

**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. 14,484

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 160.61-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of Lot 3, NE/4SW/4, and N/2SE/4 (the N/2S/2) of Section 30, 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 160.61 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 Saratoga 30 State Com. Well No. 2, a horizontal well to be drilled at a surface location 2310 feet from the south line and 330 feet from the east line, with a terminus 1980 feet from the south line and 375 feet from the west line, of Section 30.

(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

3.1658 %

Sigyn Lund
1052 Montgomery Road
Altamonte Springs, Florida 32714

1.3109 %

(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) S½N½ of Section 30
Cimarex Energy Co. of Colorado
- (ii) SW¼NW¼ and W½SW¼ of Section 29
Kevin O. Butler & Associates, Inc.
- (iii) S½S½ of Section 30.
Cimarex Energy Co. of Colorado
- (iv) SE¼SE¼ of Section 25 (15S-30E)
Yates Petroleum Corporation
- (v) SE¼NE¼ and NE¼SE¼ of Section 25 (15S-30E)
Mack Energy Corporation
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.

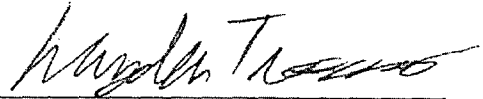
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under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

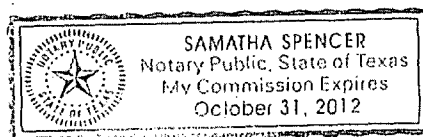
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


Hayden P. Tresner

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

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 29, 2010



Working Interest Owners Listed on Page 3

Re: New Well Proposal
Saratoga 30 State Com No. 2
Section 30, 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 Saratoga 30 State Com No. 2 Well at a legal location in the N/2S/2 of Section 30, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 330' FEL of Section 30 and the intended bottom hole location is 1980' FSL & 375' FWL of Section 30. 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 13,460' 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 Saratoga 30 State 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.

EXHIBIT

B



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
Saratoga 30 State Com No. 2

_____ Elects **TO** participate in the proposed Saratoga 30 State Com No. 2 Well

_____ Elects **NOT** to participate in the proposed Saratoga 30 State Com No. 2 Well

Dated this ____ day of _____, 2010.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Saratoga 30 State 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-Saratoga 30 State Com No. 2 Well
March 29, 2010



Via: U.S. Certified Mail
Return Receipt No. 91 7108 2133 3937 9625 4089

Clare Lundbeck Fraser
c/o O'Neill Properties, Ltd.
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

Via: U.S. Certified Mail
Return Receipt No. 91 7108 2133 3937 9625 4126

J.A. Vickers Testamentary Trusts and J.A. Vickers
Trust Estates, et al.
1223 North Rock Road
Wichita, Kansas 67206-1271

New Well Proposal-Saratoga 30 State 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
Saratoga 30 State Com No. 2
Section 30, 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 Saratoga 30 State Com No. 2 Well at a legal location in the N/2S/2 of Section 30, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

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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 Saratoga 30 State 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 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
Saratoga 30 State Com No. 2

_____ Elects **TO** participate in the proposed Saratoga 30 State Com No. 2 Well

_____ Elects **NOT** to participate in the proposed Saratoga 30 State Com No. 2 Well

Dated this ____ day of _____, 2010.

Signature: _____

Printed Name: _____

Title: _____

If your election above is TO participate in the proposed Saratoga 30 State 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-Saratoga 30 State Com No. 2 Well
March 29, 2010



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.Date Prepared
March 24, 2010

Region: Permian Well Name: Saratoga 30 State Com 2 Caprock

Location: 2310 FSL, 330 FEL of Sec 30, 15S-31E Chaves NM Oil Gas * Expl Prod *

Estimate Type: Original Estimate (C) Revised Estimate (O) Supplemental Estimate (O) Abo 13,460' 8,750'

Project Description: Drill and complete a Lower ABO horizontal well. With pilot hole, 9 stages 4560' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,454,875		\$1,454,875
Completion Costs		\$2,412,555	\$1,412,555
Total Intangible Costs	\$1,454,875	\$1,412,555	\$2,867,430
Tangibles			
Well Equipment	\$43,000	\$890,366	\$890,366
Lease Equipment		\$181,750	\$181,750
Total Tangible Well Cost	\$43,000	\$1,072,116	\$1,075,116
Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$1,647,875	\$2,294,671	\$3,942,546

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

Mark Audas

Joint Interest Approval

Company: By: Date:

EXHIBIT C



Project Cost Estimate

Lease Name: Saratoga 30 State Com

Well No.:

2

Intangibles	Day Rate	Day Rate Cost	Completion	Well
Roads & Location Preparation / Restoration		\$35,000	\$3,000	\$38,000
Damages		\$6,000		\$6,000
Mud / Fluids Disposal Charges		\$46,000	\$46,875	\$92,875
Day Rate 30 DH Days 5 ACP Days @	Per Day	\$450,000	\$77,000	\$526,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)		\$6,500		\$6,500
Blits		\$65,000	\$1,000	\$66,000
Fuel \$2.70 Per Gallon Gallons Per Day		\$113,000	\$1,000	\$114,000
Water / Completion Fluids	Per Day	\$23,250	\$96,200	\$119,450
Mud & Additives		\$48,125		\$48,125
Surface Rentals	Per Day	\$32,000	\$61,000	\$93,000
Downhole Rentals		\$83,000	\$12,000	\$95,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)				\$0
Mud Logging \$850 Days @ 20 Per Day		\$21,000		\$21,000
Open Hole Logging		\$25,000		\$25,000
Cementing & Float Equipment		\$30,000	\$50,000	\$80,000
Tubular Inspections		\$5,000	\$3,000	\$8,000
Casing Crews		\$2,000	\$14,000	\$16,000
Extra Labor, Welding, Etc.		\$9,000	\$5,000	\$14,000
Land Transportation (Trucking)		\$18,000	\$3,000	\$21,000
Supervision	Per Day	\$20,000	\$13,000	\$55,000
Trailer House / Camp / Catering 400 Per Day		\$10,000	\$4,000	\$22,000
Other Misc Expenses		\$2,000	\$7,000	\$9,000
Overhead 300 Per Day		\$11,000	\$3,000	\$14,000
Remedial Cementing				\$0
MOB/DEMOB		\$95,000		\$95,000
Directional Drilling Services 12 Days @ 8,600 Per Day		\$124,000		\$124,000
Dock, Dispatcher, Crane				\$0
Marine & Air Transportation				\$0
Solids Control	Per Day	\$40,000		\$40,000
Well Control Equip (Snubbing Svcs.)		\$12,000	\$8,000	\$20,000
Fishing & Sidetrack Operations		\$0		\$0
Completion Rig 5 Days @ 3,400 Per Day			\$29,000	\$29,000
Coil Tubing 1 Days @ Per Day			\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys			\$8,000	\$8,000
Stimulation			\$684,980	\$684,980
Legal / Regulatory / Curative		\$13,000		\$13,000
Well Control Insurance \$0.35 Per Foot		\$5,000		\$5,000
Contingency 5% of Drilling Intangibles		\$69,000	\$58,000	\$127,000
Construction For Well Equipment			\$27,500	\$27,500
Construction For Lease Equipment			\$65,000	\$65,000
Construction For Sales P/L			\$100,000	\$100,000
Total Intangible Cost		\$1,454,875	\$1,412,555	\$2,867,430

Variable Well Equipment	Size	Feet	\$ / Foot		
Casing					
Drive Pipe 20"		40.00	\$150.00	\$6,000	\$6,000
Conductor Pipe				\$0	\$0
Water String				\$0	\$0
Surface Casing 13-3/8"		360.00	\$60.46	\$22,000	\$22,000
Intermediate Casing 9 5/8"		0.00	\$33.26	\$0	\$0
Drilling Liner				\$0	\$0
Drilling Liner				\$0	\$0
Production Casing or Liner 7"		8400.00	\$32.00	\$271,000	\$271,000
Production Tie-Back 4 1/2"		4600.00	\$14.21	\$65,366	\$65,366
Tubing 2 7/8"		8400.00	\$7.30	\$61,000	\$61,000
N/C Well Equipment				\$5,500	\$5,500
Wellhead, Tree, Chokes				\$15,000	\$10,000
Liner Hanger, Isolation Packer				\$0	\$0
Packer, Nipples				\$168,000	\$168,000
Pumping Unit, Engine				\$210,000	\$210,000
Lift Equipment (BHP, Rods, Anchors)				\$59,500	\$59,500
Variable Lease Equipment					
N/C Lease Equipment				\$65,500	\$65,500
Tanks, Tanks Steps, Stairs				\$78,250	\$78,250
Battery (Heater Treater, Separator, Gas Treating Equipment)				\$32,500	\$32,500
Flow Lines (Line Pipe from wellhead to central facility)				\$5,500	\$5,500
Offshore Production Structure for Facilities				\$0	\$0
Pipeline to Sales					\$0
Total Tangibles				\$43,000	\$1,032,116

P&A Costs	\$150,000	\$150,000	\$0
Total Cost	\$1,647,875	\$2,294,671	\$3,942,546