

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

Warnell

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August 20, 2012

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0388 9143

Sigyn Lund
c/o Hilmer H. Graham
110-55 72nd Street, Apt. 307
Forrest Hills, New York 11375

Re: Case No. 14796; Order No. R-13520
Independence 8 Federal Com No. 2 (API# 30-005-29152)
Township 15 South, Range 31 East, N.M.P.M.
Section 8: S/2NE/4
Section 9: S/2N/2
Chaves County, New Mexico

Dear Non-Consenting Working Interest Owner:

In accordance with the above-captioned Order, enclosed herewith is an itemized schedule of actual well costs associated with the drilling and completion of the Independence 8 Federal Com No. 2.

If you should have any questions in regard to this matter, please contact the undersigned at (432) 571-7856.

Sincerely,

Cimarex Energy Co.

A handwritten signature in black ink, appearing to read "Hayden P. Tresner".

Hayden P. Tresner
Landman

// Enclosure

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

Cc: James Bruce
jamesbruc@aol.com



Cimarex Energy Co.

Drilling Accrual Review

Afe Code: 251020
Property Code: 309742-023.01
End Date: 01/01/2076

Well Name: INDEPENDENCE 8 FEDERAL COM 2H

Sub Ledger Description	BCP Code	AFE BCP Cost	Field BCP Cost	Invoiced BCP Cost	Invoiced Variance To Field Over/Under	ACP Code	AFE ACP Cost	Field ACP Cost	Invoiced ACP Cost	Invoiced Variance To Field Over/Under
Roads & Location Preparation / Restoration	DIDC.100	65,000	62,229	66,752	4,523	DICC.100	15,000	36,110	32,710	-3,400
Damages	DIDC.105	10,000	12,883	9,568	-3,315	DICC.105	0	0	0	0
Mud/Fluids Disposal Charges	DIDC.255	117,000	84,440	76,495	-7,945	DICC.235	70,000	81,608	2,666	-78,942
Day Rate	DIDC.115	673,000	906,727	906,727	0	DICC.120	101,000	123,700	0	-123,700
Misc Prep Cost (Mouse Hole, Rat Hole, Pads, Pile Clusters)	DIDC.120	21,000	19,450	26,064	6,614		0	0	0	0
Bits	DIDC.125	127,000	100,452	85,781	-14,671	DICC.125	0	0	0	0
Fuel	DIDC.135	223,000	216,187	216,187	0	DICC.130	5,000	28,620	0	-28,620
Water 009 / Completion Fluids 109	DIDC.140	25,000	34,975	0	-34,975	DICC.135	160,000	166,883	2,590	-164,293
Mud & Additives	DIDC.145	136,000	128,633	173,298	44,665		0	0	0	0
Surface Rentals	DIDC.150	222,000	275,371	293,069	17,698	DICC.140	240,000	296,865	49,752	-247,113
Downhole Rentals	DIDC.155	136,000	231,196	125,844	-105,352	DICC.145	20,000	73,715	700	-73,015
DSTS, Formation Tests	DIDC.160	0	0	0	0		0	0	0	0
Mud Logging	DIDC.170	44,000	61,237	61,237	0		0	0	0	0
Open Hole Logging	DIDC.180	20,000	24,790	29,292	4,502		0	0	0	0
Cementing, thru Intermediate Casing	DIDC.185	120,000	54,977	54,977	0	DICC.155	0	77,954	77,953	0
Tubular Inspections	DIDC.190	10,000	147,686	174,036	26,350	DICC.160	9,000	28,489	6,516	-21,973
Casing Crows	DIDC.195	20,000	21,112	25,067	3,955	DICC.165	20,000	88,305	110,572	22,267
Extra labor, Welding, etc.	DIDC.200	9,000	16,350	13,489	-2,861	DICC.170	9,000	10,000	7,573	-2,427
Trucking	DIDC.205	16,000	10,167	16,725	6,558	DICC.175	20,000	39,466	27,197	-12,269
Supervision	DIDC.210	72,000	92,500	78,271	-14,229	DICC.180	32,000	51,300	47,826	-3,474
Trailer, Camp & Catering	DIDC.280	30,000	46,691	51,006	4,315	DICC.255	4,000	11,549	7,206	-4,343
