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A.A.P.L. FORM 610 - 1989

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MODEL FORM OPERATING AGREEMENT

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OPERATING AGREEMENT

DATED

<u>MAY1</u>, <u>2010</u>,

OPERATOR CIMAREX ENERGY CO.

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CONTRACT AREA N/2 S/2; SEC-15=T19S-R32E+

COUNTY OR PARISH OF Lea , STATE OF NEW MEXICO

COPYRIGHT 1989 - ALL RIGHTS RESERVED AMERICAN ASSOCIATION OF PETROLEUM LANDMEN, 4100 FOSSIL CREEK BLVD FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P L NO 610-1989

SEP & 7 2011

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

ĩ	OPERATING AGREEMENT				
2	THIS AGREEMENT, entered into by and between CIMAREX ENERGY CO				
3 4	hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators"				
5	WITNESSETTI:				
6	WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land				
7 8	identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil				
9	and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided, NOW, THEREFORE, it is agreed as follows				
10	ARTICLE I.				
11	DEFINITIONS				
12 13	As used in this agreement, the following words and terms shall have the meanings here ascribed to them: A The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of				
14	estimating the costs to be incurred in conducting an operation hereunder.				
15	A 1. The term "Affiliate" shall mean a company, partnership, other legal entity or individual which controls, is controlled by, or				
16 17	which is under common control-by an entity or individual which controls a party to this agreement. "Control" means the ownership directly of more than 50% of the shares or voting rights in a company, patterphin or legal matrix, and in the care of an individual				
18	or indirectly of more than 50% of the shares or voting rights in a company, partnership or legal entity, and, in the case of an individual, means the ability to significantly influence or direct the decision-making or activities of another.				
19	B The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil				
20 21	and Gas in one or more Zones including, but not limited to, the setting of production casing, perforating, well stimulation				
22	and production testing conducted in such operation C The term "Contract Area" shall mean all of the lands, Oil and Gas Leases and/or Oil and Gas Interests intended to be				
23	developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas				
24 25	Interests are described in Exhibit "A "				
25	D The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the				
27	lesser. "Deepen", as used in conjunction with horizontal drilling, shall mean a single operation whereby a well is drilled to a distance				
28	beyond the horizontal distance to which the well was previously drilled, or beyond the total horizontal distance proposed in the associated				
29 30	AFE,				
31	E The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.				
32	F The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal				
<u>33</u> 34	_body_having_authorityIf a_Drilling_Unit_is, not, fixed_by_any_such_rule_or_order, a_Drilling_Unit_shall_be_the_drilling_unit_as				
35	established by the pattern of doiling in the Contract Area unless fixed by express agreement of the Doiling Parties G The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be				
36	located				
37 38	H The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI A				
38 39	I The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI, B 2				
40	J. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a				
41	proposed operation.				
42 43	K The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous				
44	hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.				
45	L The term "Oil and Gas interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts				
46 47	of land lying within the Contract Area which are owned by parties to this agreement				
48	M The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.				
49	N The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a				
50 51	Completion in a shallower Zone				
52	O The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore				
53	P The term "Rework" shall mean an operation conducted in the wellbore of a well after it is Completed to secure.				
54 55	restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but				
56	are not limited to, well stimulation operations but exclude any routine repair or maintenance work or drilling. Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.				
57	Q The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to				
58 59	change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties.				
60	mechanical difficulties. R The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and				
61	Gas separately producible from any other common accumulation of Oil and Gas. The terms "Initial Objective" or "Objective Zora" where				
62 63	used in conjunction with horizontal drilling, shall mean after drilling to a vertical depth of annovimately 11,000 feet or a dwith sufficient to				
64	test the Bone Spring Formation, whichever is less, a horizontal distance which Operator deems advisable, or as is more particularly set out or proposed in the associated AFE.				
65	Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes				
66 67	natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter				
68	ARTICLE II. Exhibits				
69	EATHEITS The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof				
70 71	X A Exhibit *A.* shall include the following information				
71 72	(1) Description of lands subject to this agreement.				
73	(2) Restrictions, if any, as to depths, formations, or substances,(3) Parties to agreement with addresses and telephone numbers for notice purposes,				
74	 (4) Percentages or fractional interests of parties to this agreement, 				
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	(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,
	2 (6) Burdens on production
	3 B Exhibit "B," Form of Lease
	A C Exhibit "C," Accounting Procedure
	S D. Exhibit "D," Insurance
	6
	7 F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities
	G Exhibit -G Tax Partnership
	9 X H Other, Recording Supplement to Operating Agrocment and Financing Statement
1	0 - X - H Other, <u>Recording Supplement to Operating Agreement and Financing Statement</u>
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3	hereinalter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes
-1 5	heremafter referred to individually as "Non-Operator" and collectively as "Non-Operators " WHINESSETH
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)	beyond the horizontal distance to which the well was providusly drilled, or beyond the total horizontal distance proposed in the associated
,)	[] The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the
	cost of any operation conducted under the provisions of this agreement
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