

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 14,444

VERIFIED STATEMENT OF HAYDEN P. TRESNER

Hayden P. Tresner, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the mineral interest owners being pooled have simply not responded to well proposals or have not yet executed a farmout agreement.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a 159.30-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of Lot 4, SE/4SW/4, and S/2SE/4 (the S/2S/2) of Section 19, Township 15 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests from the surface to the base of the Abo/Wolfcamp formation underlying the S/2S/2 of Section 19 to form a non-standard 159.30 acre oil spacing and proration unit (project area), for any formations and/or pools developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Hancock 19 State Com. Well No. 2, a horizontal well to be drilled at a surface location 375 feet from the south line and 375 feet from the east line, with a terminus 375 feet from the south line and 375 feet from the west line, of Section 19.

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

Oil Conservation Division
Case No. 1
Exhibit No. 1

Sigyn Lund
1052 Montgomery Road
Altamonte Springs, Florida 32714

1.3125 %

Trustees of the Estate Peter L. Shea
Trustees of the Peter L. Shea Trust
Edwina S. Brokaw Millington
c/o John Walsh
Bryan Cave, LLP
Suite 3501
290 Avenue of the Americas
New York, New York 10104

11.564 %

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B. In addition, I have called and e-mailed the interest owners several times regarding the well proposal.

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

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

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

- (i) N½S½ of Section 19.
Cimarex Energy Co. of Colorado
- (ii) S½ of Section 20.
Cimarex Energy Co. of Colorado
- (iii) NW¼NW¼ of Section 29.
Kevin O. Butler & Associates, Inc.
- (iv) N½N½ of Section 30.
Cimarex Energy Co. of Colorado
- (v) NE¼NE¼ of Section 25 and SE¼SE¼ of Section 24.
Mack Energy Corporation
Cimarex Energy Co.
- (vi) NE¼SE¼ of Section 24.
Marbob Energy Corporation

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other horizontal wells of this depth drilled in this area of Chaves County.

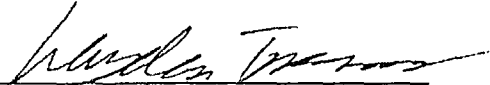
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

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

VERIFICATION

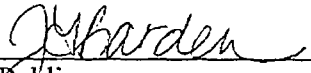
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

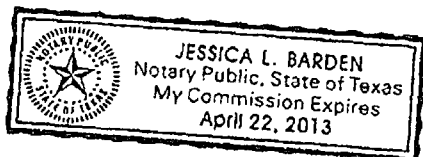
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 17th day of March, 2010 by
Hayden P. Tresner.

