



Authorization For Expenditure

Company/Entity Cimarex Energy Co.	Date Prepared February 25, 2011
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Alaska 29 Fee	2	Paddock Extension-West		

Location	County	State	Type Well		
Sec. 29 - 18S - 26E	Eddy	NM	Oil	X	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Td. Measured Depth
Original Estimate			Glorieta/Yeso	3,000'
Revised Estimate				Td. Vertical Depth
Supplemental Estimate				3,000'

Project Description
Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$387,600		\$387,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$387,600	\$614,000	\$1,001,600

Tangibles			
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$443,600	\$933,500	\$1,377,100
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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 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
Ryan Braxton	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date

Oil Conservation Division
 Case No. 5
 Exhibit No.



Project Cost Estimate

Lease Name: Alaska 29 Fee

Well No.:

2

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost		
Roads & Location Preparation / Restoration	DHC 100	\$30,000	DHC 100	\$3,500	\$23,500		
Damages	DHC 105	\$4,000	DHC 105	\$1,000	\$5,000		
Mud / Fluids Disposal Charges	DHC 235	\$30,000	DHC 235	\$13,000	\$43,000		
Day Rate	5 DH Days	2/1 CP Days	13,500 Per Day	DHC 235	\$68,000	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DHC 235	\$12,000			\$12,000		
Bits	DHC 125	\$15,000	DHC 125	\$0	\$15,000		
Fuel	\$2.80 Per Gallon	800 Gallons Per Day	DHC 125	\$11,000	DHC 125	\$4,000	\$15,000
Water / Completion Fluids		1,900 Per Day	DHC 135	\$10,000	DHC 135	\$63,000	\$73,000
Mud & Additives			DHC 135	\$12,500		\$12,500	
Surface Rentals		1,000 Per Day	DHC 130	\$5,000	DHC 130	\$40,000	\$45,000
Downhole Rentals			DHC 135	\$16,000	DHC 135	\$32,000	\$48,000
Formation Evaluation (DST, Coreing including evaluation, G&G Services)			DHC 135	\$0		\$0	
Mud Logging	\$21 Days @	1,200 Per Day	DHC 130	\$4,500		\$4,500	
Open Hole Logging			DHC 180	\$20,000		\$20,000	
Cementing & Float Equipment			DHC 185	\$15,000	DHC 185	\$20,000	\$35,000
Toolbit Inspections			DHC 185	\$2,000	DHC 185	\$1,000	\$3,000
Casing Crews			DHC 185	\$5,000	DHC 185	\$5,000	\$10,000
Extra Labor, Welding, Etc.			DHC 185	\$3,000	DHC 185	\$10,000	\$13,000
Lease Transportation (Trucking)			DHC 185	\$3,000	DHC 185	\$5,000	\$8,000
Supervision		Per Day	DHC 185	\$12,600	DHC 185	\$12,000	\$24,600
Trailer House / Camp / Catering		700 Per Day	DHC 185	\$4,000	DHC 185	\$1,000	\$5,000
Other Misc Expenses			DHC 185	\$2,000	DHC 185	\$2,000	\$4,000
Overhead		300 Per Day	DHC 185	\$2,000	DHC 185	\$2,000	\$4,000
Removal Cementing			DHC 185	\$0	DHC 185	\$0	
MOB/DEMOS			DHC 185	\$45,000		\$45,000	
Directional Drilling Services		0 Days @	8,000 Per Day	DHC 205	\$0	\$0	
DOG, Dispatcher, Crane			DHC 205	\$0	DHC 205	\$0	
Marine & Air Transportation			DHC 205	\$0	DHC 205	\$0	
Solids Control		3,000 Per Day	DHC 205	\$15,000		\$15,000	
Well Control Equip (Snubbing Svcs)			DHC 205	\$12,000	DHC 205	\$3,500	\$15,500
Logging & Sidetrack Operations			DHC 205	\$0	DHC 205	\$0	
Completion Rig		3 Days @	3,500 Per Day	DHC 205	\$10,500	\$10,500	
Cod Tubing		Days @	Per Day	DHC 205	\$0	\$0	
Completion Logging, Perforating, A/L Units, A/L Surveys			DHC 205	\$10,000	DHC 205	\$10,000	
Stimulation			DHC 205	\$258,000	DHC 205	\$258,000	
Legal / Regulatory / Curative			DHC 205	\$10,000	DHC 205	\$0	\$10,000
Well Control Insurance		\$0.35 Per Foot	DHC 205	\$1,000	DHC 205	\$1,000	
Contingency		5% of Drilling Intangibles	DHC 205	\$18,000	DHC 205	\$26,000	\$44,000
Construction For Well Equipment			DHC 205	\$6,500	DHC 205	\$6,500	
Construction For Lease Equipment			DHC 205	\$52,500	DHC 205	\$52,500	
Construction For Sales P/L			DHC 205	\$5,500	DHC 205	\$5,500	
Total Intangible Cost				\$387,600	\$614,000	\$1,001,600	

Tangible Well Equipment	Size	Feet	\$ / Foot				
Casing							
Drive Pipe	20"	40.00	\$100.00	DHC 210	\$0	\$0	
Conductor Pipe	0"	0.00	\$0.00	DHC 210	\$0	\$0	
Water String	0"	0.00	\$0.00	DHC 210	\$0	\$0	
Surface Casing	8 5/8"	950.00	\$22.18	DHC 210	\$21,000	\$21,000	
Intermediate Casing	0"	0.00	\$0.00	DHC 210	\$0	\$0	
Drilling Liner	0"	0.00	\$0.00	DHC 210	\$0	\$0	
Drilling Liner	0"	0.00	\$0.00	DHC 210	\$0	\$0	
Production Casing or Liner	5 1/2"	3000.00	\$19.93	DHC 210	\$60,000	\$60,000	
Production Tie-Back	0"	0.00	\$0.00	DHC 210	\$0	\$0	
Tubing	2 7/8"	2300.00	\$6.83	DHC 210	\$16,000	\$16,000	
N/C Well Equipment							
Wellhead, Tree, Chokes				DHC 210	\$5,000	\$10,000	\$15,000
Liner Hanger, Isolation Packoff				DHC 210	\$0	\$0	
Packer, Nipples				DHC 210	\$0	\$0	
Pumping Unit, Engine				DHC 210	\$125,000	\$125,000	
Lift Equipment (BHP, Rods, Anchors)				DHC 210	\$62,500	\$62,500	
Tangible Lease Equipment							
N/C Lease Equipment				DHC 210	\$21,000	\$21,000	
Tanks, Tanks Steps Stairs				DHC 210	\$13,500	\$13,500	
Battery (Heater Treater, Separator, Gas Treating Equipment)				DHC 210	\$29,500	\$29,500	
Flow Lines (Line Pipe from wellhead to central facility)				DHC 210	\$5,500	\$5,500	
Offshore Production Structure for Facilities				DHC 210	\$0	\$0	
Pipeline to Sales				DHC 210	\$0	\$0	
Total Tangibles					\$26,000	\$349,500	\$375,500
P&A Costs				DHC 210	\$30,000	-\$30,000	\$0
Total Cost					\$443,600	\$933,500	\$1,377,100