

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



April 20, 2011

Leasehold Owner Address List on Page 3

Re: New Well Proposal-Colorado 6 Fee No. 1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NW/4SE/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Colorado 6 Fee No.1 Well at legal location in the NW/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 1650' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Colorado wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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 Colorado wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

Oil Conservation Division

Case No. 3A 703,704, 705, 898

Exhibit No. 3A

New Well Proposal-Colorado 6 Fee No. 1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NW/4SE/4
Eddy County, New Mexico

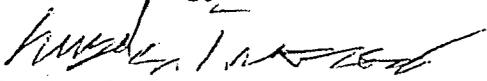


- i.) Bonus consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- iii.) Primary term of Two (2) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Colorado 6 Fee No.1 Well

_____ Elects TO participate in the proposed Colorado 6 Fee No.1 Well

_____ Elects NOT to participate in the proposed Colorado 6 Fee No.1 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Colorado 6 Fee No.1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NW/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Colorado 6 Fee No.1 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

Leasehold Owner Address List

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5596

Yates Petroleum Corporation
Abo Petroleum Corporation
MYCO Industries, Inc.
Attn: Chuck Moran, Chief Landman
105 S. 4th Street
Artesia, New Mexico 88210

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5589

OXY Y-1 Company
Attn: Katie A. Almeida, Land Negotiator
5 Greenway Plaza, Suite 110
Houston, Texas 77046-0521



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Colorado 6 Fee	1	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate	⊙		Glorieta/Yeso	3,000'
Revised Estimate	○			Ttl. Vertical Depth
Supplemental Estimate	○			3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
Total Well Cost	\$443,600	\$933,500	\$1,377,100

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.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Colorado 6 Fee

Well No.:

1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$30,000	DICC.100	\$3,500	\$33,500
Damages	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DIDC.235	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate	5 DH Days @ 2 ACP Days @	13,500 Per Day	DIDC.115	DICC.120	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$12,000			\$12,000
Bits	DIDC.135	\$15,000	DICC.125	\$0	\$15,000
Fuel	\$2.80 Per Gallon	800 Gallons Per Day	DIDC.135	DICC.130	\$15,000
Water / Completion Fluids		1,900 Per Day	DIDC.140	DICC.135	\$73,000
Mud & Additives	DIDC.145	\$12,500			\$12,500
Surface Rentals		1,000 Per Day	DIDC.150	DICC.140	\$45,000
Downhole Rentals	DIDC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging	\$2 Days @	1,200 Per Day	DIDC.170		\$4,500
Open Hole Logging	DIDC.180	\$20,000			\$20,000
Cementing & Float Equipment	DIDC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision		Per Day	DIDC.210	DICC.180	\$24,600
Trailer House / Camp / Catering		700 Per Day	DIDC.280	DICC.235	\$5,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead		300 Per Day	DIDC.225	DICC.195	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$45,000			\$45,000
Directional Drilling Services		0 Days @	DIDC.245		\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control		3,000 Per Day	DIDC.260		\$15,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig		3 Days @		DICC.115	\$10,500
Coil Tubing		Days @		DICC.260	\$0
Completion Logging, Perforating, WL Units, WL Surveys				DICC.200	\$10,000
Stimulation				DICC.210	\$258,000
Legal / Regulatory / Curative	DIDC.200	\$10,000	DICC.260	\$0	\$10,000
Well Control Insurance	\$0.35 Per Foot		DIDC.235		\$1,000
Contingency	5% of Drilling Intangibles		DIDC.235	DICC.220	\$44,000
Construction For Well Equipment				DWEA.110	\$6,500
Construction For Lease Equipment				DLEA.110	\$52,500
Construction For Sales P/L				DICC.265	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment	Size	Feet	\$ / Foot	Codes	Cost	Codes	Cost
Casing							
Drive Pipe	20"	40.00	\$100.00	DWEB.150	\$0		\$0
Conductor Pipe	30"	0.00	\$0.00	DWEB.130	\$0		\$0
Water String	30"	0.00	\$0.00	DWEB.135	\$0		\$0
Surface Casing	8 5/8"	950.00	\$22.18	DWEB.140	\$21,000		\$21,000
Intermediate Casing	6"	0.00	\$0.00	DWEB.145	\$0		\$0
Drilling Liner	6"	0.00	\$0.00	DWEB.145	\$0		\$0
Drilling Liner	6"	0.00	\$0.00	DWEB.145	\$0		\$0
Production Casing or Liner	5 1/2"	3000.00	\$19.93			DWEA.100	\$60,000
Production Tie-Back	6"	0.00	\$0.00			DWEA.100	\$0
Tubing	2 7/8"	2300.00	\$6.83			DWEA.105	\$16,000
N/C Well Equipment						DWEA.115	\$6,500
Wellhead, Tree, Chokes				DWEB.215	\$5,000	DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0
Packer, Nipples						DWEA.130	\$0
Pumping Unit, Engine						DLEQ.160	\$125,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$62,500
Tangible - Lease Equipment							
N/C Lease Equipment						DLEO.115	\$21,000
Tanks, Tanks Steps, Stairs						DLEO.120	\$13,500
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEO.125	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)						DLEO.130	\$5,500
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
Total Tangibles					\$26,000		\$349,500
P&A Costs				DIDC.295	\$30,000	DICC.275	-\$30,000
Total Cost					\$443,600		\$933,500

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



April 20, 2011

Via U.S. Certified Mail-Return Receipt No.91 7108 2133 3937 9627 5619

MYCO Industries, Inc.
Attn: Hannah Palomin, Land Manager
P.O. Box 840
Artesia, New Mexico 88210

Re: New Well Proposal-Colorado 6 Fee No.1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NW/4SE/4
Eddy County, New Mexico

Dear Hannah:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Colorado 6 Fee No.1 Well at legal location in the NW/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 1650' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Colorado wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

New Well Proposal Colorado 6 Fee No. 1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NW/4SE/4
Eddy County, New Mexico



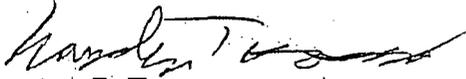
In the event you do not wish to participate in drilling the Colorado wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- iii.) Primary term of Two (2) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Colorado 6 Fee No.1 Well

_____ Elects TO participate in the proposed Colorado 6 Fee No.1 Well

_____ Elects NOT to participate in the proposed Colorado 6 Fee No.1 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Colorado 6 Fee No.1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NW/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Colorado 6 Fee No.1 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



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Colorado 6 Fee	1	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl.
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate			Glorieta/Yeso	3,000'
Revised Estimate				Ttl. Vertical Depth
Supplemental Estimate				3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
Total Well Cost	\$443,600	-\$933,500	\$1,377,100

Comments on Well Costs
1. All tubulars, well or lease equipment is priced by COPAS and CERS 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.

