



Authorization For Expenditure

Company Entity: Cimarex Energy Co. Date Prepared: January 18, 2013

Region: Permian Well Name: Independence Well No.: #1H Prospect or Field Name: Caprock Property Number: Drilling AFE No.:

Location: SHL: 510' FNL & 2310' FEL, SEC 8 / 155 / 31E County: Chaves State: NM Off Gas: x Expl: x Type Well: Prod

Estimate Type: Original Estimate Revised Estimate Supplemental Estimate Est. Start Date: Est. Comp Date: Formation: Abo Td Measured Depth: 16,100' Td Vertical Depth: 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
Total Intangible Costs	\$3,111,000	\$3,093,600	\$6,204,600

Tangibles			
Well Equipment	\$478,000	\$571,000	\$1,149,000
Lease Equipment		\$75,580	\$75,580
Total Tangible Well Cost	\$478,000	\$746,580	\$1,224,580

Plug and Abandon Cost			
	\$0	\$0	\$0

Total Well Cost			
	\$3,589,000	\$3,840,180	\$7,429,180

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
Steve Heitzman	Larry Selgrist	Roger Alexander

Joint Interest Approval

Date	Date

Oil Conservation Commission
Case No. 5
Exhibit No. 5



Project Cost Estimate

Lease Name: Independence

Well No.: #1H

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.100	\$70,000	DICC.100	\$10,000	\$80,000
Damages	DICC.105	\$5,000	DICC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	DICC.235	\$90,000	DICC.235	\$105,000	\$195,000
Day Rate 34 DH Days 5 ACP Days @ 24,500 Per Day	DICC.115	\$833,000	DICC.120	\$123,000	\$956,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC.120	\$45,000			\$45,000
Bits	DICC.125	\$125,000	DICC.125	\$0	\$125,000
Fuel \$3.50 Per Gallon 1500 Gallons Per Day	DICC.125	\$184,000	DICC.130	\$26,000	\$210,000
Water / Completion Fluids	DICC.140	\$20,000	DICC.135	\$5,000	\$25,000
Mud & Additives	DICC.145	\$180,000			\$180,000
Surface Rentals 1,500 Per Day	DICC.150	\$53,000	DICC.140	\$180,000	\$233,000
Downhole Rentals	DICC.155	\$159,000	DICC.145	\$10,000	\$169,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160	\$0			\$0
Mud Logging 24 Days @ 1,200 Per Day	DICC.170	\$32,000			\$32,000
Open Hole Logging	DICC.180	\$25,000			\$25,000
Cementing & Float Equipment	DICC.185	\$180,000	DICC.155	\$0	\$180,000
Tubular Inspections	DICC.190	\$10,000	DICC.160	\$2,000	\$12,000
Casing Crews	DICC.195	\$23,000	DICC.165	\$18,000	\$41,000
Extra Labor, Welding, Etc	DICC.200	\$20,000	DICC.170	\$8,000	\$28,000
Land Transportation (Trucking)	DICC.205	\$15,000	DICC.175	\$20,000	\$35,000
Supervision 3,600 Per Day	DICC.210	\$140,000	DICC.180	\$30,000	\$170,000
Trailer House / Camp / Catering 800 Per Day	DICC.280	\$37,000	DICC.235	\$5,000	\$42,000
Other Misc Expenses	DICC.270	\$1,000	DICC.190	\$35,000	\$36,000
Overhead 300 Per Day	DICC.225	\$10,000	DICC.185	\$2,000	\$12,000
Remedial Cementing	DICC.231	\$0	DICC.235	\$0	\$0
MOB/DEMOB	DICC.240	\$250,000			\$250,000
Directional Drilling Services Days @ Per Day	DICC.245	\$355,000			\$355,000
Back, Dispatcher, Crane	DICC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DICC.275	\$0	DICC.250	\$0	\$0
Solids Control 1,100 Per Day	DICC.260	\$37,000			\$37,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$50,000	DICC.240	\$60,000	\$110,000
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245	\$0	\$0
Completion Rig 12 Days @ 4,000 Per Day			DICC.135	\$48,000	\$48,000
Coil Tubing 3 Days @ 50,000 Per Day			DICC.260	\$150,000	\$150,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.260	\$50,000	\$50,000
Simulation			DICC.210	\$1,876,000	\$1,876,000
Legal / Regulatory / Curative	DICC.100	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DICC.285	\$6,000			\$6,000
Contingency 5% of Drilling Intangibles	DICC.495	\$148,000	DICC.220	\$138,000	\$286,000
Construction For Well Equipment			DWEA.110	\$0	\$0
Construction For Lease Equipment			DLEQ.110	\$192,600	\$192,600
Construction For Sales P/L			DICC.265	\$0	\$0
Total Intangible Cost		\$3,111,000		\$3,093,600	\$6,204,600

Tangible - Well Equipment	Size	Feet	\$ / Foot			
Casing						
Drive Pipe				DWER.150	\$0	\$0
Conductor Pipe				DWER.130	\$0	\$0
Water String 13 3/8"	400.00	\$35.00	DWER.155	\$14,000	\$14,000	
Surface Casing 9 5/8"	4000.00	\$35.00	DWER.140	\$140,000	\$140,000	
Intermediate Casing 7"	9300.00	\$32.00	DWER.145	\$298,000	\$298,000	
Drilling Liner				DWER.145	\$0	\$0
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Production Casing or Liner 4 1/2"	8000.00	\$15.00		DWEA.130	\$120,000	\$120,000
Production Tie-Back				DWEA.130	\$0	\$0
Tubing 2 7/8"	9000.00	\$8.00		DWEA.125	\$72,000	\$72,000
N/C Well Equipment				DWEA.115	\$30,000	\$30,000
Wellhead, Tree, Chokes				DWER.115	\$26,000	\$26,000
Liner Hanger, Isolation Packer				DWER.100	\$0	\$0
Packer, Nipples				DWEA.130	\$260,000	\$260,000
Pumping Unit, Engine				DLEQ.106	\$120,000	\$120,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.105	\$50,000	\$50,000
Tangible - Lease Equipment						
N/C Lease Equipment				DLEQ.115	\$38,500	\$38,500
Tanks, Tanks Steps, Stairs				DLEQ.120	\$0	\$0
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$22,580	\$22,580
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130	\$14,500	\$14,500
Offshore Production Structure for Facilities				DWEA.135	\$0	\$0
Pipeline to Sales				DWEA.140	\$0	\$0
Total Tangibles					\$478,000	\$746,580

P&A Costs	DICC.295	\$0	DICC.275	\$0	\$0
Total Cost		\$3,589,000		\$3,840,180	\$7,429,180