

**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, LEA COUNTY,
NEW MEXICO.**

Case No. 14,489

VERIFIED STATEMENT OF TODD MEADOR

Todd Meador, 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 an operating agreement.
 - (b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Cimarex Energy Co. seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2W/2 of Section 24, Township 19 South, Range 32 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the W/2W/2 of Section 24 to form a non-standard 160 acre oil spacing and proration unit (project area) for any pools or formations developed on 40 acre spacing within that vertical extent. The unit is to be dedicated to the East Lusk 24 Fed. Com. Well No. 1, a horizontal well to be drilled at a surface location 375 feet from the north line and 660 feet from the west line, with a terminus 330 feet from the south line and 660 feet from the west line, of Section 24.
 - (c) The parties being pooled, their interests in the well unit, and their current addresses, are as follows:

Oil Conservation Division
Case No. 1
Exhibit No. 1

Cibolo Land & Oil, LLC Suite 950 400 West Illinois Midland, Texas 79701	<u>0.25</u> %
Pandora Partners, LP Suite 950 400 West Illinois Midland, Texas 79701	<u>0.85</u> %
Sagebrush Oil Company Suite 950 400 West Illinois Midland, Texas 79701	<u>25.30</u> %
Tri-Crown Properties, LLC P.O. Box 50622 Midland, Texas 79710	<u>1.00</u> %
TriTex Energy A, LP Suite 600 15455 Dallas Parkway Addison, Texas 75243	<u>20.05</u> %
Turner Falls, LLC 5002 Candle Tree Grove Midland, Texas 79705	<u>1.00</u> %

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit B. In addition, we have had telephone calls and e-mail correspondence with the parties.

(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) SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14
BOPCO, L.P.

- (ii) S½SW¼ of Section 13
Mewbourne Oil Company
Exxon Mobil Corporation
Tritex Energy A, LP (notified as pooled party)
- (iii) E½NW¼ of Section 24
Cimarex Energy Co.
- (iv) E½SW¼ of Section 15
Samson Resources Company
Parties being pooled
- (v) N½NW¼ of Section 25
Parties being pooled
- (vi) NE¼NE¼ of Section 26
EOG Resources, Inc.
- (vii) E½E½ of Section 23
EOG Resources, Inc.

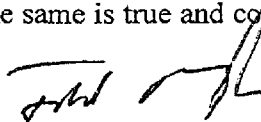
(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other horizontal wells of this depth drilled in this area of Lea County.

(i) Overhead charges of \$6500/month for a drilling well, and \$650/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.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

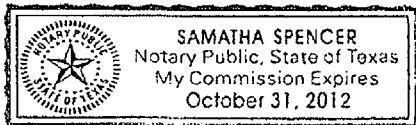
Todd Meador, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information,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

