

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. 14,408

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 farmout agreements.
 - (b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of the S/2S/2 of Section 20, 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 20 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. The unit is to be dedicated to the Valley Forge 20 State Com. Well No. 1, 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 20.
 - (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

Allie M. Lee Trust c/o Wells Fargo Bank 580 West Texas Avenue Midland, Texas 79701	18.75 %
Occidental Permian Limited Partnership Suite 110 5 Greenway Plaza Houston, Texas 77046	25 %
Shriners Hospital for Crippled Children 2900 Rocky Point Drive Tampa, Florida 33607	6.25 %

(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 owners 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) N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 20.
Cimarex Energy Co. of Colorado
Parties being pooled
Don Kidwell
Headington Royalty Inc.
Wayne Bissett
Mitchell Minerals
Sigyn Lund
Clare Lundebecke Fraser
Douglas C. Koch
- (ii) S $\frac{1}{2}$ of Section 21.
Mack Energy Corporation
- (iii) N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 28.
Yates Petroleum Corporation
- (iv) NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 29.
Cimarex Energy Co.

- (v) NW¼NE¼ of Section 29.
Chevron U.S.A. Inc.
- (vi) N½NW¼ of Section 29.
Kevin O. Butler & Associates, Inc.
- (vii) N½N½ of Section 30.
Cimarex Energy Co. of Colorado
- (viii) S½ of Section 19.
Cimarex Energy Co. of Colorado

(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
Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 20th day of January, 2010 by Hayden P. Tresner.

My Commission Expires: 4/22/2013

J. L. Barden
Notary Public



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



June 17, 2009

Via: U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3823

Wells Fargo Bank New Mexico
Attn: Allie M. Lee Trust
P.O. Box 1977
Roswell, New Mexico 88202

Via: U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3830

Occidental Permian Ltd.
P.O. Box 50250
Midland, Texas 79710

Via: U.S. Certified Mail-Return Receipt No. 7007 0710 0003 0317 3847

B.P. Exploration Inc.
P.O. Box 4587
Houston, Texas 77210

Re: Valley Forge 20 State Com No. 1
S/S/S/2 Section 20-T15S-R31E
Chaves 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, please sign and return a copy of the AFE to the undersigned at the above-letterhead address. 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 interests in the spacing unit dedicated to the well.

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.

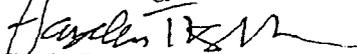

Hayden P. Tresner
Landman

EXHIBIT **B**

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



November 23, 2009

Via: email and U.S. Certified Mail-Return No. 7007 0710 0003 0317 6886

Shriners Hospitals for Children
Attn: Tom Guthrie
2900 Rocky Point Drive
Tampa, Florida 33607

Re: Valley Forge 20 State Com No. 1
SHL: 375' FSL & 375' FEL
BHL: 375' FSL & 375' FWL
Valley Forge 20 State Com No. 2
SHL: 1980' FSL & 375' FWL
BHL: 1980' FSL & 375' FEL
Section 20-T15S-R31E
Chaves County, New Mexico

Dear Mr. Guthrie:

As you are aware, the Public Records of Chaves County, New Mexico indicate that the Shriners Hospitals for Crippled Children ("Shriners") owns a 25% working interest in the SWSW, NESW and NWSE of Section 20-T15S-R31E, Chaves County, New Mexico. Each of the aforementioned tracts will be part of a 160-acre spacing or proration unit dedicated to the above-captioned wells.

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

Alternatively, if Shriners does not want to participate in the well(s), 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.

Hayden P. Tresner
Hayden P. Tresner
Landman



Enclosures



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
May 17, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Valley Forge 20 State Com	1	Lower Abo Horizontal Trend		

Location	County	State	Type Well		
S/25/2 Section 20-15S-31E	Chaves	NM	Oil	x	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate				
Revised Estimate			Abo	13,000'
Supplemental Estimate				

Project Description:
Drill and complete a Lower ABO horizontal well. Pilot hole 9250' horiz TVD 8800'/MD 13000' (4500' VS)

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,562,625		\$1,562,625
Completion Costs		\$955,250	\$955,250
Total Intangible Costs	\$1,562,625	\$955,250	\$2,517,875

Tangibles			
Well Equipment	\$211,000	\$731,576	\$942,576
Lease Equipment		\$139,000	\$139,000
Total Tangible Well Cost	\$211,000	\$870,576	\$1,081,576

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$1,923,625	\$1,675,826	\$3,599,451
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Comments on Well Costs:
1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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

