4 B 1 vo	\$0 \$0	DIE 116	\$0	\$20,000 \$(\$0, \$2,810,200 \$2,810,200
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Tangible: Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing	20 "		\$0.00	DW18 1 %	\$0 \$0 \$0	DIE 116	\$0	\$20,000 \$ \$ \$2,810,200 \$ \$ \$ \$ \$ \$ \$
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible: Well Equipment	13-3/8"	40.00	\$0.00	DWIB 130 DWIB 139 DWIB 140	\$0 \$0 \$0 \$0 \$0	DIE 116	\$0	\$20,000 \$6 \$1, \$2,810,200 \$1, \$1, \$1, \$1, \$2,810,200
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible: Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner	13-3/8"	40.00	\$0.00	DWIR 120 DWIR 125 DWIR 140 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000	DIE 116	\$0	\$20,000 \$6 \$1, \$2,810,200 \$1, \$1, \$1, \$2,810,200 \$1, \$1, \$1, \$2,810,200 \$1, \$1, \$1, \$1, \$1, \$1, \$1, \$1, \$1, \$1,
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible: Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Drilling Liner	13-3/8"	40.00 1485.00	\$0.00	DWEB 140 DWEB 145 DWEB 145 DWEB 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DIE 116	\$1,151,000	\$20,000 \$6 \$2,810,200 \$1 \$1 \$1 \$2,810,200 \$1 \$2,810,200 \$1 \$2,810,200 \$1 \$2,810,200 \$2,810,200 \$2,810,200 \$2,810,200
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Production Casing or Liner	20 " 13-3/8" 8-5/8"	1485.00 11200.00	\$0.00 \$0.00 \$24.31	DWEB 140 DWEB 145 DWEB 145 DWEB 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DM (A, 100	\$1,151,000 \$1,151,000 \$329,000	\$20,000 \$6 \$2,810,200 \$1 \$1 \$1 \$2,810,200 \$1 \$2,810,200 \$1 \$2,810,200 \$1 \$2,810,200 \$2,810,200 \$2,810,200
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String ourface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back	20 "' 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWEB 140 DWEB 145 DWEB 145 DWEB 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 116 1901,265 DWIA,100 DWIA,100	\$1,151,000 \$1,151,000 \$329,000 \$66,275	\$20,000 \$6 \$2,810,200 \$1 \$1 \$1 \$2,810,200 \$1 \$2,810,200 \$1 \$2,810,200 \$2,810,200 \$3,600 \$3,600 \$3,600 \$4,600 \$5,600 \$6,600 \$
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back Tubing	20 " 13-3/8" 8-5/8"	1485.00 11200.00	\$0.00 \$0.00 \$24.31	DWEB 140 DWEB 145 DWEB 145 DWEB 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 106 1907-265 DWLA,100 DWLA,100 DVLA,100	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000	\$20,000 \$5 \$2,810,200 \$ \$ \$ \$ \$ \$ \$36,000 \$ \$ \$329,000 \$66,27 \$82,000
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible Well Equipment Casing Drive Pipe Conductor Pipe Water String Outface Casing Intermediate Casing Orilling Liner Production Casing or Liner Production Tie-Back Fubing N/C Well Equipment	20 "' 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 140 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 116 1907-265 DWIA, 100 DWIA, 100 DWIA, 105 DWIA, 115	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000	\$20,000 \$6 \$2,810,200 \$1 \$1 \$1 \$2,810,200 \$1 \$2,810,200 \$1 \$2,810,200 \$2,810,200 \$20,000 \$20,000
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Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Casing Crive Pipe Conductor Pipe Water String Curface Casing Intermediate Casing Corilling Liner Conduction Casing or Liner Conduction Tie-Back Tubing WYC Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer	20 "' 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 140 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 116 1907-265 DWIA, 100 DWIA, 100 DWIA, 105 DWIA, 115	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$1,000	\$20,000 \$1,000 \$2,810,200 \$2,810,200 \$3,500 \$36,000 \$36,27 \$82,000 \$20,000 \$1,000
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible: Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Fubing N/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer	20 "' 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DMT A 100 DWT A 100 DWT A 100 DWT A 100 DWT A 115 DWT A 120 DWT A 120 DWT A 120	\$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000	\$20,000 \$1,000 \$2,810,200 \$2,810,200 \$1,000 \$1,000 \$1,000