Marketing Election
Cimarex sells its gas under arm's length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Colorado 6 Fee

Well No: 1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Profit	Completed Well Cost
Roads & Location Preparation/Restoration	DICC.100	\$30,000	DICC.100	\$3,500	\$33,500
Damages	DICC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DICC.235	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate: 5 DH Days @ 2 ACP Days @ \$13,500 Per Day	DICC.115	\$68,000	DICC.120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$12,000			\$12,000
Bits: \$2.80 Per Gallon @ 800 Gallons Per Day	DICC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel: \$2.80 Per Gallon @ 800 Gallons Per Day	DICC.135	\$11,000	DICC.130	\$4,000	\$15,000
Water / Completion Fluids: 1,900 Per Day	DICC.140	\$10,000	DICC.135	\$63,000	\$73,000
Mud & Additives: \$12,500	DICC.145	\$12,500			\$12,500
Surface Rentals: 1,000 Per Day	DICC.150	\$5,000	DICC.140	\$40,000	\$45,000
Downhole Rentals: \$16,000	DICC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160	\$0			\$0
Mud Logging: \$2 Days @ \$1,200 Per Day	DICC.170	\$4,500			\$4,500
Open Hole Logging: \$20,000	DICC.180	\$20,000			\$20,000
Cementing & Float Equipment: \$15,000	DICC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections: \$2,000	DICC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews: \$5,000	DICC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.: \$3,000	DICC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking): \$3,000	DICC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision: \$12,600 Per Day	DICC.210	\$12,600	DICC.180	\$12,000	\$24,600
Trailer House / Camp / Catering: \$4,000	DICC.220	\$4,000	DICC.255	\$1,000	\$5,000
Other Misc Expenses: \$2,000	DICC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead: \$300 Per Day	DICC.225	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing: \$0	DICC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB: \$45,000	DICC.240	\$45,000			\$45,000
Directional Drilling Services: \$0 Days @ \$8,000 Per Day	DICC.245	\$0			\$0
Dock, Dispatcher, Crane: \$0	DICC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation: \$0	DICC.275	\$0	DICC.250	\$0	\$0
Solids Control: \$3,000 Per Day	DICC.260	\$15,000			\$15,000
Well Control Equip (Snubbing Svcs.): \$12,000	DICC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations: \$0	DICC.270	\$0	DICC.245	\$0	\$0
Completion Rig: 3 Days @ \$3,500 Per Day			DICC.215	\$10,500	\$10,500
Coil Tubing: Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys: \$10,000			DICC.260	\$10,000	\$10,000
Stimulation: \$258,000			DICC.210	\$258,000	\$258,000
Legal / Regulatory / Curative: \$10,000	DICC.280	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance: \$0.35 Per Foot: \$1,000	DICC.285	\$1,000			\$1,000
Contingency: 5% of Drilling Intangibles: \$18,000	DICC.290	\$18,000	DICC.220	\$26,000	\$44,000
Construction For Well Equipment: \$6,500			DWEA.110	\$6,500	\$6,500
Construction For Lease Equipment: \$52,500			DLEQ.110	\$52,500	\$52,500
Construction For Sales P/L: \$5,500			DICC.265	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment	Size	Feet	\$/Foot	Codes	Codes	After Casing Profit	Completed Well Cost
Casing							
Drive Pipe	20"	40.00	\$100.00	DWEB.150		\$0	\$0
Conductor Pipe	0"	0.00	\$0.00	DWEB.130		\$0	\$0
Water String	0"	0.00	\$0.00	DWEB.135		\$0	\$0
Surface Casing	38 5/8"	950.00	\$22.18	DWEB.140		\$21,000	\$21,000
Intermediate Casing	0"	0.00	\$0.00	DWEB.145		\$0	\$0
Drilling Liner	0"	40.00	\$0.00	DWEB.145		\$0	\$0
Drilling Liner	0"	0.00	\$0.00	DWEB.145		\$0	\$0
Production Casing or Liner: 5 1/2" 3000.00 \$19.93					DWEA.100	\$60,000	\$60,000
Production Tie-Back: 0" 0.00 \$0.00					DWEA.100	\$0	\$0
Tubing: 2 7/8" 2300.00 \$6.83					DWEA.105	\$16,000	\$16,000
N/C Well Equipment					DWEA.115	\$6,500	\$6,500
Wellhead, Tree, Chokes: \$5,000				DWEB.115	DWEA.120	\$10,000	\$15,000
Liner Hanger, Isolation Packer: \$0				DWEB.105	DWEA.125	\$0	\$0
Packer, Nipples: \$0				DWEB.130	DWEA.130	\$0	\$0
Pumping Unit, Engine: \$125,000					DLEQ.120	\$125,000	\$125,000
Lift Equipment (BHP, Rods, Anchors): \$62,500					DLEQ.105	\$62,500	\$62,500
Tangible - Lease Equipment					DLEQ.115	\$21,000	\$21,000
N/C Lease Equipment					DLEQ.120	\$13,500	\$13,500
Tanks, Tanks Steps, Stairs: \$29,500					DLEQ.125	\$29,500	\$29,500
Battery (Heater, Treater, Separator, Gas Treating Equipment): \$5,500					DLEQ.130	\$5,500	\$5,500
Flow Lines (Line Pipe from wellhead to central facility): \$0					DWEA.135	\$0	\$0
Offshore Production Structure for Facilities: \$0					DWEA.140	\$0	\$0
Pipeline to Sales: \$26,000						\$349,500	\$375,500
Total Tangibles							

PSA Costs	DICC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100

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



April 20, 2011

Leasehold Owner Address List on Page 3

Re: New Well Proposal-Colorado 6 Fee No.2
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NE/4SE/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Colorado 6 Fee No.2 Well at legal location in the NE/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 330' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Colorado wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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 Colorado wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

Oil Conservation Division

Case No. 3B

Exhibit No. 3B

703, 704, 705, 698

New Well Proposal-Colorado 6 Fee No.2
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NE/4SE/4
Eddy County, New Mexico



- i.) Bonus consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- iii.) Primary term of Two (2) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Colorado 6 Fee No.2 Well

_____ Elects **TO** participate in the proposed Colorado 6 Fee No.2 Well

_____ Elects **NOT** to participate in the proposed Colorado 6 Fee No.2 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Colorado 6 Fee No.2
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NE/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Colorado 6 Fee 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

Leasehold Owner Address List

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5596

Yates Petroleum Corporation
Abo Petroleum Corporation
MYCO Industries, Inc.
Attn: Chuck Moran, Chief Landman
105 S. 4th Street
Artesia, New Mexico 88210

