

**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. 14,483

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. Cimarex Energy Co. seeks an order approving a 240-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of the S/2NE/4 of Section 8 and S/2N/2 of Section 9, Township 15 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Abo/Wolfcamp formation underlying the non-standard 240 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 Independence 8 Fed. Com. Well No. 2, a horizontal well to be drilled at a surface location 1830 feet from the north line and 2310 feet from the east line of Section 8, with a terminus 1980 feet from the north line and 330 feet from the east line of Section 9.
 - (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

Edward L. Shea Trust/Estate
c/o John Walsh
Bryan Cave, LLP
Suite 3501
1290 Avenue of the Americas
New York, New York 10104

2.4842 %

Sigyn Lund
1052 Montgomery Road
Altamonte Springs, Florida 32714

.83333 %

(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) N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 8.
Marshall & Winston, Inc.
- (ii) S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 8.
Kevin O. Butler & Associates, Inc.
- (iii) N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 8.
Cimarex Energy Co. of Colorado
- (iv) N $\frac{1}{2}$ N $\frac{1}{2}$ of Section 9.
Cimarex Energy Co. of Colorado
Kevin O. Butler & Associates, Inc.
- (v) N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 9.
Marshall & Winston, Inc.
- (vi) W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 10.
COG Operating LLC

(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.

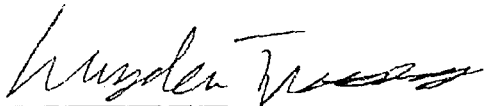
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under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

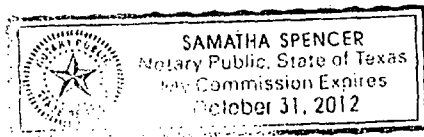
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 9th day of June, 2010 by Hayden P. Tresner.

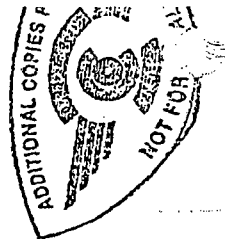
My Commission Expires: October 31, 2012


Notary Public



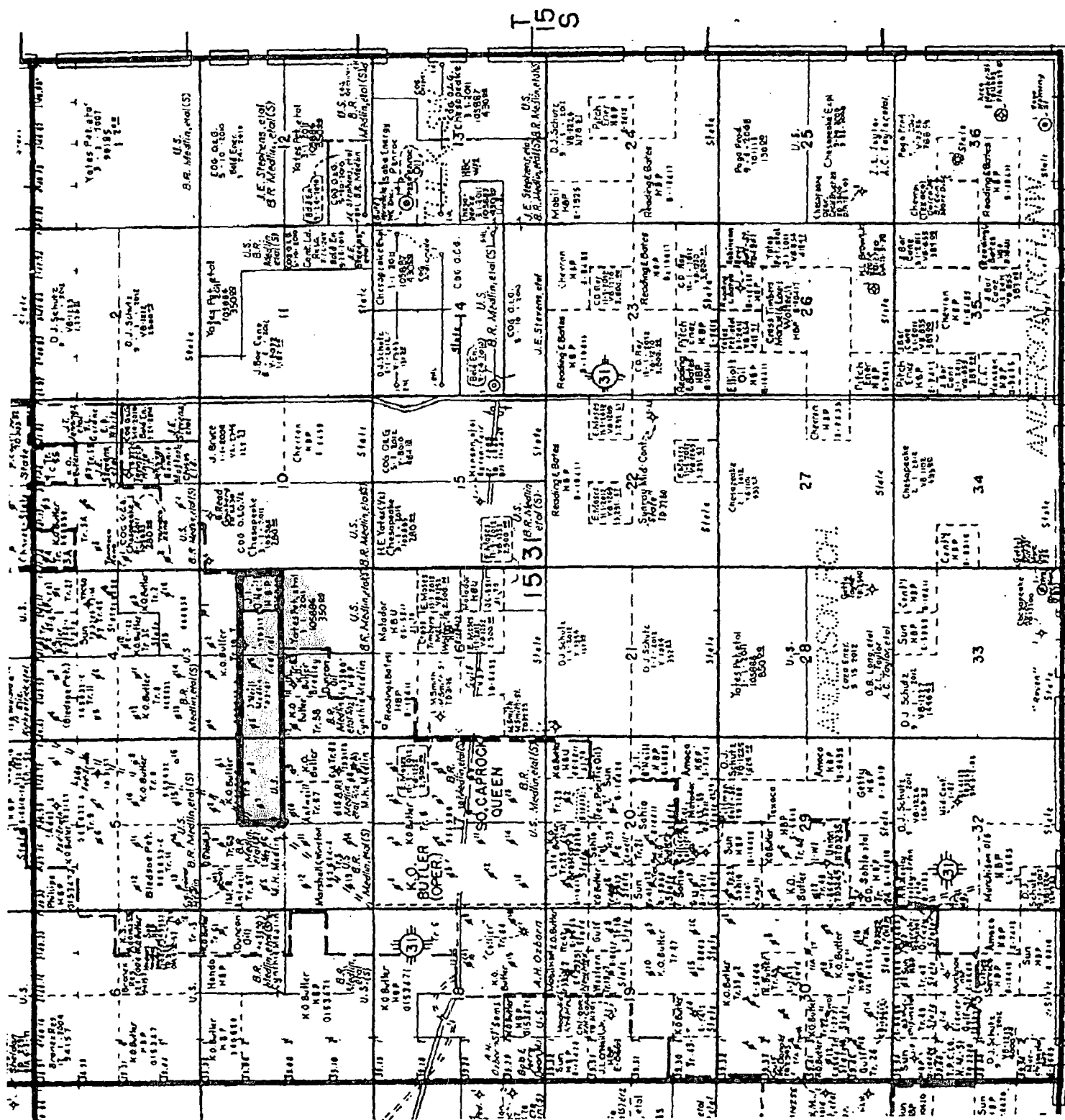
[illegible]