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Outface Casing Outface Casing Outface Casing Outface Cosing Ou	20 "' 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DMT A 100 DWT A 100 DWT A 105 DWT A 115 DWT A 125 DWT A 125 DWT A 126	\$329,000 \$66,275 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000	\$20,000 \$1,000 \$2,810,200 \$2,810,200 \$3,500 \$36,000 \$36,27 \$82,000 \$20,000 \$10,000 \$110,000 \$98,000
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Orive Pipe Conductor Pipe Water String Ourface Casing Intermediate Casing Orilling Liner Orilling Liner Oroduction Casing or Liner Oroduction Tie-Back Tubing W/C Well Equipment Wellhead, Tree, Chokes Iner Hanger, Isolation Packer Ocker, Nipples Outping Unit, Engine If Equipment (BHP, Rods, Anchors)	20 "' 13-3/8" 8-5/8" 7" 3 1/2"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DMT A 100 DWT A 100 DWT A 100 DWT A 100 DWT A 110 DWT A 120 DWT A 120 DWT A 120 DWT A 120 DWT A 120 DWT A 120	\$329,000 \$329,000 \$66,275 \$82,000 \$10,000 \$10,000 \$110,000 \$98,000 \$48,000	\$20,000 \$1,000 \$2,810,200 \$2,810,200 \$2,810,200 \$36,000 \$36,000 \$329,000 \$48,000 \$10,000 \$10,000 \$10,000 \$48,000 \$48,000
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Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible: Well Equipment Casing Drive Pipe Conductor Pipe Water String Curface Casing Intermediate Casing Drilling Liner Droduction Casing or Liner Production Tie-Back Tubing W/C Well Equipment Wellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible: Lease Equipment Canks, Tanks Steps, Stairs	7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DMT 265 DMT A 100 DWT A 100 DWT A 100 DWT A 120 DWT A 130 DHT O 100 DUTO 100 DUTO 100 DUTO 105	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000	\$20,00 \$ \$ \$2,810,20 \$ \$ \$ \$ \$ \$36,00 \$ \$329,00 \$66,27 \$82,00 \$10,00 \$110,00 \$98,00 \$48,00
Construction For Lease Equipment Construction For Sales P/L Fotal Intangible Cost Fangible: Well Equipment Casing Drive Pipe Conductor Pipe Water String Surface Casing Intermediate Casing	13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 116 DKT 265 DWT A 100 DWT A 100 DWT A 116 DWT A 120 DWT A 120 DWT A 130 DHC 100 DHC 100 DHC 100 DHC 170	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$20,000 \$5 \$2,810,200 \$5 \$2,810,200 \$5 \$5 \$5 \$36,000 \$66,27 \$82,000 \$10,000 \$110,000 \$110,000 \$48,000 \$40
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Drive Pipe Conductor Pipe Water String Curface Casing Intermediate Casing Drilling Liner Droduction Casing or Liner Production Tie-Back Tubing N/C Well Equipment Mellhead, Tree, Chokes Liner Hanger, Isolation Packer Dracker, Nipples Drumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment Tanks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment (Line Pipe from wellhead to central facility)	13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 116 DKT 265 DWT A 100 DWT A 100 DWT A 110 DWT A 110	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000	\$20,000 \$1,000 \$2,810,200 \$2,810,200 \$2,810,200 \$36,000 \$36,000 \$329,000 \$10,000 \$10,000 \$110,000 \$48,000 \$48,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Drive Pipe Conductor Pipe Water String Curface Casing Intermediate Casing Drilling Liner Production Casing or Liner Production Tie-Back Tubing N/C Well Equipment Nellhead, Tree, Chokes Liner Hanger, Isolation Packer Packer, Nipples Pumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment Canks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment)	13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 110 DKC 265 DKC 265 DWC 265 DWC A 100 DWC A 115 DWC A 120 DWC	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$20,000 \$6 \$6 \$2,810,200
construction For Lease Equipment Construction For Sales P/L Cotal Intangible Cost angible Well Equipment Casing Crive Pipe Conductor Pipe Water String Curface Casing Curface Casing Curling Liner Corolling	13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$0 \$0 \$36,000 \$0	DHC 116 DKT 265 DKT 265 DWT A 100 DWT A 100 DWT A 115 DWT A 115 DWT A 130 DHC 110 DHC 110 DHC 115 DHC 120 DHC 120	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$98,000 \$48,000 \$0 \$20,000 \$15,000	\$20,000 \$5 \$2,810,200 \$5 \$2,810,200 \$5 \$5 \$36,000 \$3329,000 \$10,000 \$10,000 \$110,000 \$110,000 \$48,000 \$48,000 \$15,