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5589

OXY Y-1 Company
Attn: Katie A. Almeida, Land Negotiator
5 Greenway Plaza, Suite 110
Houston, Texas 77046-0521



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Colorado 6 Fee	2	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl Measured Depth
Original Estimate	<input checked="" type="radio"/>		Glorieta/Yeso	3,000'
Revised Estimate	<input type="radio"/>			Ttl Vertical Depth
Supplemental Estimate	<input type="radio"/>			3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	Dry Hole Cost	After Casing Point	Completed Well Cost
	\$30,000	-\$30,000	\$0
Total Well Cost	\$443,600	\$933,500	\$1,377,100

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.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market you share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Colorado 6' Fee

Well No.:

2

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$30,000	DICC.100	\$3,500	\$33,500
Damages	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate	5 DH Days @ 2 ACP Days @ 13,500 Per Day	DIDC.115	DICC.120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$12,000			\$12,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel	\$2.80 Per Gallon 800 Gallons Per Day	DIDC.135	DICC.130	\$4,000	\$15,000
Water / Completion Fluids	1,900 Per Day	DIDC.140	DICC.135	\$63,000	\$73,000
Mud & Additives	DIDC.145	\$12,500			\$12,500
Surface Rentals	1,000 Per Day	DIDC.150	DICC.140	\$40,000	\$45,000
Downhole Rentals	DIDC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging	\$2 Days @ 1,200 Per Day	DIDC.170			\$4,500
Open Hole Logging	DIDC.180	\$20,000			\$20,000
Cementing & Float Equipment	DIDC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision	Per Day	DIDC.210	DICC.180	\$12,000	\$24,600
Trailer House / Camp / Catering	700 Per Day	DIDC.215	DICC.255	\$1,000	\$5,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead	300 Per Day	DIDC.225	DICC.195	\$2,000	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$45,000			\$45,000
Directional Drilling Services	0 Days @ 8,000 Per Day	DIDC.245			\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control	3,000 Per Day	DIDC.260			\$15,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig	3 Days @ 3,500 Per Day		DICC.115	\$10,500	\$10,500
Coil Tubing	Days @ Per Day		DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$10,000	\$10,000
Stimulation			DICC.210	\$258,000	\$258,000
Legal / Regulatory / Curative	DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance	\$0.35 Per Foot	DIDC.315			\$1,000
Contingency	5% of Drilling Intangibles	DIDC.435	DICC.220	\$26,000	\$44,000
Construction For Well Equipment			DWEA.110	\$6,500	\$6,500
Construction For Lease Equipment			DLEQ.110	\$52,500	\$52,500
Construction For Sales P/L			DICC.265	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment	Size	Feet	\$ / Foot				
Casing							
Drive Pipe	20"	40:00	\$100:00	DWEB.150	\$0		\$0
Conductor Pipe	10"	0:00	\$0:00	DWEB.130	\$0		\$0
Water String	4"	0:00	\$0:00	DWEB.135	\$0		\$0
Surface Casing	8-5/8"	950:00	\$22:18	DWEB.140	\$21,000		\$21,000
Intermediate Casing	4"	0:00	\$0:00	DWEB.145	\$0		\$0
Drilling Liner	4"	0:00	\$0:00	DWEB.145	\$0		\$0
Drilling Liner	4"	0:00	\$0:00	DWEB.145	\$0		\$0
Production Casing or Liner	5-1/2"	3000:00	\$19:93			DWEA.100	\$60,000
Production Tie-Back	4"	0:00	\$0:00			DWEA.100	\$0
Tubing	2-7/8"	2300:00	\$6:83			DWEA.105	\$16,000
N/C Well Equipment						DWEA.115	\$6,500
Wellhead, Tree, Chokes				DWEB.115	\$5,000	DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0
Packer, Nipples						DWEA.130	\$0
Pumping Unit, Engine						DLEQ.100	\$125,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$62,500
Tangible - Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$21,000
Tanks, Tanks Steps, Stairs						DLEQ.120	\$13,500
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$5,500
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
Total Tangibles					\$26,000		\$349,500

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
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Total Cost		\$443,600		\$933,500	\$1,377,100
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Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701
PHONE 432.571.7800



April 20, 2011

Via U.S. Certified Mail-Return Receipt No.91 7108 2133 3937 9627 5619

MYCO Industries, Inc.
Attn: Hannah Palomin, Land Manager
P.O. Box 840
Artesia, New Mexico 88210

Re: New Well Proposal-Colorado 6 Fee No.2
Township, 19 South, Range:26 East, N.M.P.M.
Section 6: NE/4SE/4
Eddy County, New Mexico

Dear Hannah:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Colorado 6 Fee No.2 Well at legal location in the NE/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 2310' FSL & 330' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Colorado wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

New Well Proposal-Colorado 6 Fee No.2
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NE/4SE/4
Eddy County, New Mexico



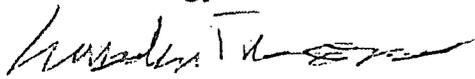
In the event you do not wish to participate in drilling the Colorado wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- iii.) Primary term of Two (2) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Colorado 6 Fee No.2 Well

_____ Elects **TO** participate in the proposed Colorado 6 Fee No.2 Well.

_____ Elects **NOT** to participate in the proposed Colorado 6 Fee No.2 Well.

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

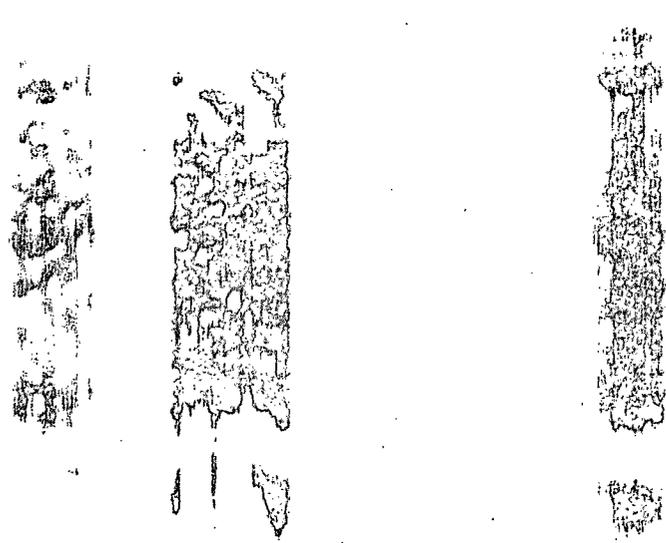
New Well Proposal-Colorado 6 Fee No.2
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: NE/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Colorado 6 Fee 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





Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Colorado 6 Fee	2	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil: <input checked="" type="checkbox"/>	Expl: <input checked="" type="checkbox"/>	X
			Gas: <input type="checkbox"/>	Prod: <input type="checkbox"/>	