ANY VIOLATION OF THIS LICENSE OR THE
EFFECTING THIS MAP SHALL BE PRESUMED
STRUED AS AN INTENTIONAL RECKLES
VIOLATION, AND WILL BE PROSECUTED TO
THE FULL EXTENT OF THE LAW BECAUSE OF THE ANTI-
TRUST ACTUAL HARM OF ANY SUCH VIOLATION,
OF PROOF OF LOSS, AND THE ADEQUACY
OBTAINING AN ADEQUATE REMEDY AS A
TEXT BUS & COM CODE #2 718,
AUTOMATICALLY CARRIES WITH IT A LIQUID
ASSESSMENT OF AT LEAST \$10,000 PER VI



EXHIBIT

A



FDNY. Fast LEA. Southwest

0312

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

March 29, 2010



Working Interest Owners Listed on Page 3

Re: New Well Proposal
Independence 8 Federal Com No. 2
Sections 8 and 9, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

Dear Working Interest Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Independence 8 Federal Com No. 2 Well at a legal location in the S/2NE/4 of Section 8 and S/2N/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

The intended surface hole location for the well is 1830' FNL & 2310' FEL of Section 8 and the intended bottom hole location is 1980' FNL & 330' FEL of Section 9. The well is proposed to be drilled vertically to a depth of approximately 8,750' to the lower Abo formation and laterally in a Easterly direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 16,100' 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 Independence 8 Federal Com No. 2 Well. If you intend to participate, please approve and return one (1) original of the enclosed AFE and one (1) original of the signature page to the Operating Agreement, along with the contact information to receive your well data, 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 you do not wish to participate in drilling the proposed well, Cimarex will consider acquiring your interest through a Term Assignment for two hundred dollars (\$200.00) per net

EXHIBIT **B**

2010.042



mineral acre, wherein, among other mutually agreeable terms, Cimarex would be delivered a seventy-five percent (75%) net revenue interest lease.

Please call the undersigned with any questions or comments.

Respectfully,

Cimarex Energy Co.

Hayden P. Tresner
Landman

**ELECTION TO PARTICIPATE
Independence 8 Federal Com No. 2**

_____ Elects **TO** participate in the proposed Independence 8 Federal Com No. 2 Well

_____ Elects **NOT** to participate in the proposed Independence 8 Federal Com No. 2 Well

Dated this ____ day of _____, 2010.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Independence 8 Federal Com No. 2 Well, then:

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

_____ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex 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

New Well Proposal-Independence 8 Federal Com No. 2 Well
March 29, 2010



Via: U.S. Certified Mail

Return Receipt No. 91 7108 2133 3937 9625 4089

O'Neill Properties, Ltd.
Clare Lundbeck Fraser
P.O. Box 2840
Midland, Texas 79702

Via: U.S. Certified Mail

Return Receipt No. 91 7108 2133 3937 9625
4096

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

Via: U.S. Certified Mail

Return Receipt No. 91 7108 2133 3937 9625 4102

Edward L. Shea Estate/Trust
Peter L. Shea Estate/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. 91 7108 2133 3937 9625
4119

Sigyn Lund
1052 Montgomery Road
Alamonte Springs, Florida 32714

New Well Proposal-Independence 8 Federal Com No. 2 Well
March 29, 2010

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

March 29, 2010



Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3937 9625 4072

Triangle Royalty LP
Attn: John Webb
P.O. Box 904
Midland, Texas 79702

Re: New Well Proposal
Independence 8 Federal Com No. 2
Sections 8 and 9, Township 15 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

Dear John:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Independence 8 Federal Com No. 2 Well at a legal location in the S/2NE/4 of Section 8 and S/2N/2 of Section 9, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

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In the event you do not wish to participate in drilling the proposed well, Cimarex will consider acquiring your interest through a Term Assignment for two hundred dollars (\$200.00) per net



mineral acre, wherein, among other mutually agreeable terms, Cimarex would be delivered a seventy-five percent (75%) net revenue interest lease.