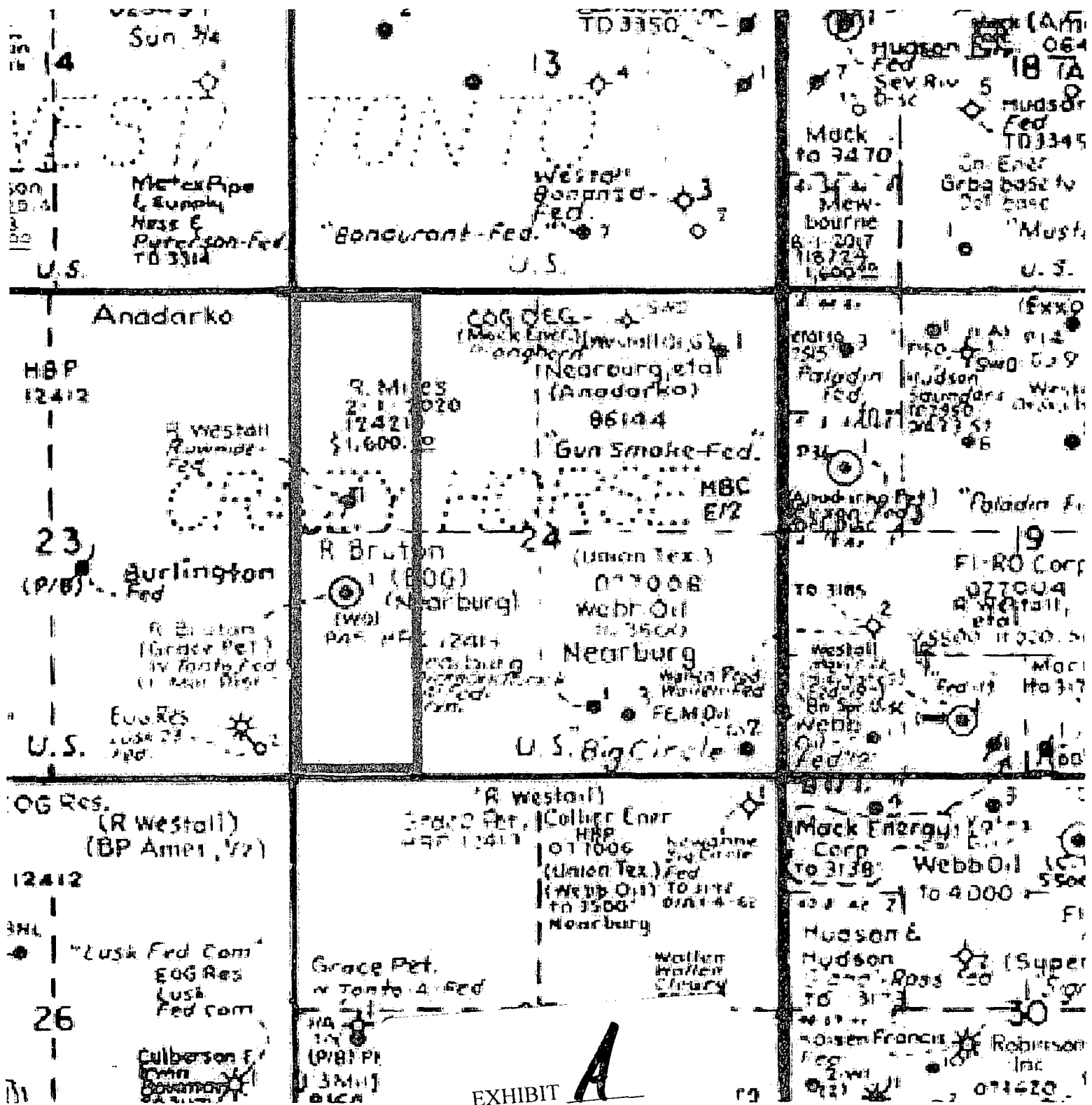


Todd Meador

SUBSCRIBED AND SWORN TO before me this 8th day of June, 2010 by Todd Meador.

My Commission Expires: October 31, 2012


Notary Public



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



March 15, 2010

TriTex Energy A, LP
15455 Dallas Parkway, Ste. 600
Addison, TX 75243

Certified Mail-Return Receipt Requested No. 91 7108 2133 3937 9625 2504

Re: **Proposal to Drill**
 East Lusk 24 Fed Com #1H
 W/2W/2, Sec. 24-T19S-R32E
 Lea County, New Mexico

Dear Sir/Madam:

Cimarex Energy Co. hereby proposes to drill the East Lusk 24 Fed Com #1H well at a legal location in W/2 W/2, Sec. 24-T19S-R32E, Lea County, New Mexico.

The intended surface hole location for the well is approximately 375 feet FNL and 660 feet FWL and the intended bottom hole location is approximately 330 feet FSL, 660 feet FWL. The well is proposed to be drilled vertically to a depth of approximately 9,550 feet to the Bone Spring formation and laterally in a southern direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 13,800 feet from surface to terminus.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex's intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is (i) our detailed AFE reflecting estimated costs associated with this proposal, and; (ii) our proposed form of Operating Agreement to govern operations of the East Lusk 24 Fed Com #1H well. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the Well Proposal Election Form to the undersigned within thirty (30) days of receipt of this proposal. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance to Cimarex prior to commencement of drilling operations; otherwise, you will be covered by insurance procured by Cimarex and will be responsible for your share of the cost.

In the event that you do not wish to participate in the drilling of the proposed well, Cimarex Energy Co. will consider acquiring your interest through a Term Assignment for \$400 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.

Well Proposal - Page 1 of 3

EXHIBIT **B**



Please call the undersigned with any questions or comments.