My Commission Expires: 4-22-2013

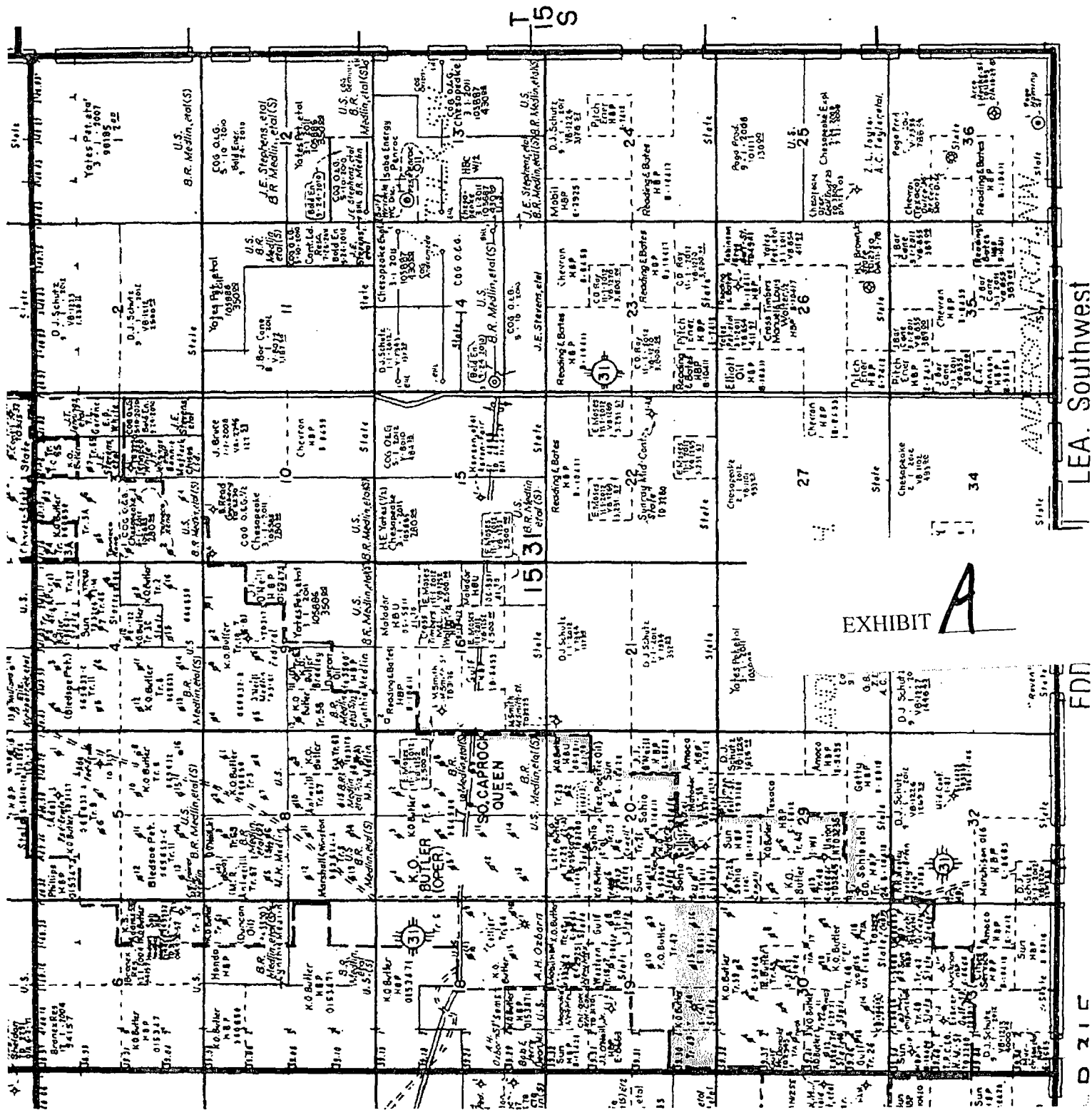
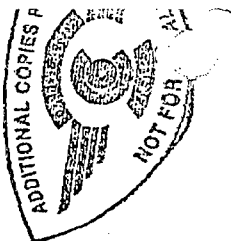

Notary Public



57

[illegible]

ANY VIOLATION OF THIS LICENSE OR THE EFFECTS THEREOF SHALL BE PRESUMED TO HAVE BEEN CAUSED BY AN INTENTIONAL VIOLATION OF THE LAW BECAUSE OF THE ACTUAL HARM OF ANY SUCH VIOLATION, AND WILL BE PROSECUTED TO OBTAIN AN ADEQUATE REMEDY AS REQUIRED BY TEX. BUS. & COM. CODE § 27.18. A VIOLATION OF THIS LICENSE OR THE EFFECTS THEREOF SHALL BE PRESUMED TO HAVE BEEN CAUSED BY AN INTENTIONAL VIOLATION OF THE LAW BECAUSE OF THE ACTUAL HARM OF ANY SUCH VIOLATION, AND WILL BE PROSECUTED TO OBTAIN AN ADEQUATE REMEDY AS REQUIRED BY TEX. BUS. & COM. CODE § 27.18. A VIOLATION OF THIS LICENSE OR THE EFFECTS THEREOF SHALL BE PRESUMED TO HAVE BEEN CAUSED BY AN INTENTIONAL VIOLATION OF THE LAW BECAUSE OF THE ACTUAL HARM OF ANY SUCH VIOLATION, AND WILL BE PROSECUTED TO OBTAIN AN ADEQUATE REMEDY AS REQUIRED BY TEX. BUS. & COM. CODE § 27.18.



