



**Magnum Hunter Production, Inc. / Gruy Petroleum Management Co.**  
 wholly owned subsidiaries of Cimarex Energy Co.  
**AUTHORIZATION FOR EXPENDITURE**

COMPANY ENTITY <b>Cimarex Energy Co.</b>				DATE PREPARED <b>08-Feb-06</b>	
REGION <b>S.E. NM</b>	WELL NAME <b>Caudill West 8 Fee</b>	WELL NO <b>2</b>	PROSPECT OR FIELD NAME <b>Star / Denton</b>	PROPERTY NUMBER <b>309499-002</b>	DRILLING AFE NO.
LOCATION: <b>1,250' FNL, 660' FEL, 8-T15S-R36E (same)</b>			BHL SHL	COUNTY <b>Lea</b>	STATE <b>NM</b>
			OIL GAS		TYPE WELL EXPL <input checked="" type="checkbox"/> PROD <input checked="" type="checkbox"/>
ORIGINAL ESTIMATE	<input checked="" type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION	EST. TD (TVD)
REVISED ESTIMATE		<b>15-Apr-06</b>	<b>15-Jun-06</b>	<b>Atoka</b>	<b>12,750'</b>
SUPPLEMENTAL ESTIMATE					

**PROJECT DESCRIPTION:**

**Drill and complete Atoka well.**

- Estimating 2 Fracture treatments in the Morrow zones.
- No hole problems are anticipated.
- Closed loop mud system.

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	<b>\$1,878,563</b>		<b>\$1,878,563</b>
Intangible Completion Costs		<b>564,250</b>	<b>564,250</b>
<b>TOTAL INTANGIBLE COSTS</b>	<b>1,878,563</b>	<b>564,250</b>	<b>2,442,813</b>
<u>TANGIBLES</u>			
Well Equipment	<b>178,500</b>	<b>336,500</b>	<b>515,000</b>
Lease Equipment		<b>41,000</b>	<b>41,000</b>
<b>TOTAL TANGIBLE WELL COST</b>	<b>178,500</b>	<b>377,500</b>	<b>556,000</b>
PLUG AND ABANDON COST	<b>75,000</b>	<b>(75,000)</b>	
<b>TOTAL WELL COST:</b>	<b>\$2,132,063</b>	<b>\$866,750</b>	<b>\$2,998,813</b>

**Comments on Well Costs:**

- 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.

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER **4**

\_\_\_\_\_ I elect to purchase my own well control insurance policy.

Well control insurance procured by Operator, provides, among other terms, for \$1,000,000 (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.

**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 Howard L. Miller, Sr. Drilling/Completion Engineer - Permian Basin	DRILLING DEPT. Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin

JOINT INTEREST APPROVAL		
COMPANY	BY	DATE



PROJECT COST ESTIMATE

LEASE NAME: Caudill West 8 Fee

WELL NO.: 2

INTANGIBLES	Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$40,000	DICC.100	\$2,500	\$42,500
DAMAGES	DIDC.105	10,000	DICC.105		\$10,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	2,500	DICC.235	5,500	\$8,000
DAY RATE 40 DH DAYS 5 ACP DAYS @ 21000 PER DAY	DIDC.115	840,000	DICC.120	105,000	\$945,000
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	8,000			\$8,000
BITS	DIDC.125	65,000	DICC.125		\$65,000
FUEL \$2.25 PER GALLON	DIDC.135	140,000	DICC.130	17,000	\$157,000
WATER / COMPLETION FLUIDS	DIDC.140	20,000	DICC.135	17,500	\$37,500
MUD & ADDITIVES	DIDC.145	60,000			\$60,000
SURFACE RENTALS	DIDC.150	45,000	DICC.140	40,000	\$85,000
DOWNHOLE RENTALS	DIDC.155	60,000	DICC.145	5,000	\$65,000
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	DIDC.160				
MUD LOGGING 22 DAYS @ \$850 PER DAY	DIDC.170	18,700			\$18,700
OPEN HOLE LOGGING	DIDC.180	80,000			\$80,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	35,000	DICC.155	50,000	\$85,000
TUBULAR INSPECTIONS	DIDC.190	5,000	DICC.160	2,500	\$7,500
CASING CREWS	DIDC.195	7,500	DICC.165	6,500	\$14,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	10,000	DICC.170	3,500	\$13,500
LAND TRANSPORTATION (Trucking)	DIDC.205	5,000	DICC.175	7,500	\$12,500
SUPERVISION	DIDC.210	44,000	DICC.180	18,250	\$62,250
TRAILER HOUSE/CAMP/CATERING	DIDC.280	10,000	DICC.255	1,000	\$11,000
OTHER MISC EXPENSES	DIDC.220	2,500	DICC.190	1,000	\$3,500
OVERHEAD	DIDC.225	12,000	DICC.195	3,000	\$15,000
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	120,000			\$120,000
DIRECTIONAL DRILLING SERVICES DAYS @ PER DAY	DIDC.245				
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.260	140,000			\$140,000
WELL CONTROL EQUIP (Snubbing services)	DIDC.265		DICC.240		
FISHING & SIDETRACK OPERATIONS	DIDC.270		DICC.245		
COMPLETION RIG 15 DAYS @ 3500 PER DAY			DICC.115	52,500	\$52,500
COIL TUBING DAYS @ PER DAY			DICC.280		
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.200	35,000	\$35,000
STIMULATION			DICC.210	150,000	\$150,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	5,000	DICC.280		\$5,000
WELL CONTROL INSURANCE \$0.34 PER FOOT	DIDC.285	4,363			\$4,363
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	89,000	DICC.220	26,000	\$115,000
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110		
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	15,000	\$15,000
CONSTRUCTION FOR SALES P/L			DICC.265		
<b>TOTAL INTANGIBLE COST</b>		<b>\$1,878,563</b>		<b>\$564,250</b>	<b>\$2,442,813</b>
<b>TANGIBLE - WELL EQUIPMENT</b>					
<b>CASING</b>	SIZE	FEET	\$/FOOT		
DRIVE PIPE				DWEB.150	
CONDUCTOR PIPE	20"	40	100.00	DWEB.130	4,000
WATER STRING				DWEB.135	
SURFACE CASING	13-3/8"	600	45.00	DWEB.140	27,000
INTERMEDIATE CASING	9-5/8"	4,750	31.00	DWEB.145	147,000
DRILLING LINER				DWEB.145	
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PRODUCTION CASING OR LINER	5-1/2"	12,650	19.40	DWEA.100	245,000
PRODUCTION TIE-BACK				DWEA.100	
TUBING	2-3/8"	12,000	5.15	DWEA.105	62,000
N/C WELL EQUIPMENT				DWEA.115	
WELLHEAD, TREE, CHOKES				DWEB.115	500
LINER HANGER, ISOLATION PACKER				DWEB.100	
PACKER, NIPPLES				DWEA.130	5,000
PUMPING UNIT, ENGINE				DLEQ.100	
LIFT EQUIPMENT (BHP, Rods, Anchors)				DLEQ.105	
<b>TANGIBLE - LEASE EQUIPMENT</b>					
N/C LEASE EQUIPMENT				DLEQ.115	5,000
TANKS, TANKS STEPS, STAIRS				DLEQ.120	10,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	21,000
FLOW LINES (Line Pipe from wellhead to central facility)				DLEQ.130	5,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES				DWEA.135	
PIPELINES TO SALES				DWEA.140	
<b>TOTAL TANGIBLES</b>			<b>\$178,500</b>	<b>\$377,500</b>	<b>\$556,000</b>
P&A COSTS	820.60		75,000	830.60	(75,000)
<b>TOTAL COST</b>			<b>\$2,132,063</b>	<b>\$866,750</b>	<b>\$2,998,813</b>