

**Cimarex Energy Co.**

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

April 8, 2010



**Via: e-mail and U.S. Certified Mail-Return Receipt No. 91 7108 2133 3937 9625 4140**

Chesapeake Exploration, LLC  
Attn: Hugh Brower, Landman  
6100 N. Western Avenue  
Oklahoma City, Oklahoma 73118

**Re: New Well Proposal  
Boxer 3 Fee No. 3  
Section 3, Township 15 South, Range 31 East, N.M.P.M.  
Chaves County, New Mexico**

Dear Hugh:

Cimarex Energy Co. ("Cimarex") hereby proposes to drill the Boxer 3 Fee No. 3 Well at a legal location in the W/2E/2 of Section 3, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

The intended surface hole location for the well is 375' FNL & 1980' FEL of Section 3 and the intended bottom hole location is 330' FSL & 1980' FEL of Section 3. The well is proposed to be drilled vertically to a depth of approximately 8,870' to the lower Abo formation and laterally in a Southerly direction within the formation to the referenced bottom hole location. Total measured depth of the well is proposed to be approximately 13,460' from surface to terminus.

It should be understood that compliance with topography or cultural or environmental concerns, among others, might require modification of Cimarex' intended procedure. Cimarex will advise you of any such modifications.

Enclosed, in duplicate, is our detailed AFE reflecting estimated costs associated with this proposal. If you intend to participate, please approve and return one (1) original of the enclosed AFE. An operating agreement, identical in form to that previously agreed upon and entered into between Cimarex and Chesapeake, will follow under separate cover.

Please call the undersigned with any questions or comments.

Respectfully,  
**Cimarex Energy Co.**

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

Hayden P. Tresner  
Landman



## Authorization For Expenditure

Cimarex Energy Co.

April 1, 2010

Region: Permian Well Name: Boxer 3 Fee Well No.: 3 Prospect or Field Name: Caprock Property Number: Drilling AFE No.:

Location: County: Chaves State: NM Oil: x Gas: x Expl: x Prod: x  
SHL: 375 FNL & 1980 FEL Section 3-155-31E  
BHL: 330 FSL & 1980 FEL Section 3-155-31E

Estimate Type: Original Estimate Revised Estimate Supplemental Estimate  
Estimate Date: 13,460' Abo 8,870'

Project Description: Drill and complete a Lower ABO horizontal well. With pilot hole. 10 stages 4560' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,309,125		\$1,309,125
Completion Costs		\$1,344,980	\$1,344,980
Total Intangible Costs	\$1,309,125	\$1,344,980	\$2,654,105
Tangibles			
Well Equipment	\$167,000	\$809,366	\$976,366
Lease Equipment		\$146,500	\$146,500
Total Tangible Well Cost	\$167,000	\$955,866	\$1,122,866
Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$1,626,125	\$2,150,846	\$3,776,971

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.

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: Mark Audas Drilling and Completion Manager Regional Manager

## Joint Interest Approval

Company: Date:



# Project Cost Estimate

Lease Name: Boxer 3 Fee

Well No.:

3

Intangibles				Dry Hole Cost	After Casing - Completed Well	Cost
Roads & Location Preparation / Restoration				\$30,000	\$3,000	\$33,000
Damages				\$6,000		\$6,000
Mud / Fluids Disposal Charges				\$46,000	\$46,875	\$92,875
Day Rate	35 DH Days	7 ACP Days @	Per Day	\$851,000	\$84,000	\$635,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)				\$5,000		\$5,000
Bits				\$15,000	\$1,000	\$16,000
Fuel	\$0.00 Per Gallon	Gallons Per Day		\$0	\$1,000	\$1,000
Water / Completion Fluids			Per Day	\$30,625	\$58,125	\$88,750
Mud & Additives				\$64,500		\$64,500
Surface Rentals			Per Day	\$31,000	\$67,000	\$98,000
Downhole Rentals				\$36,000	\$14,000	\$50,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)						\$0
Mud Logging	\$850 Days @	30 Per Day		\$30,000		\$30,000
Open Hole Logging				\$35,000		\$35,000
Cementing & Float Equipment				\$40,000	\$20,000	\$60,000
Tubular Inspections				\$5,000	\$3,000	\$8,000
Casing Crews				\$9,000	\$14,000	\$23,000
Extra Labor, Welding, Etc.				\$11,000	\$5,000	\$16,000
Land Transportation (Trucking)				\$21,000	\$4,000	\$25,000
Supervision			Per Day	\$45,000	\$16,000	\$61,000
Trailer House / Camp / Catering		400 Per Day		\$21,000	\$4,000	\$25,000
Other Misc Expenses				\$2,000	\$7,000	\$9,000
Overhead		300 Per Day		\$13,000	\$3,000	\$16,000
Remedial Cementing						\$0
MOB/DEMOB						\$0
Directional Drilling Services	14 Days @	7,800 Per Day		\$130,000		\$130,000
Dock, Dispatcher, Crane						\$0
Marine & Air Transportation						\$0
Solids Control			Per Day	\$46,000		\$46,000
Well Control Equip (Snubbing Svcs.)				\$6,000	\$11,000	\$17,000
Fishing & Sidetrack Operations				\$0		\$0
Completion Rig	7 Days @	3,400 Per Day			\$36,000	\$36,000
Coil Tubing	1 Days @	Per Day			\$33,000	\$33,000
Completion Logging, Perforating, WL Units, WL Surveys					\$8,000	\$8,000
Stimulation					\$670,980	\$670,980
Legal / Regulatory / Curative				\$13,000		\$13,000
Well Control Insurance	\$0.35 Per Foot			\$5,000		\$5,000
Contingency	5% of Drilling Intangibles			\$62,000	\$55,000	\$117,000
Construction For Well Equipment					\$10,000	\$10,000
Construction For Lease Equipment					\$70,000	\$70,000
Construction For Sales P/L					\$100,000	\$100,000
<b>Total Intangible Cost</b>				<b>\$1,309,125</b>	<b>\$1,344,980</b>	<b>\$2,654,105</b>