Respectfully,

A handwritten signature in black ink, appearing to read "Todd Meador". The signature is stylized with a large, sweeping "M" and a long, horizontal stroke extending to the right.

Todd Meador

Landman

Phone: (432) 571-7858

ELECTION FORM
East Lusk 24 Fed Com #1H
W/2 W/2, Sec. 24-T19S-R32E, Lea Co., NM



_____ Elects **TO** participate in the proposed East Lusk 24 Fed Com #1H Well.

_____ Elects **NOT** to participate in the proposed East Lusk 24 Fed Com #1H Well.

Dated this _____ day of _____, 2010.

Signature: _____

Title: _____

If your election above is TO participate in the proposed East Lusk 24 Federal Com #1 Well, then:

_____ Elects **TO** be covered by well control insurance procured by Cimarex Energy Co.

_____ Elects **NOT** to be covered by well control insurance procured by Cimarex Energy Co. and agrees to provide Cimarex Energy Co. with a certificate of insurance prior to commencement of drilling operations or be deemed to have elected to be covered by well control insurance procured by Cimarex Energy Co.



Authorization For Expenditure

Company Entity
Cimarex Energy Co.Date Prepared
January 4, 2010

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	East Lusk 24 Fed Com	1H	Lusk		

Location	County	State	Type Well
W2/W2 Sec. 24-T19S-R32E	Lea	NM	Oil Gos
			Expl Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl Measured Depth
Original Estimate	⊙			13,800'
Revised Estimate	○		Bone Spring	Ttl Vertical Depth
Supplemental Estimate	○			9,550'

Project Description:
Set 7" w/ fiberglass plugback at 9550'. Drill lateral in ~4500' lateral in Bone Spring and run open-hole pkr liner completion (10 stages).

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,547,900		\$1,547,900
Completion Costs		\$962,500	\$962,500
Total Intangible Costs	\$1,547,900	\$962,500	\$2,510,400

Tangibles			
Well Equipment	\$199,000	\$966,000	\$1,165,000
Lease Equipment		\$113,500	\$113,500
Total Tangible Well Cost	\$199,000	\$1,079,500	\$1,278,500

Plug and Abandon Cost	\$60,000	-\$60,000	\$0
Total Well Cost	\$1,806,900	\$1,980,000	\$3,786,900

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
Ryan Braxton	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date

