

**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. 14,443

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 159.31-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of Lot 2, SE/4NW/4, and S/2NE/4 (the S/2N/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/2N/2 of Section 19 to form a non-standard 159.31 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. 3, a horizontal well to be drilled at a surface location 1980 feet from the north line and 375 feet from the west line, with a terminus 1980 feet from the north line and 375 feet from the east 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 .875 %
1052 Montgomery Road
Altamonte Springs, Florida 32714

Trustees of the Estate Peter L. Shea 7.7092 %
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

Helene Singer 3.9375 %
Heirs of Herman Singer
P.O. Box 1883
Santa Fe, New Mexico 87504

(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) N½N½ of Section 19.
Cimarex Energy Co. of Colorado

(ii) N½ of Section 20.
Cimarex Energy Co. of Colorado

(iii) N½S½ of Section 20.
Cimarex Energy Co. of Colorado

(iv) N½S½ of Section 19.
Cimarex Energy Co. of Colorado

(v) NE¼SE¼ of Section 24.
Marbob Energy Corporation

- (vi) E½NE¼ of Section 24.
Yates Petroleum Corporation
Abo Petroleum Corporation
Myco Industries, Inc.
Yates Drilling Company

(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.

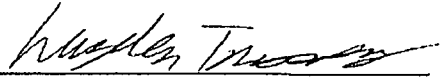
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under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

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

VERIFICATION

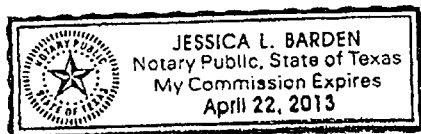
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

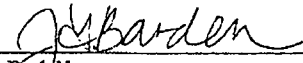
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

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

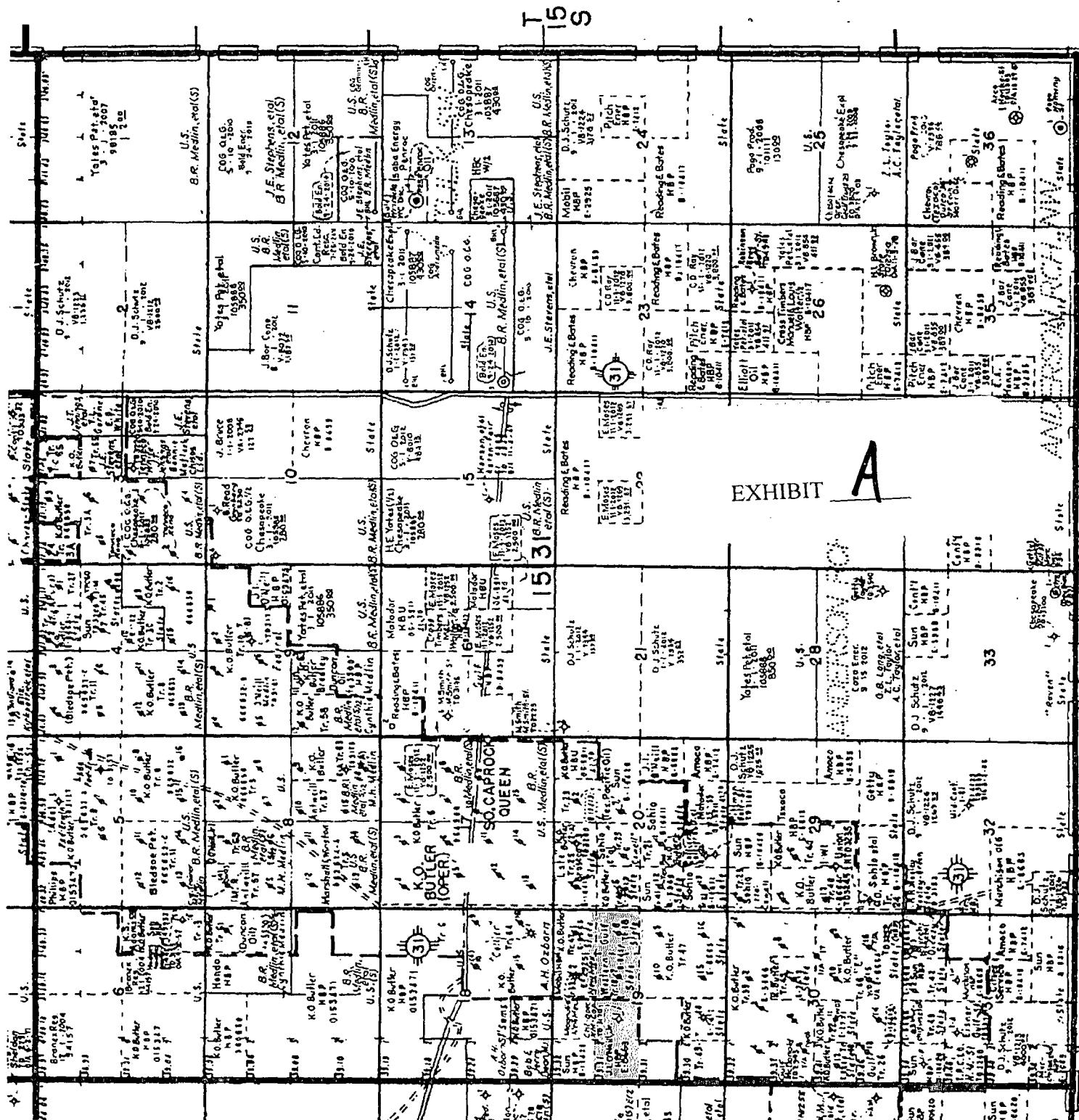
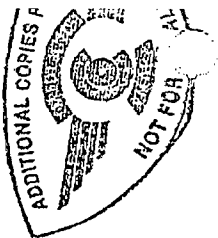
My Commission Expires: 4-22-2013