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Til Measured Depth
Original Estimate <input checked="" type="radio"/>			Glorieta/Yeso	3,000'
Revised Estimate <input type="radio"/>				Til Vertical Depth
Supplemental Estimate <input type="radio"/>				3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$.00
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Total Well Cost	\$443,600	\$933,500	\$1,377,100
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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.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Colorado 6 Fee

Well No.:

2

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation/Restoration	DICC.100	\$30,000	DICC.100	\$3,500	\$33,500
Damages	DICC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud/Fluids Disposal Charges	DICC.135	\$30,000	DICC.135	\$13,000	\$43,000
Day Rate: 5 DH Days, 2 ACP Days @ 13,500 Per Day	DICC.115	\$68,000	DICC.120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$12,000			\$12,000
Bits	DICC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel: \$2.80 Per Gallon, 800 Gallons Per Day	DICC.135	\$11,000	DICC.130	\$4,000	\$15,000
Water/Completion Fluids: 1,900 Per Day	DICC.140	\$10,000	DICC.135	\$63,000	\$73,000
Mud & Additives	DICC.145	\$12,500			\$12,500
Surface Rentals: 1,000 Per Day	DICC.150	\$5,000	DICC.140	\$40,000	\$45,000
Downhole Rentals	DICC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160	\$0			\$0
Mud Logging: \$2 Days @ 1,200 Per Day	DICC.170	\$4,500			\$4,500
Open Hole Logging	DICC.180	\$20,000			\$20,000
Cementing & Float Equipment	DICC.185	\$15,000	DICC.185	\$20,000	\$35,000
Tubular Inspections	DICC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DICC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DICC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DICC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision: Per Day	DICC.210	\$12,600	DICC.180	\$12,000	\$24,600
Trailer House/Camp/Catering: 700 Per Day	DICC.220	\$4,000	DICC.185	\$1,000	\$5,000
Other Misc Expenses	DICC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead: 300 Per Day	DICC.225	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing	DICC.221	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DICC.220	\$45,000			\$45,000
Directional Drilling Services: 0 Days @ 18,000 Per Day	DICC.245	\$0			\$0
Dock, Dispatcher, Crane	DICC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DICC.275	\$0	DICC.250	\$0	\$0
Solids Control: 3,000 Per Day	DICC.260	\$15,000			\$15,000
Well Control Equip (Snubbing Svcs)	DICC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245	\$0	\$0
Completion Rig: 3 Days @ 3,500 Per Day			DICC.115	\$10,500	\$10,500
Coil Tubing: Days @ Per Day			DICC.265	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$10,000	\$10,000
Stimulation			DICC.210	\$258,000	\$258,000
Legal/Regulatory/Curative	DICC.280	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance: \$0.35 Per Foot	DICC.285	\$1,000			\$1,000
Contingency: 5% of Drilling Intangibles	DICC.285	\$18,000	DICC.220	\$26,000	\$44,000
Construction For Well Equipment			DWEA.110	\$6,500	\$6,500
Construction For Lease Equipment			DWEA.110	\$52,500	\$52,500
Construction For Sales P/L			DICC.265	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment					
	Size	Feet	\$/Foot	Codes	
Casing					
Drive Pipe	20"	400'	\$100.00	DWER.150	\$0
Conductor Pipe	30"	100'	\$0.00	DWER.130	\$0
Water String	30"	100'	\$0.00	DWER.135	\$0
Surface Casing	8 5/8"	950'	\$22.18	DWER.140	\$21,000
Intermediate Casing	30"	100'	\$0.00	DWER.140	\$0
Drilling Liner	30"	100'	\$0.00	DWER.145	\$0
Drilling Liner	30"	100'	\$0.00	DWER.145	\$0
Production Casing or Liner	5 1/2"	3000'	\$19.93	DWEA.100	\$60,000
Production Tie-Back	30"	100'	\$0.00	DWEA.100	\$0
Tubing	2 7/8"	2300'	\$6.83	DWEA.105	\$16,000
N/C Well Equipment				DWEA.115	\$6,500
Wellhead, Tree, Chokes				DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEA.125	\$0
Packer, Nipples				DWEA.120	\$0
Pumping Unit, Engine				DLEQ.100	\$125,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.105	\$62,500
Tangible - Lease Equipment					
N/C Lease Equipment				DLEQ.115	\$21,000
Tanks, Tanks Steps, Stairs				DLEQ.120	\$13,500
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130	\$5,500
Offshore Production Structure for Facilities				DWEA.135	\$0
Pipeline to Sales				DWEA.140	\$0
Total Tangibles					\$375,500
P&A Costs				DICC.295	\$30,000
				DICC.275	-\$30,000
Total Cost					\$1,377,100

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



April 20, 2011

Leasehold Owner Address List on Page 3

Re: New Well Proposal-Colorado 6 Fee No.5
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SW/4SE/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Colorado 6 Fee No.5 Well at legal location in the SW/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 1650' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Colorado wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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 Colorado wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

Oil Conservation Division
Case No. _____
Exhibit No. 3C
703, 704, 705, 698

New Well Proposal-Colorado 6 Fee No.5
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SW/4SE/4
Eddy County, New Mexico

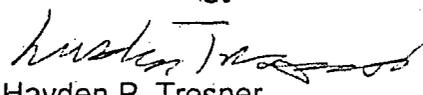


- i.) Bonus consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- iii.) Primary term of Two (2) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Colorado 6 Fee No.5 Well

_____ Elects **TO** participate in the proposed Colorado 6 Fee No.5 Well

_____ Elects **NOT** to participate in the proposed Colorado 6 Fee No.5 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Colorado 6 Fee No.5
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SW/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Colorado 6 Fee No.5 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.

Leasehold Owner Address List

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5596

Yates Petroleum Corporation
Abo Petroleum Corporation
MYCO Industries, Inc.
Attn: Chuck Moran, Chief Landman
105 S. 4th Street
Artesia, New Mexico 88210

Via: Certified U.S. Mail-Return Receipt No.91 7108 2133 3937 9627 5589

OXY Y-1 Company
Attn: Katie A. Almeida, Land Negotiator
5 Greenway Plaza, Suite 110
Houston, Texas 77046-0521



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Colorado 6 Fee	5	Paddock Extension-West		

Location	County	State	Type Well			
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl	X
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate			Glorieta/Yeso	3,000'
Revised Estimate				Ttl. Vertical Depth
Supplemental Estimate				3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$443,600	\$933,500	\$1,377,100
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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 therefor. 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.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Colorado 6 Fee

Well No.:

5

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$30,000	DICC.100	\$3,500	\$33,500
Damages	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate	5 DH Days @ 2 ACP Days @	\$13,500 Per Day	DIDC.115	DICC.120	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$12,000			\$12,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel	\$2.80 Per Gallon @ 800 Gallons Per Day		DIDC.135	DICC.130	\$4,000
Water / Completion Fluids	1,900 Per Day		DIDC.140	DICC.135	\$73,000
Mud & Additives	DIDC.145	\$12,500			\$12,500
Surface Rentals	1,000 Per Day		DIDC.150	DICC.140	\$45,000
Downhole Rentals	DIDC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging	\$2 Days @ 1,200 Per Day		DIDC.170		\$4,500
Open Hole Logging	DIDC.180	\$20,000			\$20,000
Cementing & Float Equipment	DIDC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision	Per Day		DIDC.210	DICC.180	\$24,600
Trailer House / Camp / Catering	700 Per Day		DIDC.280	DICC.255	\$5,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead	300 Per Day		DIDC.225	DICC.195	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$45,000			\$45,000
Directional Drilling Services	0 Days @ 8,000 Per Day		DIDC.245		\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control	3,000 Per Day		DIDC.260		\$15,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig	3 Days @ 3,500 Per Day			DICC.115	\$10,500
Coil Tubing	Days @ Per Day			DICC.260	\$0
Completion Logging, Perforating, WL Units, WL Surveys				DICC.200	\$10,000
Stimulation				DICC.210	\$258,000
Legal / Regulatory / Curative	DIDC.280	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance	\$0.35 Per Foot		DIDC.285		\$1,000
Contingency	5% of Drilling Intangibles		DIDC.435	DICC.220	\$44,000
Construction For Well Equipment				DWEA.110	\$6,500
Construction For Lease Equipment				DLEQ.110	\$52,500
Construction For Sales P/L				DICC.265	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment	Size	Feet	S / Foot				
Casing							
Drive Pipe	20"	40.00	\$100.00	DWEB.150	\$0		\$0
Conductor Pipe	0"	0.00	\$0.00	DWEB.120	\$0		\$0
Water String	40"	0.00	\$0.00	DWEB.135	\$0		\$0
Surface Casing	8 5/8"	950.00	\$22.18	DWEB.140	\$21,000		\$21,000
Intermediate Casing	0"	0.00	\$0.00	DWEB.145	\$0		\$0
Drilling Liner	0"	0.00	\$0.00	DWEB.145	\$0		\$0
Drilling Liner	0"	0.00	\$0.00	DWEB.145	\$0		\$0
Production Casing or Liner	5 1/2"	3000.00	\$19.93			DWEA.100	\$60,000
Production Tie-Back	0"	0.00	\$0.00			DWEA.100	\$0
Tubing	2 7/8"	2300.00	\$6.83			DWEA.105	\$16,000
N/C Well Equipment						DWEA.115	\$6,500
Wellhead, Tree, Chokes				DWEB.115	\$5,000	DWEA.120	\$10,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0
Packer, Nipples						DWEA.130	\$0
Pumping Unit, Engine						DLEQ.100	\$125,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$62,500
Tangible - Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$21,000
Tanks, Tanks Steps, Stairs						DLEQ.120	\$13,500
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$5,500
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
Total Tangibles					\$26,000	\$349,500	\$375,500

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100

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



April 20, 2011

Via U.S. Certified Mail-Return Receipt No.91 7108 2133 3937 9627 5619

MYCO Industries, Inc.
Attn: Hannah Palomin, Land Manager
P.O. Box 840
Artesia, New Mexico 88210

Re: New Well Proposal-Colorado 6 Fee No.5
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SW/4SE/4
Eddy County, New Mexico

Dear Hannah:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Colorado 6 Fee No.5 Well at legal location in the SW/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 1650' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Colorado wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

New Well Proposal-Colorado 6 Fee No.5
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SW/4SE/4
Eddy County, New Mexico



In the event you do not wish to participate in drilling the Colorado wells, Cimarex will consider acquiring a term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to the difference between 25% and current lease burdens;
- iii.) Primary term of Two (2) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Colorado 6 Fee No.5 Well

_____ Elects **TO** participate in the proposed Colorado 6 Fee No.5 Well

_____ Elects **NOT** to participate in the proposed Colorado 6 Fee No.5 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Colorado 6 Fee No.5
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SW/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Colorado 6 Fee No.5 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



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Colorado 6 Fee	5	Paddock Extension-West		

Location	County	State	Type Well			
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl.	X
			Gas		Prod.	

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate	⊙		Glorieta/Yeso	3,000'
Revised Estimate	○			Ttl. Vertical Depth
Supplemental Estimate	○			3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
Total Well Cost	\$443,600	\$933,500	\$1,377,100

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 therefor. 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.

Marketing Election
Cimarex sells its gas under arm's length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Colorado 6 Fee