EXHIBIT

C

4/26/2010 2:27 PM



Project Cost Estimate

Lease Name: East Lusk 24 Fed Com

Well No.: 1N

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	D100.102	\$30,000	D100.102	\$3,000	\$33,000
Damages	D100.105	\$10,000	D100.105	\$1,000	\$11,000
Mud / Fluids Disposal Charges	D100.122	\$35,000	D100.122	\$50,000	\$85,000
Day Rate 38 OH Days \$ ACP Days @ 11,500 Per Day	D100.133	\$437,000	D100.133	\$58,000	\$495,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D100.133	\$5,000			\$5,000
Bits	D100.133	\$70,000	D100.133		\$70,000
Fuel \$2.60 Per Gallon 750 Gallons Per Day	D100.133	\$74,000	D100.133	\$11,000	\$85,000
Water / Completion Fluids 1,650 Per Day	D100.133	\$63,000	D100.133	\$51,500	\$114,500
Mud & Additives	D100.133	\$76,000			\$76,000
Surface Rentals 1,200 Per Day	D100.133	\$46,000	D100.133	\$70,000	\$116,000
Downhole Rentals	D100.133	\$95,000	D100.133	\$14,000	\$109,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D100.133				\$0
Mud Logging \$850 Days @ 30 Per Day	D100.133	\$30,000			\$30,000
Open Hole Logging	D100.133	\$35,000			\$35,000
Cementing & Floet Equipment	D100.133	\$50,000	D100.133	\$40,000	\$90,000
Tubular Inspections	D100.133	\$5,000	D100.133	\$4,000	\$9,000
Casing Crews	D100.133	\$10,000	D100.133	\$10,000	\$20,000
Extra Labor, Welding, Etc.	D100.133	\$11,000	D100.133	\$5,000	\$16,000
Land Transportation (Trucking)	D100.133	\$22,800	D100.133	\$5,000	\$27,800
Supervision 1,200 Per Day	D100.133	\$52,800	D100.133	\$14,000	\$66,800
Trailer House / Camp / Catering 550 Per Day	D100.133	\$21,000	D100.133	\$4,000	\$25,000
Other Misc Expenses	D100.133				\$0
Overhead 300 Per Day	D100.133	\$15,000	D100.133	\$3,000	\$18,000
Remedial Cementing	D100.133	\$0	D100.133	\$0	\$0
MOB/DEMOC	D100.133	\$50,000			\$50,000
Directional Drilling Services 13 Days @ 7,200 Per Day	D100.133	\$94,000			\$94,000
Back, Dispatcher, Crane	D100.133	\$0	D100.133	\$0	\$0
Marine & Air Transportation	D100.133	\$0	D100.133	\$0	\$0
Solids Control 2,500 Per Day	D100.133	\$62,500	D100.133	\$95,000	\$157,500
Well Control Equip (Snubbing Svcs.)	D100.133	\$25,100	D100.133	\$11,000	\$36,100
Fishing & Sidetrack Operations	D100.133	\$0	D100.133	\$0	\$0
Completion Rig 7 Days @ 3,400 Per Day	D100.133	\$23,800	D100.133	\$24,000	\$47,800
Coil Tubing 3 Days @ 20,000 Per Day	D100.133	\$60,000	D100.133	\$60,000	\$120,000
Completion Logging, Perforating, WL Units, WL Surveys	D100.133	\$8,000	D100.133	\$8,000	\$16,000
Stimulation	D100.133	\$450,000	D100.133	\$450,000	\$900,000
Legal / Regulatory / Curative	D100.133	\$13,000	D100.133	\$13,000	\$26,000
Well Control Insurance \$0.35 Per Foot	D100.133	\$5,000	D100.133	\$5,000	\$10,000
Contingency 5% of Drilling Intangibles	D100.133	\$74,000	D100.133	\$21,000	\$95,000
Construction For Well Equipment	D100.133	\$25,000	D100.133	\$25,000	\$50,000
Construction For Lease Equipment	D100.133	\$20,000	D100.133	\$20,000	\$40,000
Construction For Sales P/L	D100.133	\$0	D100.133	\$0	\$0
Total Intangible Cost		\$1,547,900		\$962,500	\$2,510,400

Tangible - Well Equipment	Size	Feet	\$ / Foot			
Casing	20"	40.00	\$0.00	DWES.100	\$0	\$0
Drive Pipe				DWES.100	\$0	\$0
Conductor Pipe				DWES.100	\$0	\$0
Water String				DWES.100	\$0	\$0
Surface Casing	13-3/8"	850.00	\$60.46	DWES.100	\$51,000	\$51,000
Intermediate Casing	9 5/8"	4000.00	\$33.26	DWES.100	\$133,000	\$133,000
Drilling Liner				DWES.100	\$0	\$0
Drilling Liner				DWES.100	\$0	\$0
Production Casing or Liner	7"	8900.00	\$35.64	DWES.100	\$317,000	\$317,000
Production Tie-Back	4 1/2"	4700.00	\$15.26	DWES.100	\$72,000	\$72,000
Tubing	2 7/8"	8700.00	\$7.30	DWES.100	\$64,000	\$64,000
N/C Well Equipment				DWES.100	\$65,000	\$65,000
Wellhead, Tree, Chokes				DWES.100	\$18,000	\$33,000
Liner Hanger, Isolation Packer				DWES.100	\$0	\$0
Packer, Nipples				DWES.100	\$180,000	\$180,000
Pumping Unit, Engine				DWES.100	\$190,000	\$190,000
Life Equipment (BHP, Rods, Anchors)				DWES.100	\$60,000	\$60,000
Tangible - Lease Equipment						
N/C Lease Equipment				DWES.100	\$7,500	\$7,500
Tanks, Tanks Steps, Stairs				DWES.100	\$62,000	\$62,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DWES.100	\$24,500	\$24,500
Flow Lines (Line Pipe from wellhead to central facility)				DWES.100	\$2,500	\$2,500
Offshore Production Structure for Facilities				DWES.100	\$0	\$0
Pipeline to Sales				DWES.100	\$15,000	\$15,000
Total Tangibles					\$199,000	\$1,077,500

P&A Costs	D100.133	\$60,000	D100.133	-\$60,000	\$0
Total Cost		\$1,806,900		\$1,980,000	\$3,786,900