LEA. Southwest

303

212

Cimarex Energy Co.
800 N. Marlenfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800
FAX 432.571.7832



November 17, 2009

Working Interest Owner Address List on Page 2

Re: New Well Proposal
Hancock 19 State Com #2
S/2S/2 Section 19-T15S-R31E
Chaves County, New Mexico

Dear Working Interest Owner:

Cimarex Energy Co. ("Cimarex") proposes to drill the above-captioned well according to the project described in the enclosed AFE. Enclosed is Cimarex' proposed form of Operating Agreement which covers the spacing or proration unit dedicated to the well. If you choose to participate in the well, please sign and return one (1) copy of the AFE to the undersigned at the above-letterhead address. Upon receipt of your signed AFE, I will forward a completed version of Exhibit "A" and a fully executed set of signature pages, to be incorporated into the enclosed Operating Agreement. I will also include a separate set of signature pages for you to sign in the presence of a Notary Public and return to the undersigned.

Alternatively, if you choose not to participate in the well, Cimarex hereby offers \$200 per net mineral acre for a two (2) year Term Assignment with 180-day continuous development and delivery of a 75% net revenue interest lease. Please contact me at your earliest convenience at (432) 571-7856 so that Cimarex can prepare accordingly. Thank you.

Sincerely,

Cimarex Energy Co.

A handwritten signature in cursive script, reading "Hayden Tresner". The ink is dark and the signature is written in a fluid, connected style.

Hayden P. Tresner
Landman

EXHIBIT

B

Page 2

Working Interest Owner Address List

New Well Proposal-Hancock 19 State Com # 2 Well



Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6749

Wayne A. Bissett
P.O. Box 2101
Midland, Texas 79702

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6763

Clare Lundbeck Fraser
133 E. 64th Street
New York, New York 10021

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6787

Don M. Kidwell
4208 Fairwood Drive
Midland, Texas 79707

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6800

Peter L. Shea and/or Estate/Trust of Peter L. Shea
Edwina S. Brokaw Millington
The Bank of New York and Peter L. Shea, Co-Trustees
of the Estate of Edward L. Shea and /or Trust
Bryan Cave, LLP
Attn: John Walsh
1290 Avenue of the Americas, Suite 3501
New York, New York 10104

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6732

Mitchell Minerals, LLC
Attn: Victor Mitchell
P.O. Box 488
Henryetta, Oklahoma 74437

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6756

Douglas C. Koch
P.O. Box 540244
Houston, Texas 77254

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6770

Sigyn Lund
1052 Montgomery Road
Altamonte Springs, Florida 32714

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

December 30, 2009



Via: U.S. Certified Mail-Return No. 7009 0820 0001 1968 4111

Ms. Singer
P.O. Box 1883
Santa Fe, New Mexico 87504

Re: *Hancock 19 State Com No. 4*
Hancock 19 State Com No. 3
Valley Forge 20 State Com No. 2
T15S-R31E, Chaves County, New Mexico

Dear Ms. Singer:

As we recently discussed over the telephone, the heirs of your husband, Mr. Herman Singer, own a working interest in an oil and gas lease that Cimarex Energy Co. ("Cimarex") is preparing to drill three (3) oil wells on. As an owner of a working interest in the lease, you, and any other heirs to your husband's estate, have the option to participate in the wells.

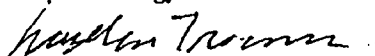
Cimarex proposes to drill the above-captioned wells according to the project described in the enclosed Authorization for Expenditure ("AFE"). If you would like to participate in the well(s), please sign, date and return a copy of the applicable AFE to the undersigned at the above-letter head address. Also enclosed is Cimarex' form of Operating Agreement. A separate operating agreement of identical form will cover the spacing or proration unit dedicated to each individual well proposed herein.

