



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Co.					DATE PREPARED March 8, 2007	
REGION Permian	WELL NAME Pyramid	WELL NO. 1	PROSPECT OR FIELD NAME Star-Denton	PROPERTY NUMBER	DRILLING AFE NO.	
LOCATION SHL 2210' FSL & 430' FWL BHL 330' FSL & 430' FWL Sec 31, T14S, R38E			COUNTY Lea	STATE New Mexico	TYPE WELL OIL <input checked="" type="checkbox"/> EXPL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> PROD <input type="checkbox"/>	
ORIGINAL ESTIMATE	<input checked="" type="checkbox"/>	EST. START DATE	EST. COMP. DATE	FORMATION	EST. TD 9800 TVD 11600' MD	
REVISED ESTIMATE	<input type="checkbox"/>					
SUPPLEMENTAL ESTIMATE						

PROJECT DESCRIPTION:
Drill and complete a horizontal wolfcamp well.

<u>INTANGIBLES</u>	<u>DRY HOLE COST</u>	<u>AFTER CASING POINT</u>	<u>COMPLETED WELL COST</u>
Intangible Drilling Costs	<u>\$2,463,180</u>		<u>\$2,463,180</u>
Intangible Completion Costs		<u>712,750</u>	<u>712,750</u>
TOTAL INTANGIBLE COSTS	<u>2,463,180</u>	<u>712,750</u>	<u>3,175,930</u>
<u>TANGIBLES</u>			
Well Equipment	<u>132,000</u>	<u>474,000</u>	<u>606,000</u>
Lease Equipment		<u>84,000</u>	<u>84,000</u>
TOTAL TANGIBLE WELL COST	<u>132,000</u>	<u>558,000</u>	<u>690,000</u>
PLUG AND ABANDON COST	<u>60,000</u>	<u>(60,000)</u>	
TOTAL WELL COST:	<u>\$2,655,180</u>	<u>\$1,210,750</u>	<u>\$3,865,930</u>

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.

Oil Conservation Division
Case No. 4
Exhibit No. 4

_____ 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.

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.

#VALUE!

CIMAREX ENERGY CO. APPROVAL

PREPARED BY Mark Audas, Sr. Drilling/Completion Engineer Permian Basin	DRILLING AND COMPLETION MANAGER Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
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JOINT INTEREST APPROVAL

COMPANY	BY	DATE
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PROJECT COST ESTIMATE

