



## Authorization For Expenditure

Company/Entity Cimarex Energy Co.	Date Prepared June 16, 2011
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Region Permian	Well Name Boxer Federal Com	Well No. 1	Prospect or Field Name Abo/Caprock	Property Number	Drilling AFE No.
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Location SHL: 2265 FNL & 375 FEL, Section 3-15S-31E BHL: 2265 FNL & 375 FWL, Section 3-15S-31E	County Chaves	State NM	Oil Gas	x Expl	x Prod
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Estimate Type Original Estimate <input checked="" type="radio"/> Revised Estimate <input type="radio"/> Supplemental Estimate <input type="radio"/>	Est. Start Date	Est. Comp. Date	Formation Abo	Ttl. Measured Depth 13,200' Ttl. Vertical Depth 8,800'
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Project Description Drill and complete a Lower ABO horizontal well. With pilot hole. 4579' VS
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Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$2,008,248		\$2,008,248
Completion Costs		\$2,115,450	\$2,115,450
Total Intangible Costs	\$2,008,248	\$2,115,450	\$4,123,698

Tangibles			
Well Equipment	\$291,000	\$663,500	\$954,500
Lease Equipment		\$127,000	\$127,000
Total Tangible Well Cost	\$291,000	\$790,500	\$1,081,500

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$2,449,248	\$2,755,950	\$5,205,198
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Comments on Well Costs 1. All tubulars, well or lease equipment is priced by COPAS and CEP5 guidelines using the Historic Price Multiplier.
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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.
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☐ 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.
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☐ 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.
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## Cimarex Energy Co. Approval

Prepared by Art Metcalfe	Drilling and Completion Manager Doug Park	Regional Manager Roger Alexander
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## Joint Interest Approval

Company	By	Date
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## Project Cost Estimate

Lease Name: Boxer Federal Com

Well No.: 1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$54,000	DICC.100	\$7,000	\$61,000
Damages	DIDC.105	\$0	DICC.105	\$0	\$0
Mud / Fluids Disposal Charges	DIDC.295	\$72,000	DICC.295	\$52,000	\$124,000
Day Rate 33 DH Days 5 ACP Days @ Per Day	DIDC.115	\$544,748	DICC.120	\$83,000	\$627,748
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$20,000			\$20,000
Bits	DIDC.125	\$72,000	DICC.125	\$5,000	\$77,000
Fuel \$3.85 Per Gallon 1200 Gallons Per Day	DIDC.135	\$175,000	DICC.130	\$26,950	\$201,950
Water / Completion Fluids	DIDC.140	\$6,000	DICC.135	\$60,000	\$66,000
Mud & Additives	DIDC.145	\$92,000			\$92,000
Surface Rentals	DIDC.150	\$169,000	DICC.140	\$175,000	\$344,000
Downhole Rentals	DIDC.155	\$65,000	DICC.145	\$35,000	\$100,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160				\$0
Mud Logging \$18 Days @ 1,150 Per Day	DIDC.170	\$25,000			\$25,000
Open Hole Logging	DIDC.180	\$0			\$0
Cementing & Float Equipment	DIDC.185	\$42,000	DICC.155	\$60,000	\$102,000
Tubular Inspections	DIDC.190	\$20,000	DICC.160	\$2,500	\$22,500
Casing Crews	DIDC.195	\$21,000	DICC.165	\$16,000	\$37,000
Extra Labor, Welding, Etc.	DIDC.200	\$5,000	DICC.170	\$6,000	\$11,000
Land Transportation (Trucking)	DIDC.205	\$17,500	DICC.175	\$23,000	\$40,500
Supervision	DIDC.210	\$56,000	DICC.180	\$27,000	\$83,000
Trailer House / Camp / Catering 425 Per Day	DIDC.280	\$15,000	DICC.255	\$4,000	\$19,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.180	\$15,000	\$17,000
Overhead 202 Per Day	DIDC.225	\$7,000	DICC.195	\$4,000	\$11,000
Remedial Cementing	DIDC.281		DICC.215		\$0
MOB/DEMOB	DIDC.240	\$110,000			\$110,000
Directional Drilling Services 17 Days @ 12,500 Per Day	DIDC.245	\$239,000			\$239,000
Dock, Dispatcher, Crane	DIDC.250		DICC.230		\$0
Marine & Air Transportation	DIDC.275		DICC.250		\$0
Solids Control	DIDC.260	\$55,000			\$55,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$18,000	DICC.240	\$23,000	\$41,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245		\$0
Completion Rig 5 Days @ 4,400 Per Day			DICC.115	\$25,000	\$25,000
Coil Tubing 1 Days @ Per Day			DICC.260	\$52,000	\$52,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$8,000	\$8,000
Stimulation			DICC.210	\$1,220,000	\$1,220,000
Legal / Regulatory / Curative	DIDC.300	\$5,000	DICC.280	\$1,000	\$6,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$96,000	DICC.220	\$97,000	\$193,000
Construction For Well Equipment			DWEA.110	\$8,000	\$8,000
Construction For Lease Equipment			DLEQ.110	\$60,000	\$60,000
Construction For Sales P/L			DICC.265	\$20,000	\$20,000
<b>Total Intangible Cost</b>		<b>\$2,008,248</b>		<b>\$2,115,450</b>	<b>\$4,123,698</b>

Tangible Well Equipment	Size	Feet	\$ / Foot	Codes	Cost	Codes	Cost
Casing	20"	90.00	\$72.00	DWEB.150	\$6,000		\$6,000
Drive Pipe				DWEB.120	\$0		\$0
Conductor Pipe				DWEB.125	\$0		\$0
Water String				DWEB.140	\$15,000		\$15,000
Surface Casing	13-3/8"	350.00	\$42.96	DWEB.145	\$255,000		\$255,000
Intermediate Casing	7"	8530.00	\$29.93	DWEB.145	\$0		\$0
Drilling Liner				DWEB.145	\$0		\$0
Drilling Liner				DWEB.145	\$0		\$0
Production Casing or Liner	4 1/2"	14352.00	\$15.23			DWEA.100	\$222,000
Production Tie-Back						DWEA.100	\$0
Tubing	2 7/8"	8700.00	\$9.94			DWEA.105	\$86,000
N/C Well Equipment						DWEA.115	\$65,000
Wellhead, Tree, Chokes				DWEB.115	\$15,000	DWEA.120	\$20,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0
Packer, Nipples						DWEA.130	\$164,000
Pumping Unit, Engine						DLEQ.100	\$100,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$6,500
Tangible Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$23,000
Tanks, Tanks Steps, Stairs						DLEQ.120	\$58,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$28,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$18,000
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
<b>Total Tangibles</b>					<b>\$291,000</b>		<b>\$790,500</b>

P&A Costs	DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
<b>Total Cost</b>		<b>\$2,449,248</b>		<b>\$2,755,950</b>	<b>\$5,205,198</b>