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\*\*\* TX REPORT \*\*\*  
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TRANSMISSION OK

|                   |              |
|-------------------|--------------|
| TX/RX NO          | 3195         |
| RECIPIENT ADDRESS | 915757484572 |
| DESTINATION ID    |              |
| ST. TIME          | 07/09 15:14  |
| TIME USE          | 01'30        |
| PAGES SENT        | 3            |
| RESULT            | OK           |

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



July 6, 2012

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 0143**  
**And Facsimile: (575) 748-4572**

Yates Petroleum Corporation  
Abo Petroleum Corporation  
MYCO Petroleum Corporation  
Attn: Land Manager  
105 S 4<sup>th</sup> Street  
Artesia, New Mexico 88210



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

To Whom it May Concern,

Enclosed herewith is an itemized schedule of estimated costs to drill, complete and equip the above captioned well (the "Well"). If Yates Petroleum Corporation ("Yates") or Abo Petroleum Corporation ("Abo") or MYCO Petroleum Corporation ("MYCO") would like to participate in the Well as a pooled working interest owner, send a check for Yates's and/or Abo's and/or MYCO's share of well costs to the undersigned within 30 days of your receipt of this letter. Failure to pay your share of estimated well costs will results in Yates and/or Abo and/or MYCO being a non-consenting working interest owner in the Well.

A copy of the Compulsory Pooling Order No. R-13490-C is enclosed for your reference.

Regards,

Cimarex Energy Co

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Suite 600

Midland, Texas 79701

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Regards,

**Cimarex Energy Co.**

A handwritten signature in cursive script, appearing to read "Erin Devlin".

Erin N. Devlin  
Contract Landman

Cc: Oil Conservation Division  
Attn: Florene Davidson  
1220 South St. Frances Drive  
Santa Fe, New Mexico 87505

James Bruce



## Authorization For Expenditure

Company Entity  
Cimarex Energy Co.Date Prepared  
February 8, 2012

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

| Location | County | State | Type Well |   |      |   |
|----------|--------|-------|-----------|---|------|---|
|          | Eddy   | NM    | Oil       | x | Expl | X |
|          |        |       | Gas       |   | Prod |   |

| Estimate Type         | Est. Start Date                  | Est. Comp. Date | Formation        | Ttl Measured Depth |
|-----------------------|----------------------------------|-----------------|------------------|--------------------|
| Original Estimate     | <input checked="" type="radio"/> |                 | Penasco Draw San | 3,000'             |
| Revised Estimate      | <input type="radio"/>            |                 | Andres-Yeso      | Ttl Vertical Depth |
| Supplemental Estimate | <input type="radio"/>            |                 | Associated Pool  | 3,000'             |

Project Description

| Intangibles            | Dry Hole Cost | After Casing Point | Completed Well Cost |
|------------------------|---------------|--------------------|---------------------|
| Drilling Costs         | \$427,000     |                    | \$427,000           |
| Completion Costs       |               | \$1,847,000        | \$1,847,000         |
| Total Intangible Costs | \$427,000     | \$1,847,000        | \$2,274,000         |

| Tangibles                |          |           |           |
|--------------------------|----------|-----------|-----------|
| Well Equipment           | \$31,000 | \$204,000 | \$235,000 |
| Lease Equipment          |          | \$463,800 | \$463,800 |
| Total Tangible Well Cost | \$31,000 | \$667,800 | \$698,800 |

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

|                 |           |             |             |
|-----------------|-----------|-------------|-------------|
| Total Well Cost | \$488,000 | \$2,484,800 | \$2,972,800 |
|-----------------|-----------|-------------|-------------|