Please call the undersigned with any questions or comments.

Respectfully,

Cimarex Energy Co.

Hayden P. Tresner
Landman

**ELECTION TO PARTICIPATE
Independence 8 Federal Com No. 2**

_____ Elects **TO** participate in the proposed Independence 8 Federal Com No. 2 Well

_____ Elects **NOT** to participate in the proposed Independence 8 Federal Com No. 2 Well

Dated this ____ day of _____, 2010.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Independence 8 Federal Com No. 2 Well, then:

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

_____ Elects **NOT** to be covered by well control insurance procured by Cimarex and agrees to provide Cimarex 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

New Well Proposal-Independence 8 Federal Com No. 2 Well
March 29, 2010



Project Cost Estimate

Lease Name: Independence 8 Federal Com

Well No.: 2H

Intangibles	Code	Qty	Unit	Cost	Code	Qty	Unit	Cost	Code	Qty	Unit	Cost
Roads & Location Preparation / Restoration	DRP-100			\$35,000	DRP-100			\$3,000				\$38,000
Damages	DRP-100			\$6,000	DRP-100			\$0				\$6,000
Mud / Fluids Disposal Charges	DRP-100			\$65,000	DRP-100			\$119,000				\$184,000
Day Rate	40 DH Days	7	ACT Days @	Per Day	DRP-100			\$613,000	DRP-100			\$720,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DRP-100			\$6,500	DRP-100			\$0				\$6,500
Bits	DRP-100			\$85,000	DRP-100			\$1,000				\$86,000
Fuel	\$2.70/Per Gallon			Gallons Per Day	DRP-100			\$151,000	DRP-100			\$152,000
Water / Completion Fluids	DRP-100			\$35,250	DRP-100			\$254,400				\$289,650
Mud & Additives	DRP-100			\$64,625	DRP-100			\$0				\$64,625
Surface Rentals	DRP-100			\$43,000	DRP-100			\$79,000				\$122,000
Downhole Rentals	DRP-100			\$99,000	DRP-100			\$14,000				\$113,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DRP-100			\$0	DRP-100			\$0				\$0
Mud Logging	\$850/ Days @	30	Per Day	DRP-100				\$30,000	DRP-100			\$30,000
Open Hole Logging	DRP-100			\$25,000	DRP-100			\$0				\$25,000
Cementing & Float Equipment	DRP-100			\$30,000	DRP-100			\$50,000				\$80,000
Tabular Inspections	DRP-100			\$5,000	DRP-100			\$3,000				\$8,000
Casing Crews	DRP-100			\$6,000	DRP-100			\$24,000				\$30,000
Extra Labor, Welding, Etc.	DRP-100			\$12,000	DRP-100			\$5,000				\$17,000
Land Transportation (Trucking)	DRP-100			\$24,000	DRP-100			\$9,000				\$33,000
Supervision	DRP-100			\$8,000	DRP-100			\$28,000				\$36,000
Trailer House / Camp / Catering	400/Per Day			\$23,000	DRP-100			\$4,000				\$27,000
Other Misc Expenses	DRP-100			\$2,000	DRP-100			\$7,000				\$9,000
Overhead	300/Per Day			\$14,000	DRP-100			\$6,000				\$20,000
Remedial Cementing	DRP-100			\$0	DRP-100			\$0				\$0
MOD/DEM/OB	DRP-100			\$95,000	DRP-100			\$0				\$95,000
Directional Drilling Services	20/ Days @ 8600/20000	Per Day		\$432,000	DRP-100			\$422,000				\$854,000
Dock, Dispatcher, Crane	DRP-100			\$0	DRP-100			\$0				\$0
Marine & Air Transportation	DRP-100			\$0	DRP-100			\$0				\$0
Solids Control	DRP-100			\$52,000	DRP-100			\$0				\$52,000
Well Control Equip (Snubbing Svcs.)	DRP-100			\$18,000	DRP-100			\$11,000				\$29,000
Fishing & Sidetrack Operations	DRP-100			\$0	DRP-100			\$0				\$0
Completion Rig	7/ Days @ 3,400	Per Day		\$23,800	DRP-100			\$36,000				\$59,800
Cool Tubing	2/ Days @	Per Day		\$2,000	DRP-100			\$66,000				\$68,000
Completion Logging, Perforating, WL Units, WL Surveys	DRP-100			\$8,000	DRP-100			\$8,000				\$16,000
Stimulation	DRP-100			\$1,195,142	DRP-100			\$1,195,142				\$2,390,284
Legal / Regulatory / Curative	DRP-100			\$13,000	DRP-100			\$13,000				\$26,000
Well Control Insurance	\$0.35/Per Foot			\$6,000	DRP-100			\$6,000				\$12,000
Contingency	5% of Drilling Intangibles			\$102,000	DRP-100			\$102,000				\$204,000
Construction For Well Equipment	DRP-100			\$27,500	DRP-100			\$27,500				\$55,000
Construction For Lease Equipment	DRP-100			\$85,000	DRP-100			\$85,000				\$170,000
Construction For Sales P/L	DRP-100			\$100,000	DRP-100			\$100,000				\$200,000
Total Intangible Cost				\$2,133,375				\$2,345,042				\$4,478,417