Other misc expenses	DIDC.220	0	1,585	3,284	1,699	DICC.190	0	15,142	15,142	0
Overhead	DIDC.225	8,000	7,000	10,621	3,621	DICC.195	2,000	0	4,704	4,704
Remedial Cementing	DIDC.231	0	26,411	1,765	-24,647	DICC.215	0	0	0	0
Mobilize & Demobilize	DIDC.240	165,000	96,600	121,500	24,900		0	0	0	0
Directional Drilling	DIDC.245	340,000	395,557	616,820	221,263		0	0	0	0
Dock, Dispatcher, Crane	DIDC.250	0	0	0	0	DICC.230	0	0	0	0
Marine/Air Transportation	DIDC.275	0	0	0	0	DICC.250	0	0	0	0
Solids Control-Equip/Services	DIDC.260	70,000	154,833	131,216	-23,616		0	0	0	0
Well Control-Equip/Services	DIDC.265	35,000	23,100	29,864	6,764	DICC.240	60,000	103,815	11,515	-92,300
Fishing & Sidetrack Services	DIDC.270	0	96,793	90,854	-5,939	DICC.245	0	0	0	0
Completion Rig		0	0	0	0	DICC.115	35,000	66,383	49,844	-16,539
Coil Tubing		0	0	0	0	DICC.260	111,000	251,502	0	-251,502
Completion Logging, Perforating		0	0	0	0	DICC.200	12,000	62,958	48,764	-14,194
Stimulation		0	0	0	0	DICC.210	2,100,000	1,511,948	1,644,531	132,583
Legal/Regulatory/Curative	DIDC.300	5,000	34,283	34,283	0	DICC.280	1,500	0	0	0
Well Control Insurance	DIDC.285	6,000	6,000	0	-6,000		0	0	0	0
Contingency	DIDC.435	136,000	168,760	0	-168,760	DICC.220	151,000	162,454	0	-162,454
Construction For Well Equipment		0	0	0	0	DWEA.110	35,000	0	3,377	3,377
Construction For Lease Equipment		0	0	0	0	DLEQ.110	98,000	73,350	46,879	-26,471
Construction For Sales P/L		0	0	0	0	DICC.265	115,000	236,000	236,000	0
Intangible		2,861,000	3,558,973	3,524,088	-34,885		3,425,500	3,598,117	2,434,018	-1,164,100
Drive Pipe	DWEB.150	0	0	0	0		0	0	0	0
Conductor Pipe	DWEB.130	0	0	0	0		0	0	0	0
Water String	DWEB.135	0	0	0	0		0	0	0	0
Surface Casing	DWEB.140	14,000	16,312	12,905	-3,408		0	0	0	0
Intermediate Casing	DWEB.145	0	320,175	0	-320,175		0	0	0	0
Production Casing Or Liner		0	0	0	0	DWEA.100	441,429	391,621	686,980	295,359
Tubing		0	0	0	0	DWEA.105	70,000	65,610	73,764	8,154
N/C Well Equipment		0	0	0	0	DWEA.115	7,500	0	10,851	10,851
Wellhead, Tree, Chokes	DWEB.115	25,000	13,000	35,918	22,918	DWEA.120	20,000	37,700	42,990	5,291
Liner Hanger, Isolation Packer	DWEB.100	0	0	0	0	DWEA.125	0	0	7,302	7,302
Packer, Nipples		0	0	0	0	DWEA.130	250,000	246,166	259,746	13,580
Pumping Unit, Engine		0	0	0	0	DLEQ.100	242,000	103,000	0	-103,000
Lift Equipment (Bhp, Rods, Anchors)		0	0	0	0	DLEQ.105	75,000	11,900	0	-11,900
Metering Equipment		0	0	0	0	DLEQ.220	0	0	0	0
Tangible - Well Equipment		39,000	349,488	48,823	-300,665		1,105,929	855,997	1,081,634	225,637
N/C Lease Equipment		0	0	0	0	DLEQ.115	107,000	108,000	44,548	-61,452
Tanks, Tanks Steps, Stairs		0	0	0	0	DLEQ.120	75,000	65,000	64,954	-46
Battery (Heater Treater, Separator,...)		0	0	0	0	DLEQ.125	87,000	35,500	29,056	-6,444
Flow Lines (Line Pipe From Wellhead)		0	0	0	0	DLEQ.130	7,000	0	17,256	17,256
Offshore Production Structure For ...		0	0	0	0	DWEA.135	0	0	0	0
Pipeline to Sales		0	0	0	0	DWEA.140	9,000	0	0	0
Tangible - Lease Equipment		0	0	0	0		285,000	206,500	155,814	-50,686
P&A Costs	DIDC.295	150,000	0	0	0	DICC.275	-150,000	0	0	0
P&A		150,000	0	0	0		-150,000	0	0	0
Total Costs		3,050,000	3,908,461	3,572,910	-335,550		4,666,429	4,660,614	3,671,466	-989,148