Construction For Lease Equipment Construction For Sales P/L Total Intangible Cost Tangible Well Equipment Casing Drive Pipe Conductor Pipe Water String Curface Casing Intermediate Casing Drilling Liner Drilling Liner Production Casing or Liner Production Tie-Back Cubing N/C Well Equipment Mellhead, Tree, Chokes Liner Hanger, Isolation Packer Dracker, Nipples Dumping Unit, Engine Lift Equipment (BHP, Rods, Anchors) Tangible - Lease Equipment Canks, Tanks Steps, Stairs Battery (Heater Treater, Separator, Gas Treating Equipment (Line Pipe from wellhead to central facility Diffshore Production Structure for Facilities	13-3/8" 8-5/8" 7" 3 1/2" 2 7/8"	1485.00 11200.00 5000.00	\$0.00 \$0.00 \$24.31 \$29.37	DWIR 120 DWIR 125 DWIR 145 DWIR 145 DWIR 145 DWIR 145	\$0 \$0 \$0 \$36,000 \$0 \$0	DHC 110 DKC 265 DKC 265 DWC 265 DWC A 100 DWC A 115 DWC A 120 DWC	\$1,151,000 \$1,151,000 \$329,000 \$66,275 \$82,000 \$10,000 \$110,000 \$110,000 \$48,000 \$48,000 \$20,000 \$15,000 \$1,500	\$20,000 \$(\$0,500 \$2,810,200 \$2,810,200 \$36,000 \$36,000 \$329,000 \$10,000 \$10,000 \$110,000 \$48,000 \$48,000 \$15,000 \$15,000 \$15,000 \$15,000 \$15,000
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JAMES BRUCE ATTORNEY AT LAW

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

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

iamesbruc@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.

Posts in

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 NW½NW¼, 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.

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



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

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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.

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 N	0.	

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 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 SE¾NE¾, and a terminus at an orthodox location in the SW¼NW¾, 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;
- 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.

MARITIAL WILLIAM

--- W. C. M.-- C.

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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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)

iamesbruc@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.

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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

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- 1. Applicant is an interest owner in the $S\frac{1}{2}S\frac{1}{2}$ 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. 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 SW¼SW¾, and a terminus at an orthodox location in the SE¼SE¼, of Section 34.
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Respectfully submitted,

James Bruce

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(505) 982-2043

Attorney for Cimarex Energy Co.

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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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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 subsc	eribed and sworn to before me this day of August,
2009 by Blair Hamburg.	
Witness my hand and official seal.	
My commission expires:	Notary Public

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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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 expire

Notary Public Sengleton

---- Forwarded Message ----

From: Hayden Tresner https://www.tresner@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 ou 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

This email (and attachments if any) is intended only for the use of the individual or entity to which it is addressed, and may containformation that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this email is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by return email and destroy all copies of the email (and attachment if any).