



Authorization For Expenditure

| | |
|---|---|
| Company/Entity Cimarex Energy Co. | Date Prepared February 25, 2011 |
|---|---|

| Region | Well Name | Well No. | Prospect or Field Name | Property Number | Drilling/AFE No. |
|---------|---------------|----------|------------------------|-----------------|------------------|
| Permian | Alaska 29 Fee | 6 | Paddock Extension-West | | |

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

| Estimate Type | Est. Start Date | Est. Comp. Date | Formation | TU Measured Depth |
|-----------------------|-----------------|-----------------|---------------|-------------------|
| Original Estimate | | | Glorieta/Yeso | 3,000' |
| Revised Estimate | | | | TU 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 |
| Total Well Cost | \$443,600 | \$933,500 | \$1,377,100 |

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 therefor. 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 you 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. _____
Exhibit No. _____



Project Cost Estimate

Lease Name: Alaska 29 Fee

Well No.:

6

| Intangibles | Codes | Dry Hole Cost | Codes | After Casing Point | Completed Well Cost | | | |
|--|----------------------------|-----------------------|------------------|--------------------|---------------------|----------|----------|----------|
| Roads & Location Preparation / Restoration | DHCC.100 | \$30,000 | DHCC.100 | \$3,500 | \$33,500 | | | |
| Damages | DHCC.104 | \$4,000 | DHCC.105 | \$1,000 | \$5,000 | | | |
| Mud / Fluids Disposal Charges | DHCC.205 | \$30,000 | DHCC.205 | \$13,000 | \$43,000 | | | |
| Day Rate | 5 DH Days | 2 ACP Days @ | 13,500 Per Day | DHCC.115 | \$68,000 | DHCC.120 | \$27,000 | \$95,000 |
| Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.) | DHCC.120 | \$12,000 | | | \$12,000 | | | |
| Bits | DHCC.125 | \$15,000 | DHCC.125 | \$0 | \$15,000 | | | |
| Fuel | \$2.80 Per Gallon | 800 Gallons Per Day | DHCC.135 | \$11,000 | DHCC.130 | \$4,000 | \$15,000 | |
| Water / Completion Fluids | 1,900 Per Day | DHCC.140 | \$10,000 | DHCC.135 | \$63,000 | \$73,000 | | |
| Mud & Additives | DHCC.145 | \$12,500 | | | \$12,500 | | | |
| Surface Rentals | 1,000 Per Day | DHCC.150 | \$5,000 | DHCC.140 | \$40,000 | \$45,000 | | |
| Downhole Rentals | DHCC.155 | \$16,000 | DHCC.145 | \$32,000 | \$48,000 | | | |
| Formation Evaluation (DST, Coring including evaluation, G&G Services) | DHCC.160 | \$0 | | | \$0 | | | |
| Mud Logging | \$2 Days @ | 1,200 Per Day | DHCC.170 | \$4,500 | | \$4,500 | | |
| Open Hole Logging | DHCC.180 | \$20,000 | | | \$20,000 | | | |
| Cementing & Float Equipment | DHCC.185 | \$15,000 | DHCC.150 | \$20,000 | \$35,000 | | | |
| Tubular Inspections | DHCC.190 | \$2,000 | DHCC.160 | \$1,000 | \$3,000 | | | |
| Casing Crews | DHCC.195 | \$5,000 | DHCC.165 | \$5,000 | \$10,000 | | | |
| Extra Labor, Welding, Etc. | DHCC.200 | \$3,000 | DHCC.170 | \$10,000 | \$13,000 | | | |
| Load Transportation (Trucking) | DHCC.205 | \$3,000 | DHCC.175 | \$5,000 | \$8,000 | | | |
| Supervision | Per Day | DHCC.210 | \$12,600 | DHCC.180 | \$12,000 | \$24,600 | | |
| Trailer House / Camp / Catering | 700 Per Day | DHCC.215 | \$4,000 | DHCC.185 | \$1,000 | \$5,000 | | |
| Other Misc Expenses | DHCC.220 | \$2,000 | DHCC.190 | \$2,000 | \$4,000 | | | |
| Overhead | 300 Per Day | DHCC.225 | \$2,000 | DHCC.195 | \$2,600 | \$4,600 | | |
| Remedial Cementing | DHCC.230 | \$0 | DHCC.200 | \$0 | \$0 | | | |
| MOB/DEM/IOB | DHCC.235 | \$45,000 | | | \$45,000 | | | |
| Directional Drilling Services | 0 Days @ | 8,000 Per Day | DHCC.240 | \$0 | \$0 | | | |
| Dock, Dispatcher, Crane | DHCC.245 | \$0 | DHCC.210 | \$0 | \$0 | | | |
| Marine & Air Transportation | DHCC.250 | \$0 | DHCC.215 | \$0 | \$0 | | | |
| Solids Control | 3,000 Per Day | DHCC.255 | \$15,000 | | \$15,000 | | | |
| Well Control Equip (Snubbing Svcs.) | DHCC.260 | \$12,000 | DHCC.220 | \$3,500 | \$15,500 | | | |
| Fishing & Sidetrack Operations | DHCC.265 | \$0 | DHCC.225 | \$0 | \$0 | | | |
| Completion Rig | 3 Days @ | 3,500 Per Day | DHCC.270 | \$10,500 | \$10,500 | | | |
| Coil Tubing | Days @ | Per Day | | \$0 | \$0 | | | |
| Completion Logging, Perforating, WL Units, WL Surveys | | | | \$10,000 | \$10,000 | | | |
| Stimulation | | | | \$258,000 | \$258,000 | | | |
| Legal / Regulatory / Curative | | | | \$0 | \$10,000 | | | |
| Well Control Insurance | \$0.35 Per Foot | DHCC.275 | \$1,000 | | \$1,000 | | | |
| Contingency | 5% of Drilling Intangibles | DHCC.280 | \$18,000 | DHCC.230 | \$26,000 | \$44,000 | | |
| Construction For Well Equipment | | | | DHVEA.110 | \$6,500 | \$6,500 | | |
| Construction For Lease Equipment | | | | DHVEA.115 | \$52,500 | \$52,500 | | |
| Construction For Sales P/L | | | | DHVEA.120 | \$5,500 | \$5,500 | | |
| Total Intangible Cost | | \$387,600 | | \$614,000 | \$1,001,600 | | | |