Well No.: 5

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation/Restoration	DICC.109	\$30,000	DICC.109	\$3,500	\$33,500
Damages	DICC.109	\$4,000	DICC.109	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DICC.115	\$30,000	DICC.115	\$13,000	\$43,000
Day Rate	DICC.115	\$68,000	DICC.120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$12,000			\$12,000
Bits	DICC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel	DICC.135	\$11,000	DICC.130	\$4,000	\$15,000
Water / Completion Fluids	DICC.140	\$10,000	DICC.135	\$63,000	\$73,000
Mud & Additives	DICC.142	\$12,500			\$12,500
Surface Rentals	DICC.150	\$5,000	DICC.140	\$40,000	\$45,000
Downhole Rentals	DICC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160	\$0			\$0
Mud Logging	DICC.170	\$4,500			\$4,500
Open Hole Logging	DICC.180	\$20,000			\$20,000
Cementing & Float Equipment	DICC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DICC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DICC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DICC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DICC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision	DICC.210	\$12,600	DICC.180	\$12,000	\$24,600
Trailer House / Camp / Catering	DICC.220	\$4,000	DICC.255	\$1,000	\$5,000
Other Misc Expenses	DICC.270	\$2,000	DICC.190	\$2,000	\$4,000
Overhead	DICC.275	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing	DICC.281	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DICC.240	\$45,000			\$45,000
Directional Drilling Services	DICC.245	\$0			\$0
Dock, Dispatcher, Crane	DICC.250	\$0	DICC.250	\$0	\$0
Marine & Air Transportation	DICC.275	\$0	DICC.250	\$0	\$0
Solids Control	DICC.260	\$15,000			\$15,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245	\$0	\$0
Completion Rig			DICC.115	\$10,500	\$10,500
Coil Tubing			DICC.265	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.260	\$10,000	\$10,000
Stimulation			DICC.210	\$258,000	\$258,000
Legal / Regulatory / Curative	DICC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance	DICC.285	\$1,000			\$1,000
Contingency	DICC.435	\$18,000	DICC.220	\$26,000	\$44,000
Construction For Well Equipment			DWEA.110	\$6,500	\$6,500
Construction For Lease Equipment			DWEA.110	\$52,500	\$52,500
Construction For Sales P/L			DICC.245	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment					
Equipment	Size	Feet	\$/Foot	Codes	Cost
Casing					
Drive Pipe	20"	4000'	\$100.00	DWEB.150	\$0
Conductor Pipe	30"	0.00'	\$0.00	DWEB.120	\$0
Water String	0"	0.00'	\$0.00	DWEB.135	\$0
Surface Casing	8 5/8"	1950.00'	\$22.18	DWEB.140	\$21,000
Intermediate Casing	0"	0.00'	\$0.00	DWEB.145	\$0
Drilling Liner	0"	0.00'	\$0.00	DWEB.145	\$0
Drilling Liner	0"	0.00'	\$0.00	DWEB.145	\$0
Production Casing or Liner	5 1/2"	3000.00'	\$19.93	DWEB.100	\$60,000
Production Tie-Back	0"	0.00'	\$0.00	DWEB.100	\$0
Tubing	2 7/8"	2300.00'	\$6.83	DWEA.105	\$16,000
N/C Well Equipment				DWEA.115	\$6,500
Wellhead, Tree, Chokes				DWEB.115	\$5,000
Liner Hanger, Isolation Packer				DWEB.100	\$0
Packer, Nipples				DWEA.130	\$0
Pumping Unit, Engine				DLEA.100	\$125,000
Lift Equipment (BHP, Rods, Anchors)				DLEC.105	\$62,500
Tangible - Lease Equipment					
N/C Lease Equipment				DLEA.115	\$21,000
Tanks, Tanks Steps, Stairs				DLEA.120	\$13,500
Battery (Heater, Treater, Separator, Gas Treating Equipment)				DLEA.135	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)				DLEA.130	\$5,500
Offshore Production Structure for Facilities				DWEA.125	\$0
Pipeline to Sales				DWEA.140	\$0
Total Tangibles					\$26,000

PSA Costs	DICC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100

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



April 20, 2011

Via: U.S. Certified Mail-Return Receipt No.91 7108 2133 3937 9627 5602

DHA, LLC
David H. Arrington Oil & Gas, Inc.
Attn: Land Manager
500 West Wall Street, Suite 300
Midland, Texas 79701

Re: New Well Proposal-Kansas 6 Fee No.1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Kansas 6 Fee No.1 Well at legal location in the SE/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 330' FSL & 990' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Kansas wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

Oil Conservation Division
Case No. _____
Exhibit No. 3D
763/764/765/698

New Well Proposal-Kansas 6 Fee No.1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico



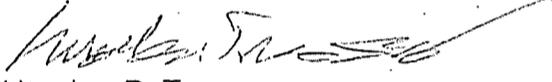
In the event you do not wish to participate in drilling the Kansas wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

ELECTION TO PARTICIPATE
Kansas 6 Fee No.1 Well

_____ Elects **TO** participate in the proposed Kansas 6 Fee No.1 Well

_____ Elects **NOT** to participate in the proposed Kansas 6 Fee No.1 Well

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Kansas 6 Fee No.1
Township, 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico



If your election above is TO participate in the proposed Kansas 6 Fee No.1 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.



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Kansas 6 Fee	1	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	TU Measured Depth
Original Estimate	<input checked="" type="radio"/>		Glorieta/Yeso	3,000'
Revised Estimate	<input type="radio"/>			Ttl. Vertical Depth
Supplemental Estimate	<input type="radio"/>			3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost			
	\$30,000	-\$30,000	\$0

Total Well Cost	\$443,600	\$933,500	\$1,377,100
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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.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Kansas 6 Fee

Well No.: 1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.103	\$30,000	DICC.103	\$3,500	\$33,500
Damages	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate	5 DH Days	2 ACP Days @ 13,500 Per Day	DIDC.115	DICC.120	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$12,000			\$12,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel	\$2.80 Per Gallon	800 Gallons Per Day	DIDC.135	DICC.130	\$15,000
Water / Completion Fluids		1,900 Per Day	DIDC.140	DICC.135	\$73,000
Mud & Additives	DIDC.145	\$12,500			\$12,500
Surface Rentals		1,000 Per Day	DIDC.150	DICC.140	\$45,000
Downhole Rentals	DIDC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud-Logging	\$2 Days @	1,200 Per Day	DIDC.170		\$4,500
Open Hole Logging	DIDC.180	\$20,000			\$20,000
Cementing & Float Equipment	DIDC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision		Per Day	DIDC.210	DICC.180	\$24,600
Trailer House / Camp / Catering		700 Per Day	DIDC.260	DICC.255	\$5,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead		300 Per Day	DIDC.225	DICC.195	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$45,000			\$45,000
Directional Drilling Services	0 Days @	8,000 Per Day	DIDC.245		\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control		3,000 Per Day	DIDC.260		\$15,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig	3 Days @	3,500 Per Day		DICC.115	\$10,500
Coil Tubing	Days @	Per Day		DICC.260	\$0
Completion Logging, Perforating, WL Units, WL Surveys				DICC.200	\$10,000
Stimulation				DICC.210	\$258,000
Legal / Regulatory / Curative	DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance	\$0.35 Per Foot		DIDC.285		\$1,000
Contingency	5% of Drilling Intangibles		DIDC.435	DICC.270	\$44,000
Construction For Well Equipment				DWEA.110	\$6,500
Construction For Lease Equipment				DLEQ.110	\$52,500
Construction For Sales P/L				DICC.265	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment					
Casing	Size	Feet	\$ / Foot		
Drive Pipe	20"	40.00	\$100.00	DWEB.150	\$0
Conductor Pipe	0"	0.00	\$0.00	DWEB.120	\$0
Water String	0"	0.00	\$0.00	DWEB.130	\$0
Surface Casing	8 5/8"	950.00	\$22.18	DWEB.110	\$21,000
Intermediate Casing	0"	0.00	\$0.00	DWEB.145	\$0
Drilling Liner	0"	0.00	\$0.00	DWEB.140	\$0
Drilling Liner	0"	0.00	\$0.00	DWEB.145	\$0
Production Casing or Liner	5 1/2"	3000.00	\$19.93		DWEA.100
Production Tie-Back	0"	0.00	\$0.00		DWEA.100
Tubing	2 7/8"	2300.00	\$6.83		DWEA.105
N/C Well Equipment					DWEA.115
Wellhead, Tree, Chokes				DWEB.115	\$5,000
Liner Hanger, Isolation Packer				DWEB.100	\$0
Packer, Nipples					DWEA.130
Pumping Unit, Engine					DLEQ.100
Lift Equipment (BHP, Rods, Anchors)					DLEQ.105

Tangible - Lease Equipment					
N/C Lease Equipment					
Tanks, Tanks Steps, Stairs				DLEQ.115	\$21,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.120	\$13,500
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.125	\$29,500
Offshore Production Structure for Facilities				DLEQ.130	\$5,500
Pipeline to Sales				DWEA.135	\$0
				DWEA.140	\$0
Total Tangibles				\$26,000	\$349,500

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100

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



August 2, 2011

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9332 1820

Estate of Don L. Bradshaw
Attn: Mathew Bradshaw
4503 Whirlwind Cove
Spicewood, Texas 78669

Re: New Well-Proposal-Kansas 6 Fee No.1
Township 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Kansas 6 Fee No.1 Well at legal location in the SE/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 330' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Kansas wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

New Well Proposal-Kansas 6 Fee No.1
Township 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Kansas wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.