LEASE NAME: Pyramid

WELL NO.: 1

INTANGIBLES	DRY HOLE		AFTER CASING		COMPLETED WELL COST
	Codes	COST	Codes	POINT	
ROADS & LOCATION PREPARATION / RESTORATION	DIDC.100	\$100,000	DICC.100	\$8,000	\$108,000
DAMAGES	DIDC.105	\$4,000	DICC.105	\$1,000	\$5,000
MUD/FLUIDS DISPOSAL CHARGES	DIDC.255	\$20,000	DICC.235	\$20,000	\$40,000
DAY RATE 46' DH DAYS 5 ACP DAYS @ 17430 PER DAY	DIDC.115	\$801,780	DICC.120	\$87,150	\$888,930
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$8,000			\$8,000
BITS	DIDC.125	\$100,000	DICC.125	\$1,000	\$101,000
FUEL \$2.20 PER GALLON	DIDC.135	\$111,000	DICC.130	\$11,000	\$122,000
WATER / COMPLETION FLUIDS	DIDC.140	\$32,200	DICC.135	\$25,000	\$57,200
MUD & ADDITIVES	DIDC.145	\$64,400			\$64,400
SURFACE RENTALS	DIDC.150	\$69,000	DICC.140	\$45,000	\$114,000
DOWNHOLE RENTALS	DIDC.155	\$144,000	DICC.145	\$10,000	\$154,000
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	DIDC.160				
MUD LOGGING 37 DAYS @ \$900 PER DAY	DIDC.170	\$47,000			\$47,000
OPEN HOLE LOGGING	DIDC.180	\$65,000			\$65,000
CEMENTING & FLOAT EQUIPMENT	DIDC.185	\$50,000	DICC.155	\$40,000	\$90,000
TUBULAR INSPECTIONS	DIDC.190	\$5,000	DICC.160	\$2,500	\$7,500
CASING CREWS	DIDC.195	\$12,000	DICC.165	\$15,000	\$27,000
EXTRA LABOR, WELDING, ETC.	DIDC.200	\$27,600	DICC.170	\$5,000	\$32,600
LAND TRANSPORTATION (Trucking)	DIDC.205	\$32,200	DICC.175	\$7,000	\$39,200
SUPERVISION	DIDC.210	\$51,000	DICC.180	\$18,000	\$69,000
TRAILER HOUSE/CAMP/CATERING	DIDC.280	\$17,000	DICC.255	\$2,500	\$19,500
OTHER MISC EXPENSES	DIDC.220	\$5,000	DICC.190	\$5,000	\$10,000
OVERHEAD	DIDC.225	\$14,000	DICC.195	\$4,200	\$18,200
REMEDIAL CEMENTING	DIDC.231		DICC.215		
MOB/DEMOB	DIDC.240	\$150,000			\$150,000
DIRECTIONAL DRILLING SERVICES 22 DAYS @ 9500 PER DAY	DIDC.245	\$209,000			\$209,000
DOCK, DISPATCHER, CRANE	DIDC.250		DICC.230		
MARINE & AIR TRANSPORTATION	DIDC.275		DICC.250		
SOLIDS CONTROL	DIDC.260	\$166,000			\$166,000
WELL CONTROL EQUIP (Snubbing services)	DIDC.265	\$28,000	DICC.240	\$16,800	\$44,800
FISHING & SIDETRACK OPERATIONS	DIDC.270		DICC.245		
COMPLETION RIG 14 DAYS @ 4400 PER DAY			DICC.115	\$61,600	\$61,600
COIL TUBING DAYS @ PER DAY			DICC.260		
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			DICC.200	\$35,000	\$35,000
STIMULATION			DICC.210	\$220,000	\$220,000
LEGAL/REGULATORY/CURATIVE	DIDC.300	\$10,000	DICC.280		\$10,000
WELL CONTROL INSURANCE \$0.35 PER FOOT	DIDC.285	\$3,000			\$3,000
CONTINGENCY 5% OF DRILLING INTANGIBLES	DIDC.435	\$117,000	DICC.220	\$32,000	\$149,000
CONSTRUCTION FOR WELL EQUIPMENT			DWEA.110	\$1,000	\$1,000
CONSTRUCTION FOR LEASE EQUIPMENT			DLEQ.110	\$39,000	\$39,000
CONSTRUCTION FOR SALES P/L			DICC.265		
TOTAL INTANGIBLE COST		\$2,463,180		\$712,750	\$3,175,930
TANGIBLE - WELL EQUIPMENT					
CASING	SIZE	FEET	\$/FOOT		
DRIVE PIPE	20"	40	100.00	DWEB.150	4,000
CONDUCTOR PIPE				DWEB.130	
WATER STRING				DWEB.135	
SURFACE CASING	13-3/8"	250	42.00	DWEB.140	11,000
INTERMEDIATE CASING	8-5/8"	4,500	23.40	DWEB.145	105,000
DRILLING LINER	7"			DWEB.145	
DRILLING LINER				DWEB.145	
PRODUCTION CASING OR LINER	5 1/2"	9,800	15.90		
PRODUCTION TIE-BACK					
TUBING	2 7/8"	12,000	6.50		
N/C WELL EQUIPMENT				DWEA.100	156,000
WELLHEAD, TREE, CHOKES				DWEA.100	
LINER HANGER, ISOLATION PACKER				DWEA.105	78,000
PACKER, NIPPLES				DWEA.115	\$9,000
PUMPING UNIT, ENGINE				DWEA.120	\$28,000
LIFT EQUIPMENT (BHP, Rods, Anchors)				DWEA.125	
TANGIBLE - LEASE EQUIPMENT					
N/C LEASE EQUIPMENT				DWEA.130	\$110,000
TANKS, TANKS STEPS, STAIRS				DLEQ.100	\$78,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.105	\$15,000
FLOW LINES (Line Pipe from wellhead to central facility)				DLEQ.115	\$44,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES				DLEQ.120	\$21,000
PIPELINES TO SALES				DLEQ.125	\$18,000
				DLEQ.130	\$1,000
				DWEA.135	
				DWEA.140	
TOTAL TANGIBLES					\$690,000
P&A COSTS	DIDC.295	60,000	DICC.275	(60,000)	
TOTAL COST		\$2,655,180		\$1,210,750	\$3,865,930