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 |
|----------------|---------------------------------|------------------|
| Steve Heitzman | 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 | \$60,000         | DICC.100 | \$5,000            | \$65,000            |
| Damages  | DIDC.105 | \$5,000          | DICC.105 | \$0                | \$5,000             |
| Mud / Fluids Disposal Charges  | DIDC.255 | \$30,000         | DICC.235 | \$100,000          | \$130,000           |
| Day Rate 3.5 DH Days 1 ACP Days @ \$15,000 Per Day                       | DIDC.115 | \$53,000         | DICC.120 | \$15,000           | \$68,000            |
| Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.) | DIDC.120 | \$16,000         |          |                    | \$16,000            |
| Bits   | DIDC.125 | \$15,000         | DICC.125 | \$0                | \$15,000            |
| Fuel \$3.50 Per Gallon 800 Gallons Per Day                               | DIDC.135 | \$15,000         | DICC.130 | \$3,000            | \$18,000            |
| Water / Completion Fluids  | DIDC.140 | \$25,000         | DICC.135 | \$230,000          | \$255,000           |
| Mud & Additives  | DIDC.145 | \$10,000         |          |                    | \$10,000            |
| Surface Rentals 2,000 Per Day  | DIDC.150 | \$7,000          | DICC.140 | \$125,000          | \$132,000           |
| Downhole Rentals   | DIDC.155 | \$20,000         | DICC.145 | \$2,000            | \$22,000            |
| Formation Evaluation (DST, Coring including evaluation, G&G Services)    | DIDC.160 | \$0              |          |                    | \$0                 |
| Mud Logging 3 Days @ \$1,500 Per Day                                     | DIDC.170 | \$8,000          |          |                    | \$8,000             |
| Open Hole Logging  | DIDC.180 | \$0              |          |                    | \$0                 |
| Cementing & Float Equipment  | DIDC.185 | \$22,000         | DICC.155 | \$25,000           | \$47,000            |
| Tubular Inspections  | DIDC.190 | \$2,000          | DICC.160 | \$1,000            | \$3,000             |
| Casing Crews   | DIDC.195 | \$5,000          | DICC.165 | \$8,000            | \$13,000            |
| Extra Labor, Welding, Etc.   | DIDC.200 | \$9,000          | DICC.170 | \$5,000            | \$14,000            |
| Land Transportation (Trucking)   | DIDC.205 | \$3,000          | DICC.175 | \$5,000            | \$8,000             |
| Supervision 1,700 Per Day  | DIDC.210 | \$11,000         | DICC.180 | \$15,000           | \$26,000            |
| Trailer House / Camp / Catering \$700 Per Day                            | DIDC.280 | \$5,000          | DICC.255 | \$0                | \$5,000             |
| Other Misc Expenses  | DIDC.220 | \$1,000          | DICC.190 | \$10,000           | \$11,000            |
| Overhead 300 Per Day   | DIDC.225 | \$1,000          | DICC.195 | \$2,000            | \$3,000             |
| Remedial Cementing   | DIDC.231 | \$0              | DICC.215 | \$0                | \$0                 |
| MOB/DEMOB  | DIDC.240 | \$50,000         |          |                    | \$50,000            |
| Directional Drilling Services 40 Days @ \$1,000 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 3,500 Per Day   | DIDC.260 | \$16,000         |          |                    | \$16,000            |
| Well Control Equip (Snubbing Svcs.)                                      | DIDC.265 | \$7,000          | DICC.240 | \$14,000           | \$21,000            |
| Fishing & Sidetrack Operations   | DIDC.270 | \$0              | DICC.245 | \$0                | \$0                 |
| Completion Rig 3 Days @ \$4,000 Per Day                                  |          |                  | DICC.115 | \$12,000           | \$12,000            |
| Coil Tubing Days @ Per Day   |          |                  | DICC.260 | \$0                | \$0                 |
| Completion Logging, Perforating, WL Units, WL Surveys                    |          |                  | DICC.200 | \$30,000           | \$30,000            |
| Stimulation  |          |                  | DICC.210 | \$900,000          | \$900,000           |
| 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 5% of Drilling Intangibles                                   | DIDC.435 | \$20,000         | DICC.220 | \$75,000           | \$95,000            |
| Construction For Well Equipment  |          |                  | DWEA.110 | \$15,000           | \$15,000            |
| Construction For Lease Equipment   |          |                  | DLEQ.110 | \$192,000          | \$192,000           |
| Construction For Sales P/L   |          |                  | DICC.265 | \$58,000           | \$58,000            |
| <b>Total Intangible Cost</b>   |          | <b>\$427,000</b> |          | <b>\$1,847,000</b> | <b>\$2,274,000</b>  |

| Tangible - Well Equipment                                   |      |      |           |                   |                    |
|---|------|------|-----------|-------------------|--------------------|
| Casing  | Size | Feet | \$ / Foot |                   |                    |
| Drive Pipe  |      |      |           | DWEB.150          | \$0                |
| Conductor Pipe  |      |      |           | DWEB.130          | \$0                |
| Water String  |      |      |           | DWEB.135          | \$0                |
| Surface Casing 8.5/8" 950.00                                |      |      | \$29.00   | DWEB.140          | \$28,000           |
| Intermediate Casing   |      |      |           | DWEB.145          | \$0                |
| Drilling Liner  |      |      |           | DWEB.145          | \$0                |
| Drilling Liner  |      |      |           | DWEB.145          | \$0                |
| Production Casing or Liner 5.1/2" 3000.00                   |      |      | \$21.00   |                   | DWEA.100 \$63,000  |
| Production Tie-Back   |      |      |           |                   | DWEA.100 \$0       |
| Tubing 2.7/8" 2900.00                                       |      |      | \$8.00    |                   | DWEA.105 \$23,000  |
| N/C Well Equipment  |      |      |           |                   | DWEA.115 \$35,000  |
| Wellhead, Tree, Chokes                                      |      |      |           | DWEB.115 \$3,000  | DWEA.120 \$8,000   |
| Liner Hanger, Isolation Packer                              |      |      |           | DWEB.100 \$0      | DWEA.125 \$0       |
| Packer, Nipples   |      |      |           |                   | DWEA.130 \$0       |
| Pumping Unit, Engine  |      |      |           |                   | DLEQ.100 \$50,000  |
| Lift Equipment (BHP, Rods, Anchors)                         |      |      |           |                   | DLEQ.105 \$25,000  |
| Tangible - Lease Equipment                                  |      |      |           |                   |                    |
| N/C Lease Equipment   |      |      |           |                   | DLEQ.115 \$176,000 |
| Tanks, Tanks Steps, Stairs                                  |      |      |           |                   | DLEQ.120 \$178,000 |
| Battery (Heater Treater, Separator, Gas Treating Equipment) |      |      |           |                   | DLEQ.125 \$92,000  |
| Flow Lines (Line Pipe from wellhead to central facility)    |      |      |           |                   | DLEQ.130 \$12,000  |
| Offshore Production Structure for Facilities                |      |      |           |                   | DWEA.135 \$0       |
| Pipeline to Sales   |      |      |           |                   | DWEA.140 \$5,800   |
| <b>Total Tangibles</b>                                      |      |      |           | <b>\$31,000</b>   | <b>\$667,800</b>   |
|   |      |      |           |                   |                    |
| P&A Costs   |      |      |           | DIDC.295 \$30,000 | DICC.275 -\$30,000 |
| <b>Total Cost</b>   |      |      |           | <b>\$488,000</b>  | <b>\$2,484,800</b> |
|   |      |      |           |                   | <b>\$2,972,800</b> |