

**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. 14,442

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 159.32-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of Lot 1, NE/4NW/4, and N/2NE/4 (the N/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 N/2N/2 of Section 19 to form a non-standard 159.32 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. 4, a horizontal well to be drilled at a surface location 660 feet from the north line and 330 feet from the east line, with a terminus 660 feet from the north line and 330 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. _____
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 1.9688 %
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) S½S½ of Section 18.
Cimarex Energy Co. of Colorado

(ii) S½S½ of Section 17.
Cimarex Energy Co. of Colorado

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

(iv) S½N½ of Section 19.
Cimarex Energy Co. of Colorado

(v) E½NE¼ of Section 24.
Yates Petroleum Corporation
Abo Petroleum Corporation

Myco Industries, Inc.
Yates Drilling Company

- (vi) SE¼SE¼ of Section 13.
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.

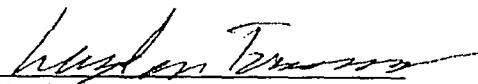
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under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



Cimarex Energy Co.
600 N. Mainfield 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 #4
N/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 cursive script, reading "Hayden P. Tresner".

Hayden P. Tresner
Landman

EXHIBIT B

Page 2

Working Interest Owner Address List

New Well Proposal-Hancock 19 State Com #4 Well



Via: U.S. Certified Mail

Return Receipt No. 7007 0710 0003 0317 6725

Anadarko Petroleum Corporation
Attn: David Ward
P.O. Box 1330
Houston, Texas 77251-1330

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 Vamaman
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.

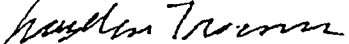
Cimarex proposes to drill the above-captioned wells according to the project described in the enclosed Authorization for Expenditure ("AFE"). If you would like to participate in the well(s), please sign, date and return a copy of the applicable AFE to the undersigned at the above-letter head address. 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.


Hayden P. Tresner
Landman



Authorization For Expenditure

Company/Client: Cimarex Energy Co. Date Prepared: September 23, 2009

Region: Permian Well Name: Hancock 19 State Com Well No: 4 Field Name: Caprock Property Number: Drilling AFE No:

Location: SHL: 660 FNL & 330 FEL Section 19-T1SS-R31E BHL: 660 FNL & 330 FWL Section 19-T1SS-R31E County: Chaves State: NM Type Well: Oil x Expl x Gas Prod

Estimate Type: Original Estimate Revised Estimate Supplemental Estimate Est. Start Date: TBD Est. Completion Date: TBD Formation: ABO Est. TD: 13,185'

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	\$882,462	\$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 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: Mark Audas Engineer - PB Drilling and Completion Manager: Doug Park, Mgr. Operations PB Regional Manager: Roger Alexander, Regional Manager PB

Joint Interest Approval

Company: Date:

EXHIBIT

C

11/18/2009 8:40 AM



Project Cost Estimate

Lease Name: Hancock 19 State Com

Well No.: 4

Intangibles	Codes	Dr / Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.109	\$35,000	DICC.109	\$3,000	\$38,000
Damages	DICC.109	\$6,000	DICC.109		\$6,000
Mud / Fluids Disposal Charges	DICC.115	\$65,000	DICC.115	\$50,000	\$115,000
Day Rate 35: DH Days 7: ACP Days @ Per Day	DICC.115	\$550,000	DICC.115	\$84,000	\$634,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$14,000			\$14,000
Bits	DICC.125	\$18,750	DICC.125	\$1,000	\$19,750
Fuel \$0.00 / Per Gallon Gallons Per Day	DICC.125	\$0	DICC.125	\$0	\$0
Water / Completion Fluids	DICC.130	\$30,625	DICC.135	\$111,125	\$141,750
Mud & Additives	DICC.145	\$63,000			\$63,000
Surface Rentals	DICC.150	\$31,000	DICC.150	\$83,000	\$114,000
Downhole Rentals	DICC.155	\$36,000	DICC.155	\$14,000	\$50,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160				\$0
Mud Logging \$850 / Days @ 30: Per Day	DICC.170	\$30,000			\$30,000
Open Hole Logging	DICC.180	\$30,000			\$30,000
Cementing & Float Equipment	DICC.185	\$40,000	DICC.185	\$17,000	\$57,000
Tubular Inspections	DICC.190	\$5,000	DICC.190	\$3,000	\$8,000
Casing Crews	DICC.195	\$16,000	DICC.195	\$10,000	\$26,000
Extra Labor, Welding, Etc.	DICC.200	\$14,000	DICC.175	\$5,000	\$19,000
Land Transportation (Trucking)	DICC.205	\$21,000	DICC.175	\$4,000	\$25,000
Supervision Per Day	DICC.210	\$49,000	DICC.180	\$18,000	\$67,000
Trailer House / Camp / Catering 400: Per Day	DICC.220	\$21,000	DICC.235	\$4,000	\$25,000
Other Misc Expenses	DICC.220	\$2,000	DICC.235	\$7,000	\$9,000
Overhead 500: Per Day	DICC.225	\$13,000	DICC.235	\$3,000	\$16,000
Remedial Cementing	DICC.231		DICC.235		\$0
MOB/DEMOB	DICC.240				\$0
Directional Drilling Services 14: Days @ 7,800: Per Day	DICC.245	\$137,000			\$137,000
Dock, Dispatcher, Crane	DICC.250		DICC.250		\$0
Marine & Air Transportation	DICC.255		DICC.255		\$0
Solids Control Per Day	DICC.260	\$52,000			\$52,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$12,000	DICC.265	\$11,000	\$23,000
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.265		\$0
Completion Rig 7: Days @ 3,400: Per Day	DICC.275		DICC.265	\$36,000	\$36,000
Coil Tubing 11: Days @ 25,000: Per Day			DICC.265	\$25,000	\$25,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.265	\$8,000	\$8,000
Stimulation			DICC.265	\$585,000	\$585,000
Legal / Regulatory / Curative	DICC.300	\$7,000	DICC.265		\$7,000
Well Control Insurance \$0.35: Per Foot	DICC.305	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DICC.415	\$65,000	DICC.220	\$54,000	\$119,000
Construction For Well Equipment			DWEL.110	\$1,000	\$1,000
Construction For Lease Equipment			DWEL.110	\$55,000	\$55,000
Construction For Sales P/L			DWEL.255		\$0
Total Intangible Cost		\$1,368,375		\$1,192,125	\$2,560,500

Tangible: Well Equipment	Size	Feet	\$ / Foot			
Casing						
Drive Pipe 20 "	40.00	\$0.00	DWEL.150	\$0		\$0
Conductor Pipe			DWEL.130	\$0		\$0
Water String			DWEL.135	\$0		\$0
Surface Casing 13-3/8"	340.00	\$48.26	DWEL.140	\$16,000		\$16,000
Intermediate Casing 9 5/8"	3950.00	\$42.21	DWEL.145	\$167,000		\$167,000
Drilling Liner			DWEL.145	\$0		\$0
Drilling Liner			DWEL.145	\$0		\$0
Production Casing or Liner 7"	8500.00	\$29.37		DWEL.100	\$257,000	\$257,000
Production Tie-Back 4 1/2"	4600.00	\$15.97		DWEL.100	\$73,462	\$73,462
Tubing 2 7/8"	8400.00	\$9.53		DWEL.105	\$80,000	\$80,000
N/C Well Equipment				DWEL.115	\$72,500	\$72,500
Wellhead, Tree, Chokes				DWEL.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWEL.125	\$196,000	\$196,000
Packer, Nipples				DWEL.130	\$1,000	\$1,000
Pumping Unit, Engine				DWEL.135	\$135,000	\$135,000
Uft Equipment (BHP, Rods, Anchors)				DWEL.145	\$57,500	\$57,500
Tangible: Lease Equipment						
N/C Lease Equipment				DWEL.115	\$7,500	\$7,500
Tanks, Tanks Steps, Stairs				DWEL.120	\$60,000	\$60,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DWEL.125	\$24,000	\$24,000
Flow Lines (Line Pipe from wellhead to central facility)				DWEL.130	\$5,500	\$5,500
Offshore Production Structure for Facilities				DWEL.135		\$0
Pipeline to Sales				DWEL.140		\$0
Total Tangibles				\$183,000	\$979,462	\$1,162,462

P&A Costs	DICC.275	\$150,000	DICC.275	-\$150,000	\$0
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Total Cost		\$1,701,375		\$2,021,587	\$3,722,962
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