Hilary R. Coder
Contract Landman

ELECTION TO PARTICIPATE
Kansas 6 Fee No.1 Well

_____ Elects **TO** participate in the proposed **Kansas 6 Fee No.1 Well**

_____ Elects **NOT** to participate in the proposed **Kansas 6 Fee No.1 Well**

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Kansas 6 Fee No.1
Township 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

If your election above is TO participate in the proposed **Kansas 6 Fee No.1 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



Authorization For Expenditure

Company Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Kansas 6 Fee	1	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl/Measured Depth
Original Estimate	⊙			3,000'
Revised Estimate	○			Ttl/Vertical Depth
Supplemental Estimate	○			3,000'

Project Description:
Drill and complete a Paddock/Glorieta vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$443,600	\$933,500	\$1,377,100
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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.

Marketing Election:
Cimarex sells its gas under arm's-length contracts with third party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Kansas 6 Fee

Well No.: 1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$30,000	DICC.100	\$3,500	\$33,500
Damages	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate 5 DH Days 2 ACP Days @ 13,500 Per Day	DIDC.115	\$68,000	DICC.120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$12,000			\$12,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel \$2.80 Per Gallon 800 Gallons Per Day	DIDC.135	\$11,000	DICC.130	\$4,000	\$15,000
Water / Completion Fluids 1,900 Per Day	DIDC.140	\$10,000	DICC.135	\$63,000	\$73,000
Mud & Additives	DIDC.145	\$12,500			\$12,500
Surface Rentals 1,000 Per Day	DIDC.150	\$5,000	DICC.140	\$40,000	\$45,000
Downhole Rentals	DIDC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging \$2 Days @ 1,200 Per Day	DIDC.170	\$4,500			\$4,500
Open Hole Logging	DIDC.180	\$20,000			\$20,000
Cementing & Float Equipment	DIDC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision Per Day	DIDC.210	\$12,600	DICC.180	\$12,000	\$24,600
Trailer House / Camp / Catering 700 Per Day	DIDC.240	\$4,000	DICC.255	\$1,000	\$5,000
Other Misc Expenses	DIDC.225	\$2,000	DICC.190	\$2,000	\$4,000
Overhead 300 Per Day	DIDC.225	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$45,000			\$45,000
Directional Drilling Services 10 Days @ 8,000 Per Day	DIDC.245	\$0			\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control 3,000 Per Day	DIDC.260	\$15,000			\$15,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 3 Days @ 3,500 Per Day			DICC.115	\$10,500	\$10,500
Coil Tubing Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$10,000	\$10,000
Stimulation			DICC.210	\$258,000	\$258,000
Legal / Regulatory / Curative	DIDC.200	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DIDC.235	\$1,000			\$1,000
Contingency 15% of Drilling Intangibles	DIDC.235	\$18,000	DICC.220	\$26,000	\$44,000
Construction For Well Equipment			DWEA.110	\$6,500	\$6,500
Construction For Lease Equipment			DLEQ.110	\$52,500	\$52,500
Construction For Sales P/L			DICC.265	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment	Size	Feet	\$ / Foot	Codes	Cost	Completed Well Cost
Casing						
Drive Pipe	20"	40:00	\$100:00	DWEB.150	\$0	\$0
Conductor Pipe	10"	0:00	\$0:00	DWEB.130	\$0	\$0
Water String	10"	0:00	\$0:00	DWEB.135	\$0	\$0
Surface Casing	28 5/8"	950:00	\$22:18	DWEB.140	\$21,000	\$21,000
Intermediate Casing	10"	0:00	\$0:00	DWEB.145	\$0	\$0
Drilling Liner	10"	0:00	\$0:00	DWEB.145	\$0	\$0
Drilling Liner	10"	0:00	\$0:00	DWEB.145	\$0	\$0
Production Casing or Liner	5 1/2"	3000:00	\$19:93			
Production Tie-Back	10"	10:00	\$0:00	DWEA.100	\$0	\$0
Tubing	2 7/8"	2300:00	\$6:83	DWEA.105	\$16,000	\$16,000
N/C Well Equipment				DWEA.115	\$6,500	\$6,500
Wellhead, Tree, Chokes				DWEB.115	\$5,000	\$15,000
Liner Hanger, Isolation Packer				DWEB.160	\$0	\$0
Packer, Nipples				DWEA.130	\$0	\$0
Pumping Unit, Engine				DLEQ.100	\$125,000	\$125,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.195	\$62,500	\$62,500
Tangible - Lease Equipment						
N/C Lease Equipment				DLEQ.135	\$21,000	\$21,000
Tanks, Tanks Steps, Stairs				DLEQ.120	\$13,500	\$13,500
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$29,500	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130	\$5,500	\$5,500
Offshore Production Structure for Facilities				DWEA.135	\$0	\$0
Pipeline to Sales				DWEA.140	\$0	\$0
Total Tangibles					\$26,000	\$349,500

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100

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



August 11, 2011

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9332 1813

Concho Resources, Inc.
Attn: Land Manager
550 West Texas Avenue, Suite 100
Midland, Texas 79701

Re: New Well Proposal-Kansas 6 Fee No.1
Township 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

Dear Leasehold Owner:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Kansas 6 Fee No.1 Well at legal location in the SE/4SE/4 of Section 6, Township 19 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

The intended surface hole location for the well is 990' FSL & 330' FEL. The well is proposed to be drilled vertically to a total depth of approximately 3,000' to test the Glorieta-Yeso formations.

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 which sets forth the estimated costs associated with the well, and; (ii) our proposed form of Operating Agreement to govern operations for the Kansas wells. 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 your contact information to receive well data, to the undersigned within thirty (30) days of receipt of this proposal. If you should 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.