Intangible - Well Equipment	Size	Feet	S / Foot			
Casing						
Drive Pipe	20 "	40.00	\$0.00	\$0		\$0
Conductor Pipe				\$0		\$0
Water String				\$0		\$0
Surface Casing	13-3/8"	340.00	\$60.46	\$21,000		\$21,000
Intermediate Casing	9 5/8"	3950.00	\$33.26	\$131,000		\$131,000
Drilling Liner				\$0		\$0
Drilling Liner				\$0		\$0
Production Casing or Liner	7"	8500.00	\$35.50	\$304,000		\$304,000
Production Tie-Back	4 1/2"	4600.00	\$14.21	\$65,366		\$65,366
Tubing	2 7/8"	8400.00	\$7.30	\$61,000		\$61,000
N/C Well Equipment				\$7,500		\$7,500
Wellhead, Tree, Chokes				\$15,000	\$10,000	\$25,000
Liner Hanger, Isolation Packer				\$0	\$168,000	\$168,000
Packer, Nipples					\$1,000	\$1,000
Pumping Unit, Engine					\$135,000	\$135,000
Lift Equipment (BHP, Rods, Anchors)					\$57,500	\$57,500
<b>Intangible - Lease Equipment</b>						
N/C Lease Equipment					\$47,250	\$47,250
Tanks, Tanks Steps, Stairs					\$61,500	\$61,500
Battery (Heater Treater, Separator, Gas Treating Equipment)					\$32,250	\$32,250
Flow Lines (Line Pipe from wellhead to central facility)					\$5,500	\$5,500
Offshore Production Structure for Facilities					\$0	\$0
Pipeline to Sales					\$0	\$0
<b>Total Tangibles</b>				<b>\$167,000</b>	<b>\$955,866</b>	<b>\$1,122,866</b>

P&A Costs				\$150,000	\$150,000	\$0
<b>Total Cost</b>				<b>\$1,626,125</b>	<b>\$2,150,846</b>	<b>\$3,776,971</b>

**Cimarex Energy Co.**

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



June 24, 2010

**Via: FedEx Overnight**

Chesapeake Exploration, L.L.C.

Attn: Land Manager

P.O. Box 18496

Oklahoma City, Oklahoma 73154-0496

**Re: Operating Agreement  
Boxer 3 Fee No. 3  
W/2E/2 Section 3-T15S-R31E  
Chaves County, New Mexico**

Dear Working Interest Owner,

Enclosed, for your records, is an operating agreement that has been executed by Cimarex. The operating agreement covers the spacing unit dedicated to the above-captioned well. If you intend to participate in the well, please fully execute the signature page attached atop of the operating agreement and return same to the undersigned at the above-letterhead address. Please do not hesitate to contact Hayden Tresner at either (432) 571-7856 or htresner@cimarex.com if you should have any questions. Thank you.

Sincerely,

**Cimarex Energy Co.**

A handwritten signature in black ink that reads "Samatha Spencer". The signature is written in a cursive, flowing style.

Samatha Spencer

Land Department

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1989

liability of the transferring party for all periods subsequent to the later of the actual date of transfer or the effective date of transfer, but shall in no event limit, diminish, or affect the direct and continuing liability of the transferring party under this agreement and applicable law for all periods prior to such date.

IN WITNESS WHEREOF, this agreement shall be effective as of the 15th day of June, 2010.


Cimarex Energy Co. who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exceptions(s) listed below, is identical to the AAPL Form 610 1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk Inc. No changes, alterations, or modifications other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles II, III, IV, V, VI, VIII, X, XIII and XVI have been made to the form.

OPERATOR:

Cimarex Energy Co.

By: 

Name

Type or Print Name: Roger Alexander 

Title: Attorney-in-Fact

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

NON-OPERATOR(S):

Chesapeake Exploration, L.L.C.

By: \_\_\_\_\_

Name

Type or Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

Chisos, Ltd.

By: \_\_\_\_\_

Name

Type or Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

Pure Energy Group, Inc.

By: \_\_\_\_\_

Name

Type or Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

First Roswell Co.

By: \_\_\_\_\_

Name

Type or Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

By: \_\_\_\_\_

Name

Type or Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

By: \_\_\_\_\_

Name

Type or Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Tax ID or S.S. NO. \_\_\_\_\_

MODEL FORM OPERATING AGREEMENT

Boxer 3 Fee No. 3

OPERATING AGREEMENT

DATED

June 15, 2010,  
Year

OPERATOR: Cimarex Energy Co.

CONTRACT AREA: West-half of the East-half (W/2E/2) of Section 3, Township 15 South, Range 31  
East, N.M.P.M., Chaves County, New Mexico.

COUNTY OR PARISH OF CHAVES, STATE OF NEW MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD.  
FORT WORTH, TEXAS, 76137, APPROVED FORM.