Alternatively, if you do not want to participate in the wells, Cimarex hereby offers \$200 per net mineral acre for a two (2) year term assignment of your working interest in the spacing or proration unit dedicated to each well. Cimarex' proposed form of term assignment is also enclosed for your review.

Please contact me at your earliest convenience at (432) 571-7856 so that Cimarex can prepare accordingly. Thank you.

Sincerely,

Cimarex Energy Co.


Hayden P. Tresner
Landman



Authorization For Expenditure

Company Energy
Cimarex Energy Co.Date Prepared
September 23, 2009

Well Name	Well Number	Operator Name	Property Number	Drilling AFE No.
Permian	Hancock 19 State Com	2	Caprock	

Location	County	State	Oil	Gas	Expl	Prod
SHL: 375 FSL & 375 FEL Section 19-T155-R31E	Chaves	NM	x		x	
BHL: 375 FSL & 375 FWL Section 19-T155-R31E						

Estimate Type	Original Estimate	Revised Estimate	Supplemental Estimate	Formation	Estimated Cost
	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	ABO	13,185'
				TBD	TBD

Drill and complete a Lower ABO horizontal well. TD Pilot hole at approx. 9075'. Kick off at approx. 8570' and drill to MD 13185'; TVD 8790'. 13 stages 4560' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,368,375		\$1,368,375
Completion Costs		\$1,192,125	\$1,192,125
Total Intangible Costs	\$1,368,375	\$1,192,125	\$2,560,500

Tangibles	Well Equipment	Lease Equipment	Total Tangible Well Cost
	\$183,000	\$82,462	\$1,065,462
		\$97,000	\$97,000
	\$183,000	\$979,462	\$1,162,462

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
-----------------------	-----------	------------	-----

Total Well Cost	\$1,701,375	\$2,021,587	\$3,722,962
-----------------	-------------	-------------	-------------

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

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

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

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

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

Cimarex Energy Co. Approval

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

Joint Interest Approval

Comments

EXHIBIT

C

11/18/2009 8:43 AM



Project Cost Estimate

Lease Name: Hancock 19 State Com

Well No.: 2

Intangibles	Code	Qty	Unit Price	Code	Qty	Unit Price	Code	Qty	Unit Price
Roads & Location Preparation / Restoration	210C160		\$35,000	210C160		\$3,000			\$38,000
Damages	210C165		\$6,000	210C165					\$6,000
Mud / Fluids Disposal Charges	210C165		\$65,000	210C165		\$50,000			\$115,000
Day Rate 35 OH Days 7 ACP Days @ Per Day	210C115		\$550,000	210C115		\$84,000			\$634,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	210C120		\$14,000						\$14,000
Bits	210C125		\$18,750	210C125		\$1,000			\$19,750
Fuel \$0.00 Per Gallon Gallons Per Day	210C125		\$0	210C125		\$0			\$0
Water / Completion Fluids	210C140		\$50,625	210C140		\$111,125			\$161,750
Mud & Additives	210C145		\$63,000						\$63,000
Surface Rentals	210C150		\$81,000	210C150		\$88,000			\$169,000
Downhole Rentals	210C155		\$36,000	210C155		\$14,000			\$50,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	210C155								\$0
Mud Logging \$850 Days @ 30 Per Day	210C170		\$30,000						\$30,000
Open Hole Logging	210C170		\$30,000						\$30,000
Cementing & Float Equipment	210C175		\$40,000	210C175		\$17,000			\$57,000
Tubular Inspections	210C180		\$5,000	210C180		\$3,000			\$8,000
Casing Crews	210C185		\$16,000	210C185		\$10,000			\$26,000
Extra Labor, Welding, Etc.	210C190		\$14,000	210C190		\$5,000			\$19,000
Land Transportation (Trucking)	210C205		\$21,000	210C205		\$4,000			\$25,000
Supervision	210C210		\$49,000	210C210		\$18,000			\$67,000
Trailer House / Camp / Catering 400 Per Day	210C230		\$21,000	210C230		\$4,000			\$25,000
Other Misc Expenses	210C235		\$2,000	210C235		\$7,000			\$9,000
Overhead 300 Per Day	210C235		\$13,000	210C235		\$3,000			\$16,000
Remedial Cementing	210C235			210C235					\$0
MOB/DEMOB	210C240								\$0
Directional Drilling Services 14 Days @ 7,800 Per Day	210C245		\$137,000						\$137,000
Dock, Dispatcher, Crane	210C250			210C250					\$0
Marine & Air Transportation	210C255			210C255					\$0
Solids Control	210C260		\$52,000						\$52,000
Well Control Equip (Snubbing Svcs.)	210C265		\$12,000	210C265		\$11,000			\$23,000
Fishing & Sidetrack Operations	210C270		\$0	210C270					\$0
Completion Rig 7 Days @ 3,400 Per Day	210C115		\$36,000						\$36,000
Coil Tubing 1 Days @ 25,000 Per Day	210C260		\$25,000						\$25,000
Completion Logging, Perforating, WL Units, WL Surveys	210C260		\$8,000						\$8,000
Simulation	210C210		\$585,000						\$585,000
Legal / Regulatory / Curative	210C300		\$7,000	210C300					\$7,000
Well Control Insurance \$0.35 Per Foot	210C305		\$5,000						\$5,000
Contingency 5% of Drilling Intangibles	210C435		\$65,000	210C435		\$54,000			\$119,000
Construction For Well Equipment				210C435		\$1,000			\$1,000
Construction For Lease Equipment				210C435		\$55,000			\$55,000
Construction For Sales P/L				210C435					\$0
Total Intangible Cost			\$1,368,375			\$1,192,125			\$2,560,500

