



Authorization For Expenditure

Company Entity Cimarex Energy Co.	Date Prepared January 18, 2013
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Independence	#1H	Caprock		

Location	County	State	Type Well		
SHL: 510' FNL & 2310' FEL, SEC 8 / 15S / 31E BHL: 660' FNL & 330' FEL, SEC 9 / 15S / 31E	Chaves	NM	Oil	Exp	X
			Gas	Prod	

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Tot. Measured Depth
Original Estimate			Abo	16,100'
Revised Estimate				Tot. Vertical Depth
Supplemental Estimate				8,850'

**Project Description**  
Drill and complete an ABO Horizontal Producer

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$3,111,000		\$3,111,000
Completion Costs		\$3,093,600	\$3,093,600
<b>Total Intangible Costs</b>	<b>\$3,111,000</b>	<b>\$3,093,600</b>	<b>\$6,204,600</b>

Tangibles			
Well Equipment	\$478,000	\$671,000	\$1,149,000
Lease Equipment		\$75,580	\$75,580
<b>Total Tangible Well Cost</b>	<b>\$478,000</b>	<b>\$746,580</b>	<b>\$1,224,580</b>

Plug and Abandon Cost	\$0	\$0	\$0
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<b>Total Well Cost</b>	<b>\$3,589,000</b>	<b>\$3,840,180</b>	<b>\$7,429,180</b>
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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
Steve Heitzman	Larry Selgrist	Roger Alexander

Joint Interest Approval

Date

Oil Conservation Division  
Case No. 5  
Exhibit No. 5



Project Cost Estimate

Lease Name: Independence

Well No.: #1H

Intangibles	Dry Hole Cost		After Casing		Completed Well	
	Codes		Codes	Point	Cost	
Roads & Location Preparation / Restoration	D1DC.100	\$70,000	D1CC.100	\$10,000	\$80,000	
Damages	D1DC.105	\$5,000	D1CC.105	\$0	\$5,000	
Mud / Fluids Disposal Charges	D1DC.235	\$90,000	D1CC.235	\$105,000	\$195,000	
Day Rate	34 DH Days	5 ACP Days @ 24,500 Per Day	D1DC.115	\$833,000	D1CC.120	\$123,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D1DC.120	\$45,000			\$45,000	
Bits	D1DC.125	\$125,000	D1CC.125	\$0	\$125,000	
Fuel	\$3.50 Per Gallon	1500 Gallons Per Day	D1DC.135	\$184,000	D1CC.130	\$26,000
Water / Completion Fluids	D1DC.140	\$20,000	D1CC.135	\$5,000	\$25,000	
Mud & Additives	D1DC.145	\$180,000			\$180,000	
Surface Rentals	D1DC.150	\$51,000	D1CC.140	\$180,000	\$231,000	
Downhole Rentals	D1DC.155	\$159,000	D1CC.145	\$10,000	\$169,000	
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D1DC.160	\$0			\$0	
Mud Logging	D1DC.170	\$32,000			\$32,000	
Open Hole Logging	D1DC.180	\$25,000			\$25,000	
Cementing & Float Equipment	D1DC.185	\$180,000	D1CC.155	\$0	\$180,000	
Tubular Inspections	D1DC.190	\$10,000	D1CC.160	\$2,000	\$12,000	
Casing Crews	D1DC.195	\$23,000	D1CC.165	\$18,000	\$41,000	
Extra Labor, Welding, Etc.	D1DC.200	\$20,000	D1CC.170	\$8,000	\$28,000	
Land Transportation (Trucking)	D1DC.205	\$15,000	D1CC.175	\$20,000	\$35,000	
Supervision	D1DC.210	\$140,000	D1CC.180	\$30,000	\$170,000	
Trailer House / Camp / Catering	D1DC.220	\$37,000	D1CC.255	\$5,000	\$42,000	
Other Misc Expenses	D1DC.220	\$1,000	D1CC.189	\$35,000	\$36,000	
Overhead	D1DC.225	\$10,000	D1CC.195	\$2,000	\$12,000	
Remedial Cementing	D1DC.231	\$0	D1CC.215	\$0	\$0	
MOB/DEMOB	D1DC.240	\$250,000			\$250,000	
Directional Drilling Services	D1DC.245	\$355,000			\$355,000	
Dock, Dispatcher, Crane	D1DC.250	\$0	D1CC.230	\$0	\$0	
Marine & Air Transportation	D1DC.275	\$0	D1CC.250	\$0	\$0	
Solids Control	D1DC.260	\$37,000			\$37,000	
Well Control Equip (Snubbing Svcs.)	D1DC.265	\$50,000	D1CC.240	\$60,000	\$110,000	
Fishing & Sidetrack Operations	D1DC.270	\$0	D1CC.245	\$0	\$0	
Completion Rig	12 Days @ 4,000 Per Day		D1CC.115	\$48,000	\$48,000	
Coil Tubing	3 Days @ 50,000 Per Day		D1CC.260	\$150,000	\$150,000	
Completion Logging, Perforating, WL Units, WL Surveys			D1CC.200	\$50,000	\$50,000	
Stimulation			D1CC.210	\$1,876,000	\$1,876,000	
Legal / Regulatory / Curative	D1DC.200	\$10,000	D1CC.280	\$0	\$10,000	
Well Control Insurance	\$0.35 Per Foot		D1DC.285	\$6,000	\$6,000	
Contingency	5% of Drilling Intangibles		D1DC.495	\$148,000	D1CC.220	\$138,000
Construction For Well Equipment			DWEA.110	\$0	\$0	
Construction For Lease Equipment			DLEQ.110	\$192,600	\$192,600	
Construction For Sales P/L			D1CC.265	\$0	\$0	
<b>Total Intangible Cost</b>		<b>\$3,111,000</b>		<b>\$3,093,600</b>	<b>\$6,204,600</b>	

Tangible - Well Equipment					
Casing	Size	Feet	\$ / Foot		
Drive Pipe				DWEB.150	\$0
Conductor Pipe				DWEB.130	\$0
Water String	13 3/8"	400.00	\$35.00	DWEB.155	\$14,000
Surface Casing	9 5/8"	4000.00	\$35.00	DWEB.240	\$140,000
Intermediate Casing	7"	9300.00	\$32.00	DWEB.245	\$298,000
Drilling Liner				DWEB.145	\$0
Drilling Liner				DWEB.145	\$0
Production Casing or Liner	4 1/2"	8000.00	\$15.00		
Production Tie-Back				DWEA.100	\$120,000
Tubing	2 7/8"	9000.00	\$8.00	DWEA.130	\$0
				DWEA.105	\$72,000
N/C Well Equipment				DWEA.115	\$30,000
Wellhead, Tree, Chokes				DWEB.115	\$26,000
Liner Hanger, Isolation Packer				DWEB.160	\$0
Packer, Nipples				DWEA.125	\$0
Pumping Unit, Engine				DWEA.130	\$260,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.100	\$120,000
				DLEQ.105	\$50,000
Tangible - Lease Equipment					
N/C Lease Equipment				DLEQ.115	\$38,500
Tanks, Tanks Steps, Stairs				DLEQ.120	\$0
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$22,580
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130	\$14,500
Offshore Production Structure for Facilities				DWEA.135	\$0
Pipeline to Sales				DWEA.140	\$0
<b>Total Tangibles</b>			<b>\$478,000</b>		<b>\$746,580</b>

P&A Costs	D1DC.295	\$0	D1CC.275	\$0	\$0
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<b>Total Cost</b>		<b>\$3,589,000</b>		<b>\$3,840,180</b>	<b>\$7,429,180</b>
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