New Well Proposal-Kansas 6 Fee No.1
Township 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

In the event you do not wish to participate in drilling the Kansas wells, Cimarex will consider acquiring term assignment of your leasehold interests. Cimarex's offer is contingent upon final verification of your title and is based on the following general terms:

- i.) Bonus Consideration of \$1000.00 per net mineral acre delivered;
- ii.) Reservation of an ORRI equal to difference between 25% and current lease burdens;
- iii.) Primary term of Three (3) years with 180-day continuous development thereafter

Please call the undersigned with any questions or comments.

Respectfully Submitted,

Cimarex Energy Co.

Hilary R. Coder
Contract Landman

ELECTION TO PARTICIPATE
Kansas 6 Fee No.1 Well

_____ Elects **TO** participate in the proposed **Kansas 6 Fee No.1 Well**

_____ Elects **NOT** to participate in the proposed **Kansas 6 Fee No.1 Well**

Dated this _____ day of _____, 2011.

Company: _____

Signature: _____

Printed Name: _____

Title: _____

New Well Proposal-Kansas 6 Fee No.1
Township 19 South, Range 26 East, N.M.P.M.
Section 6: SE/4SE/4
Eddy County, New Mexico

If your election above is TO participate in the proposed **Kansas 6 Fee No.1 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



Authorization For Expenditure

Company/Entity
Cimarex Energy Co.

Date Prepared
February 25, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Kansas 6 Fee	1	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 6 - 19S - 26E	Eddy	NM	Oil	X	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate	⊙			3,000'
Revised Estimate	○			Ttl. Vertical Depth
Supplemental Estimate	○			3,000'

Project Description
Drill and complete a Paddock/Glorieta vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$443,600	\$933,500	\$1,377,100
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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.

Marketing Election
Cimarex sells its gas under arm's-length contracts with third-party purchasers. Such contracts may include fees. In addition, penalties may be incurred for insufficient volumes delivered over time. Should you choose to market your share of gas with Cimarex, you will be subject to all of the terms of such contracts. Upon written request to Cimarex's Marketing Department, we will share with you the terms and conditions pursuant to which gas will be sold.

I elect to take my gas in kind.

I elect to market my gas with Cimarex pursuant to the terms and conditions of its contracts.

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



Project Cost Estimate

Lease Name: Kansas 6 Fee

Well No.:

1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$30,000	DICC.180	\$3,500	\$33,500
Damages	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$13,000	\$43,000
Day Rate 5 DH Days 2 ACP Days @ 13,500 Per Day	DIDC.115	\$68,000	DICC.120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$12,000			\$12,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel \$2.80 Per Gallon 800 Gallons Per Day	DIDC.135	\$11,000	DICC.130	\$4,000	\$15,000
Water / Completion Fluids 1,900 Per Day	DIDC.140	\$10,000	DICC.135	\$63,000	\$73,000
Mud & Additives	DIDC.145	\$12,500			\$12,500
Surface Rentals 1,000 Per Day	DIDC.150	\$5,000	DICC.140	\$40,000	\$45,000
Downhole Rentals	DIDC.155	\$16,000	DICC.145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging \$2 Days @ 1,200 Per Day	DIDC.170	\$4,500			\$4,500
Open Hole Logging	DIDC.180	\$20,000			\$20,000
Cementing & Float Equipment	DIDC.185	\$15,000	DICC.155	\$20,000	\$35,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$10,000	\$13,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision Per Day	DIDC.210	\$12,600	DICC.180	\$12,000	\$24,600
Trailer House / Camp / Catering 700 Per Day	DIDC.280	\$4,000	DICC.255	\$1,000	\$5,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$2,000	\$4,000
Overhead 300 Per Day	DIDC.225	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$45,000			\$45,000
Directional Drilling Services 0 Days @ 8,000 Per Day	DIDC.245	\$0			\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control 3,000 Per Day	DIDC.260	\$15,000			\$15,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$12,000	DICC.240	\$3,500	\$15,500
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 3 Days @ 3,500 Per Day			DICC.115	\$10,500	\$10,500
Coil Tubing Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$10,000	\$10,000
Stimulation			DICC.210	\$258,000	\$258,000
Legal / Regulatory / Curative	DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$1,000			\$1,000
Contingency 15% of Drilling Intangibles	DIDC.435	\$18,000	DICC.220	\$26,000	\$44,000
Construction For Well Equipment			DWEA.110	\$6,500	\$6,500
Construction For Lease Equipment			DLEA.110	\$52,500	\$52,500
Construction For Sales P/L			DICC.265	\$5,500	\$5,500
Total Intangible Cost		\$387,600		\$614,000	\$1,001,600

Tangible - Well Equipment	Size	Feet	\$/Foot	Codes	Cost	Codes	Cost
Casing							
Drive Pipe 20"	40:00	\$100:00	DWEB.150	\$0		\$0	
Conductor Pipe 10"	0:00	\$0:00	DWEB.130	\$0		\$0	
Water String 10"	0:00	\$0:00	DWEB.135	\$0		\$0	
Surface Casing 8.5/8"	950:00	\$22:18	DWEB.140	\$21,000		\$21,000	
Intermediate Casing 10"	0:00	\$0:00	DWEB.145	\$0		\$0	
Drilling Liner 30"	0:00	\$0:00	DWEB.145	\$0		\$0	
Drilling Liner 10"	0:00	\$0:00	DWEB.145	\$0		\$0	
Production Casing or Liner 5.1/2"	3000:00	\$19:93		DWEA.100	\$60,000	\$60,000	
Production Tie-Back 10"	0:00	\$0:00		DWEA.100	\$0	\$0	
Tubing 2.7/8"	2300:00	\$6:83		DWEA.105	\$16,000	\$16,000	
N/C Well Equipment				DWEA.115	\$6,500	\$6,500	
Wellhead, Tree, Chokes				DWEB.115	\$5,000	\$5,000	
Liner Hanger, Isolation Packer				DWEB.120	\$10,000	\$15,000	
Packer, Nipples				DWEB.125	\$0	\$0	
Pumping Unit, Engine				DWEA.130	\$0	\$0	
Lift Equipment (BHP, Rods, Anchors)				DLEA.100	\$125,000	\$125,000	
				DLEA.105	\$62,500	\$62,500	
Tangible - Lease Equipment							
N/C Lease Equipment				DLEA.115	\$21,000	\$21,000	
Tanks, Tanks Steps, Stairs				DLEA.120	\$13,500	\$13,500	
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEA.125	\$29,500	\$29,500	
Flow Lines (Line Pipe from wellhead to central facility)				DLEA.130	\$5,500	\$5,500	
Offshore Production Structure for Facilities				DWEA.135	\$0	\$0	
Pipeline to Sales				DWEA.140	\$0	\$0	
Total Tangibles					\$26,000	\$349,500	\$375,500

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost		\$443,600		\$933,500	\$1,377,100