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

Cimarex Energy Co. Approval

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

Joint Interest Approval

Company	By	Date

EXHIBIT



Project Cost Estimate

Lease Name: Valley Forge 2D State Corn

Well No.: 1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	D10C.100	\$50,000	D10C.100	\$3,000	\$53,000
Damages	D10C.105	\$6,000	D10C.105		\$6,000
Mud / Fluids Disposal Charges	D10C.125	\$65,000	D10C.125	\$50,000	\$115,000
Day Rate	D10C.115	\$570,000	D10C.120	\$96,000	\$666,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D10C.120	\$14,000			\$14,000
Bits	D10C.125	\$18,750	D10C.125	\$1,000	\$19,750
Fuel	D10C.125	\$39,000	D10C.120	\$13,000	\$52,000
Water / Completion Fluids	D10C.140	\$45,000	D10C.125	\$61,250	\$106,250
Mud & Additives	D10C.145	\$69,875			\$69,875
Surface Rentals	D10C.150	\$53,000	D10C.140	\$124,000	\$177,000
Downhole Rentals	D10C.155	\$80,000	D10C.145	\$14,000	\$94,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D10C.160				\$0
Mud Logging	D10C.170	\$30,000			\$30,000
Open Hole Logging	D10C.180	\$20,000			\$20,000
Cementing & Float Equipment	D10C.185	\$17,000	D10C.185	\$20,000	\$37,000
Tubular Inspections	D10C.190	\$5,000	D10C.160	\$3,000	\$8,000
Casing Crews	D10C.195	\$16,000	D10C.185	\$16,000	\$32,000
Extra Labor, Welding, Etc	D10C.200	\$28,000	D10C.170	\$5,000	\$33,000
Land Transportation (Trucking)	D10C.205	\$21,000	D10C.175	\$4,000	\$25,000
Supervision	D10C.210	\$49,000	D10C.180	\$19,000	\$68,000
Trailer House / Camp / Catering	D10C.280	\$21,000	D10C.255	\$4,000	\$25,000
Other Misc Expenses	D10C.220	\$2,000	D10C.195	\$7,000	\$9,000
Overhead	D10C.225	\$13,000	D10C.195	\$3,000	\$16,000
Remedial Cementing	D10C.230		D10C.215		\$0
MOB/DEMOB	D10C.240				\$0
Directional Drilling Services	D10C.245	\$152,000			\$152,000
Dock, Dispatcher, Crane	D10C.250		D10C.230		\$0
Marine & Air Transportation	D10C.275		D10C.250		\$0
Solids Control	D10C.260	\$80,000			\$80,000
Well Control Equip (Snubbing Svcs.)	D10C.265	\$42,000	D10C.240	\$11,000	\$53,000
Fishing & Sidetrack Operations	D10C.270	\$0	D10C.235		\$0
Completion Rig			D10C.115	\$36,000	\$36,000
Coil Tubing			D10C.260	\$25,000	\$25,000
Completion Logging, Perforating, WL Units, WL Surveys			D10C.205	\$8,000	\$8,000
Stimulation			D10C.210	\$300,000	\$300,000
Legal / Regulatory / Curative	D10C.300	\$7,000	D10C.290		\$7,000
Well Control Insurance	D10C.285	\$5,000			\$5,000
Contingency	D10C.435	\$74,000	D10C.220	\$41,000	\$115,000
Construction For Well Equipment			D10E.120	\$1,000	\$1,000
Construction For Lease Equipment			D10E.110	\$90,000	\$90,000
Construction For Sales P/L			D10C.205		\$0
Total Intangible Cost		\$1,562,625		\$955,250	\$2,517,875

Tangible - Well Equipment	Size	Feet	S / Foot			
Casing						
Drive Pipe	20"	40.00	\$0.00	DWFB.150	\$0	\$0
Conductor Pipe				DWFB.120	\$0	\$0
Water String				DWFB.125	\$0	\$0
Surface Casing	13-3/8"	340.00	\$62.37	DWFB.140	\$21,000	\$21,000
Intermediate Casing	9 5/8"	3950.00	\$48.20	DWFB.145	\$190,000	\$190,000
Drilling Liner				DWFB.145	\$0	\$0
Drilling Liner				DWFB.145	\$0	\$0
Production Casing or Liner	7"	8500.00	\$29.57	DWFB.145	\$252,000	\$252,000
Production Tie-Back	4 1/2"	4600.00	\$12.11	DWFB.145	\$48,576	\$48,576
Tubing	2 7/8"	8400.00	\$9.59	DWFB.145	\$80,000	\$80,000
N/C Well Equipment				DWFB.125	\$50,000	\$50,000
Wellhead, Tree, Chokes				DWFB.120	\$10,000	\$10,000
Liner Hanger, Isolation Packer				DWFB.130	\$145,000	\$145,000
Packer, Nipples				DWFB.120	\$1,000	\$1,000
Pumping Unit, Engine				D10E.100	\$98,000	\$98,000
Lift Equipment (BHP, Rods, Anchors)				D10E.105	\$47,000	\$47,000
Tangible - Lease Equipment						
N/C Lease Equipment				D10E.115	\$44,000	\$44,000
Tanks, Tanks Steps, Stairs				D10E.120	\$40,000	\$40,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				D10E.125	\$25,000	\$25,000
Flow Lines (Line Pipe from wellhead to central facility)				D10E.130	\$30,000	\$30,000
Offshore Production Structure for Facilities				DWFB.125	\$0	\$0
Pipeline to Sales				DWFB.140	\$0	\$0
Total Tangibles					\$211,000	\$870,576

P&A Costs	D10C.295	\$150,000	D10C.275	-\$150,000	\$0
Total Cost		\$1,923,625		\$1,675,826	\$3,599,451