Notary Public

10

AN 1. VIOLATION OF THIS LICENSE OR THE
STRUCTING THIS MAP SHALL BE PRESUMED
STRUTED AS, AN INTENTIONAL, RECKLES
VIOLATION, AND WILL BE PROSECUTED TO
VIOLATION OF THE LAW BECAUSE OF THE ANTI
ACTUAL HARM OF ANY SUCH VIOLATION, I
OF PROOF OF LOSS, AND THE ADEQUACY
OBTAINING AN ADEQUATE REMEDY AS RE
TEXT BUS & COM CODE #27181A
AUTOMATICALLY CARRIES WITH IT A LIQUID
ASSESSMENT OF AT LEAST \$10,000 PER 1



EXHIBIT

A

FDDY. Fast LEA. Southwest

212

Cimarex Energy Co.
600 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 #3
S/2N/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 dark ink, appearing to read "Hayden P. Tresner". The signature is fluid and cursive, written over the printed name.

Hayden P. Tresner
Landman

EXHIBIT B

Page 2

Working Interest Owner Address List

New Well Proposal-Hancock 19 State Com #3 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

Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6794

O'Neill Properties, Ltd.
Mary Louise O'Neill and the Estate of Henry
Byrne O'Neill, Sr., Deceased
Dragisic Legacy, LLC
Attn: Tammy Vannaman
P.O. Box 2840
Midland, Texas 79702

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.

A handwritten signature in dark ink, appearing to read "Hayden P. Tresner".
Hayden P. Tresner
Landman



Authorization For Expenditure

Company Name: Cimarex Energy Co. Date: September 23, 2009

Well Name: Permian Hancock 19 State Com \$ Caprock

Location: SHL: 1980 FNL & 375 FNL Section 19-T15S-R31E Chaves NM Oil x Expl x
BHL: 1980 FNL & 330 FEL Section 19-T15S-R31E Gas Prod

Estimate Type: Original Estimate (X) Revised Estimate () Supplemental Estimate ()
TBD TBD ABO 13,185'

Well Description: 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	\$183,000	\$282,462	\$1,065,462
Lease Equipment		\$97,000	\$97,000
Total Tangible Well Cost	\$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 Costs: 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: Mark Audas, Engineer - PB
Drilling and Completion Approval: Doug Park, Mgr. Operations PB
Regional Manager: Roger Alexander, Regional Manager PB

Joint Interest Approval

Consent: _____

EXHIBIT

C



Project Cost Estimate

Lease Name: Hancock 19 State Com

Well No.:

3

Item	Unit	Rate	Cost	Cost	Cost
Roads & Location Preparation / Restoration			\$35,000	\$3,000	\$32,000
Damages			\$6,000		\$6,000
Mud / Fluids Disposal Charges			\$65,000	\$50,000	\$115,000
Day Rate	35:DH Days 7:ACP Days @	Per Day	\$550,000	\$84,000	\$624,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)			\$14,000		\$14,000
Bits			\$18,750	\$1,000	\$19,750
Fuel	\$0.00:Per Gallon	Gallons Per Day	\$0	\$0	\$0
Water / Completion Fluids		Per Day	\$30,625	\$111,125	\$141,750
Mud & Additives			\$63,000		\$63,000
Surface Rentals		Per Day	\$31,000	\$83,000	\$114,000
Downhole Rentals			\$36,000	\$14,000	\$50,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)					\$0
Mud Logging	\$850: Days @	30:Per Day	\$30,000		\$30,000
Open Hole Logging			\$30,000		\$30,000
Cementing & Float Equipment			\$40,000	\$17,000	\$57,000
Tubular Inspections			\$5,000	\$3,000	\$8,000
Casing Crews			\$16,000	\$10,000	\$26,000
Extra Labor, Welding, Etc.			\$14,000	\$5,000	\$19,000
Land Transportation (Trucking)			\$21,000	\$4,000	\$25,000
Supervision		Per Day	\$49,000	\$18,000	\$67,000
Trailer House / Camp / Catering		400:Per Day	\$21,000	\$4,000	\$25,000
Other Misc Expenses			\$2,000	\$7,000	\$9,000
Overhead		300:Per Day	\$33,000	\$9,000	\$16,000
Remedial Cementing					\$0
MOB/DEMOB					\$0
Directional Drilling Services		14: Days @ 7,800:Per Day	\$127,000		\$127,000
Dock, Dispatcher, Crane					\$0
Marine & Air Transportation					\$0
Salids Control		Per Day	\$52,000		\$52,000
Well Control Equip (Snubbing Svcs.)			\$12,000	\$11,000	\$23,000
Fishing & Sidetrack Operations			\$0		\$0
Completion Rig		7: Days @ 3,400:Per Day		\$26,000	\$26,000
Coil Tubing		1: Days @ 25,000:Per Day		\$25,000	\$25,000
Completion Logging, Perforating, WL Units, WL Surveys				\$8,000	\$8,000
Stimulation				\$585,000	\$585,000
Legal / Regulatory / Curative			\$7,000		\$7,000
Well Control Insurance		\$0.35:Per Foot	\$5,300		\$5,300
Contingency		5% of Drilling Intangibles	\$65,000	\$54,000	\$119,000
Construction For Well Equipment				\$1,000	\$1,000
Construction For Lease Equipment				\$55,000	\$55,000
Construction For Sales P/L					\$0
Total Intangible Cost			\$1,368,375	\$1,192,125	\$2,560,500

Item	Size	Feet	\$ / Foot	Cost	Cost	Cost
Casing						
Drive Pipe	20"	40.00	\$0.00	\$0		\$0
Conductor Pipe				\$0		\$0
Water String				\$0		\$0
Surface Casing	13-3/8"	340.00	\$48.25	\$16,000		\$16,000
Intermediate Casing	9 5/8"	3950.00	\$42.21	\$167,000		\$167,000
Drilling Liner				\$0		\$0
Drilling Liner				\$0		\$0
Production Casing or Liner	7"	8500.00	\$29.37	\$257,000	\$257,000	\$257,000
Production Tie-Back	4 1/2"	4600.00	\$15.97	\$73,462		\$73,462
Tubing	2 7/8"	8400.00	\$9.53	\$80,000		\$80,000
N/C Well Equipment				\$72,500		\$72,500
Wellhead, Tree, Chokes				\$10,000		\$10,000
Liner Hanger, Isolation Packer				\$196,000		\$196,000
Packer, Nipples				\$1,000		\$1,000
Pumping Unit, Engine				\$135,000		\$135,000
Lift Equipment (BHP, Rods, Anchors)				\$57,500		\$57,500
N/C Lease Equipment				\$7,500		\$7,500
Tanks, Tanks Steps, Stairs				\$60,000		\$60,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				\$24,000		\$24,000
Flow Lines (Line Pipe from wellhead to central facility)				\$5,500		\$5,500
Offshore Production Structure for Facilities						\$0
Pipeline to Sales						\$0
Total Tangibles				\$283,000	\$979,462	\$1,162,462
P&A Costs				\$150,000	\$150,000	\$0
Total Cost				\$1,704,375	\$2,021,587	\$3,722,962