Tangibles	Code	Qty	Unit Price	Code	Qty	Unit Price	Code	Qty	Unit Price
Casing	210C160		\$0.00	210C160		\$0.00			\$0.00
Drive Pipe 20 "	210C160	40.00	\$0.00	210C160		\$0.00			\$0.00
Conductor Pipe	210C160			210C160					\$0.00
Water String	210C160			210C160					\$0.00
Surface Casing 13-3/8"	210C160	340.00	\$48.26	210C160		\$16,000			\$16,000
Intermediate Casing 9 5/8"	210C160	3950.00	\$42.21	210C160		\$167,000			\$167,000
Drilling Liner	210C160			210C160					\$0.00
Drilling Liner	210C160			210C160					\$0.00
Production Casing or Liner 7"	210C160	8500.00	\$29.37	210C160		\$257,000			\$257,000
Production Tie-Back 4 1/2"	210C160	4600.00	\$15.97	210C160		\$73,462			\$73,462
Tubing 2 7/8"	210C160	8400.00	\$9.53	210C160		\$80,000			\$80,000
N/C Well Equipment	210C160			210C160		\$72,500			\$72,500
Wellhead, Tree, Chokes	210C160			210C160		\$10,000			\$10,000
Liner Hanger, Isolation Packer	210C160			210C160		\$196,000			\$196,000
Packer, Nipples	210C160			210C160		\$1,000			\$1,000
Pumping Unit, Engine	210C160			210C160		\$135,000			\$135,000
Lift Equipment (BHP, Rods, Anchors)	210C160			210C160		\$57,500			\$57,500
N/C Lease Equipment	210C160			210C160		\$7,500			\$7,500
Tanks, Tanks Steps, Stairs	210C160			210C160		\$60,000			\$60,000
Battery (Heater Treater, Separator, Gas Treating Equipment)	210C160			210C160		\$24,000			\$24,000
Flow Lines (Line Pipe from wellhead to central facility)	210C160			210C160		\$5,500			\$5,500
Offshore Production Structure for Facilities	210C160			210C160					\$0
Pipeline to Sales	210C160			210C160					\$0
Total Tangibles			\$183,000			\$979,462			\$1,162,462

P&A Costs	210C160		\$150,000	210C160		\$150,000			\$0
-----------	---------	--	-----------	---------	--	-----------	--	--	-----

Total Cost			\$1,701,375			\$2,021,587			\$3,722,962
-------------------	--	--	--------------------	--	--	--------------------	--	--	--------------------