| Tangible - Well Equipment | | | | | |
|---|--------|---------|-----------------|-----------|------------------|
| Casing | Size | Feet | \$ / Foot | Codes | Cost |
| Drive Pipe | 20 " | 40.00 | \$100.00 | DHWEA.100 | \$0 |
| Conductor Pipe | 0 " | 0.00 | \$0.00 | DHWEA.105 | \$0 |
| Water String | 0 " | 0.00 | \$0.00 | DHWEA.110 | \$0 |
| Surface Casing | 8 5/8" | 950.00 | \$22.18 | DHWEA.115 | \$21,000 |
| Intermediate Casing | 0 " | 0.00 | \$0.00 | DHWEA.120 | \$0 |
| Drilling Liner | 0 " | 0.00 | \$0.00 | DHWEA.125 | \$0 |
| Drilling Liner | 0 " | 0.00 | \$0.00 | DHWEA.130 | \$0 |
| Production Casing or Liner | 5 1/2" | 3000.00 | \$19.93 | DHWEA.135 | \$60,000 |
| Production Tie-Back | 0 " | 0.00 | \$0.00 | DHWEA.140 | \$0 |
| Tubing | 2 7/8" | 2300.00 | \$6.83 | DHWEA.145 | \$16,000 |
| N/C Well Equipment | | | | DHWEA.150 | \$6,500 |
| Wellhead, Tree, Chokes | | | | DHWEA.155 | \$10,000 |
| Liner Hanger, Isolation Packer | | | | DHWEA.160 | \$0 |
| Packer, Hipples | | | | DHWEA.165 | \$0 |
| Pumping Unit, Engine | | | | DHWEA.170 | \$125,000 |
| Lift Equipment (BHP, Rods, Anchors) | | | | DHWEA.175 | \$62,500 |
| Tangible - Lease Equipment | | | | | |
| N/C Lease Equipment | | | | DHLEA.110 | \$21,000 |
| Tanks, Tanks Steps, Stairs | | | | DHLEA.115 | \$13,500 |
| Battery (Heater Treater, Separator, Gas Treating Equipment) | | | | DHLEA.120 | \$29,500 |
| Flow Lines (Line Pipe from wellhead to central facility) | | | | DHLEA.125 | \$5,500 |
| Offshore Production Structure for Facilities | | | | DHLEA.130 | \$0 |
| Pipeline to Sales | | | | DHLEA.135 | \$0 |
| Total Tangibles | | | \$26,000 | | \$349,500 |

| | | | | | |
|-----------|----------|----------|----------|-----------|-----|
| P&A Costs | DHCC.285 | \$30,000 | DHCC.275 | -\$30,000 | \$0 |
|-----------|----------|----------|----------|-----------|-----|

| | | | | | |
|-------------------|--|------------------|--|------------------|--------------------|
| Total Cost | | \$443,600 | | \$933,500 | \$1,377,100 |
|-------------------|--|------------------|--|------------------|--------------------|