Tangible Well Equipment	Size	Feet	\$ / Foot	Code	Qty	Unit	Cost	Code	Qty	Unit	Cost
Casing				DRP-100			\$6,000	DRP-100			\$6,000
Drive Pipe	20"	40.00	\$150.00	DRP-100			\$0	DRP-100			\$0
Conductor Pipe				DRP-100			\$0	DRP-100			\$0
Water String				DRP-100			\$0	DRP-100			\$0
Surface Casing	13-3/8"	360.00	\$60.46	DRP-100			\$22,000	DRP-100			\$22,000
Intermediate Casing	9 5/8"	0.00	\$33.26	DRP-100			\$0	DRP-100			\$0
Drilling Liner				DRP-100			\$0	DRP-100			\$0
Drilling Liner				DRP-100			\$0	DRP-100			\$0
Production Casing or Liner	7"	8400.00	\$32.90	DRP-100			\$279,000	DRP-100			\$279,000
Production Tie-Back	4 1/2"	7400.00	\$14.21	DRP-100			\$105,154	DRP-100			\$105,154
Tubing	2 7/8"	8400.00	\$7.30	DRP-100			\$61,000	DRP-100			\$61,000
N/C Well Equipment				DRP-100			\$5,500	DRP-100			\$5,500
Wellhead, Tree, Chokes				DRP-100			\$15,000	DRP-100			\$25,000
Liner Hanger, Isolation Packer				DRP-100			\$0	DRP-100			\$0
Packer, Nipples				DRP-100			\$270,480	DRP-100			\$270,480
Pumping Unit, Engine				DRP-100			\$210,000	DRP-100			\$210,000
Lift Equipment (BHP, Rods, Anchors)				DRP-100			\$59,500	DRP-100			\$59,500
Tangible Lease Equipment				DRP-100			\$92,500	DRP-100			\$92,500
N/C Lease Equipment				DRP-100			\$78,250	DRP-100			\$78,250
Tanks, Tanks Steps, Stairs				DRP-100			\$65,500	DRP-100			\$65,500
Battery (Heater Treater, Separator, Gas Treating Equipment)				DRP-100			\$5,500	DRP-100			\$5,500
Flow Lines (Line Pipe from wellhead to central facility)				DRP-100			\$0	DRP-100			\$0
Offshore Production Structure for Facilities				DRP-100			\$0	DRP-100			\$0
Pipeline to Sales				DRP-100			\$0	DRP-100			\$0
Total Tangibles							\$43,000				\$1,242,384
PSA Costs							\$150,000				\$150,000
Total Cost							\$2,326,375				\$3,437,426



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared March 23, 2010
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Region	Well Name	Well No.	Across State ABO Name	Property Number	Drilling Fee No.
Permian	Independence 8 Federal Com	2H	Caprock		

Location	County	State	Type Well
1980 FNL, 330 FEL of Sec 8, 155-31E	Chaves	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

Estimate Type	Estimate Date	Estimate No.	Foundation	Measured Depth
Original Estimate	<input checked="" type="radio"/>			16,100'
Revised Estimate	<input type="radio"/>		Abo	16,100'
Supplemental Estimate	<input type="radio"/>			8,750'

Project Description
Drill and complete a Lower ABO horizontal well. With pilot hole. 14 stages 7250' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$2,133,375		\$2,133,375
Completion Costs		\$2,345,042	\$2,345,042
Total Intangible Costs	\$2,133,375	\$2,345,042	\$4,478,417

Tangibles			
Well Equipment	\$43,000	\$1,000,634	\$1,043,634
Lease Equipment		\$241,750	\$241,750
Total Tangible Well Cost	\$43,000	\$1,242,384	\$1,285,384

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$2,326,375	\$3,437,426	\$5,763,801
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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 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	Drilling and Completion Manager	Regional Manager
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Joint Interest Approval

Company Jase Minerals LP	By J. H. [Signature]	Date 5-17-10
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