

Cimarex Energy Co.  
600 N. Marienfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800



July 9, 2012

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 0174**  
**And Facsimile: (432) 683-7441**

DHA, LLC  
Attn: Land Manager  
500 W. Wall Street, Suite 300  
Midland, Texas 79701

A handwritten note enclosed in a hand-drawn circle. The text inside the circle reads "Case 14898" in cursive script.

Re: Kansas 6 Fee No. 1  
Township 19 South, Range 26 East, N.M.P.M.  
Section 6: SE/4SE/4  
Eddy County, New Mexico

To Whom it May Concern:

Enclosed herewith is an itemized schedule of estimated costs to drill, complete and equip the above captioned well (the "Well"). If DHA, LLC ("DHA") would like to participate in the Well as a pooled working interest owner, send a check for DHA's share of well costs to the undersigned within 30 days of your receipt of this letter. Failure to pay your share of estimated well costs will result in DHA being a non-consenting working interest owner in the Well.

A copy of the Compulsory Pooling Order No. R-13490-C is enclosed for your reference.

Regards,

**Cimarex Energy Co.**

A handwritten signature in cursive script that reads "Erin N. Devlin".

Erin N. Devlin  
Contract Landman

Cc: Oil Conservation Division  
Attn: Florene Davidson  
1220 South St. Frances Drive  
Sante Fe, New Mexico 87505

James Bruce



Authorization For Expenditure

Company Entity  
Cimarex Energy Co.

Date Prepared  
September 26, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Kansas 6 Fee	1	Paddock Extension West (EDDY)		

Location	County	State	Type Well			
	Eddy	NM	Oil	x	Expl	X
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl Measured Depth
Original Estimate	<input checked="" type="radio"/>		Penasco Draw San	3,000'
Revised Estimate	<input type="radio"/>		Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate	<input type="radio"/>		Associated Pool	3,000'

**Project Description**  
Drill and complete a Blinebry/Paddock vertical well

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$509,900		\$509,900
Completion Costs		\$1,437,500	\$1,437,500
<b>Total Intangible Costs</b>	<b>\$509,900</b>	<b>\$1,437,500</b>	<b>\$1,947,400</b>

Tangibles			
Well Equipment	\$43,000	\$166,000	\$209,000
Lease Equipment		\$16,000	\$16,000
<b>Total Tangible Well Cost</b>	<b>\$43,000</b>	<b>\$182,000</b>	<b>\$225,000</b>

Plug and Abandon Cost			
	\$30,000	-\$30,000	\$0

Total Well Cost			
	<b>\$582,900</b>	<b>\$1,589,500</b>	<b>\$2,172,400</b>

**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 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
Steve Heitzman	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Kansas 6 Fee

Well No.:

Intangibles					Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration					DIDC.100	\$78,000	DICC.100	\$30,000	\$108,000
Damages					DIDC.105	\$2,500	DICC.105	\$0	\$2,500
Mud / Fluids Disposal Charges					DIDC.255	\$30,000	DICC.235	\$130,000	\$160,000
Day Rate	5	DH Days	2	ACP Days @	DIDC.115	\$75,000	DICC.120	\$30,000	\$105,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$16,000			\$16,000
Bits					DIDC.125	\$13,000	DICC.125	\$0	\$13,000
Fuel	\$3.50	Per Gallon	800	Gallons Per Day	DIDC.135	\$19,000	DICC.130	\$6,000	\$25,000
Water / Completion Fluids					DIDC.140	\$4,000	DICC.135	\$150,000	\$154,000
Mud & Additives					DIDC.145	\$35,000			\$35,000
Surface Rentals					DIDC.150	\$5,000	DICC.140	\$140,000	\$145,000
Downhole Rentals					DIDC.155	\$22,400	DICC.145	\$0	\$22,400
Formation Evaluation (DST, Coring including evaluation, G&G Services)					DIDC.160	\$0			\$0
Mud Logging					DIDC.170	\$6,500			\$6,500
Open Hole Logging					DIDC.180	\$18,000			\$18,000
Cementing & Float Equipment					DIDC.185	\$45,000	DICC.155	\$20,000	\$65,000
Tubular Inspections					DIDC.190	\$3,000	DICC.160	\$2,000	\$5,000
Casing Crews					DIDC.195	\$6,000	DICC.165	\$6,000	\$12,000
Extra Labor, Welding, Etc.					DIDC.200	\$3,000	DICC.170	\$3,000	\$6,000
Land Transportation (Trucking)					DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision					DIDC.210	\$10,500	DICC.180	\$15,000	\$25,500
Trailer House / Camp / Catering					DIDC.210	\$700	DICC.255	\$0	\$4,000
Other Misc Expenses					DIDC.220	\$1,000	DICC.190	\$1,000	\$2,000
Overhead					DIDC.225	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing					DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB					DIDC.240	\$40,000			\$40,000
Directional Drilling Services					DIDC.245	\$0			\$0
Dock, Dispatcher, Crane					DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation					DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control					DIDC.260	\$18,000			\$18,000
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$15,000	DICC.240	\$14,000	\$29,000
Fishing & Sidetrack Operations					DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig							DICC.115	\$10,500	\$10,500
Coil Tubing							DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys							DICC.200	\$24,000	\$24,000
Stimulation							DICC.210	\$670,000	\$670,000
Legal / Regulatory / Curative					DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance					DIDC.235	\$1,000			\$1,000
Contingency					DIDC.435	\$24,000	DICC.220	\$48,000	\$72,000
Construction For Well Equipment							DWEA.110	\$15,000	\$15,000
Construction For Lease Equipment							DLEQ.110	\$58,000	\$58,000
Construction For Sales P/L							DICC.265	\$58,000	\$58,000
<b>Total Intangible Cost</b>						<b>\$509,900</b>		<b>\$1,437,500</b>	<b>\$1,947,400</b>

Tangible - Well Equipment					Codes	Cost	Codes	Cost	Completed Well Cost
Casing	Size	Feet	\$ / Foot						
Drive Pipe				DWEB.150	\$0			\$0	
Conductor Pipe				DWEB.130	\$0			\$0	
Water String				DWEB.135	\$0			\$0	
Surface Casing	9 5/8"	950.00	\$39.77	DWEB.140	\$38,000			\$38,000	
Intermediate Casing				DWEB.145	\$0			\$0	
Drilling Liner				DWEB.145	\$0			\$0	
Drilling Liner				DWEB.145	\$0			\$0	
Production Casing or Liner	5 1/2"	3000.00	\$19.93			DWEA.100	\$60,000	\$60,000	
Production Tie-Back						DWEA.100	\$0	\$0	
Tubing	2 7/8"	2900.00	\$8.10			DWEA.105	\$23,000	\$23,000	
N/C Well Equipment							DWEA.115	\$35,000	\$35,000
Wellhead, Tree, Chokes					DWEB.115	\$5,000	DWEA.120	\$8,000	\$13,000
Liner Hanger, Isolation Packer					DWEB.100	\$0	DWEA.125	\$0	\$0
Packer, Nipples							DWEA.130	\$0	\$0
Pumping Unit, Engine							DLEQ.100	\$20,000	\$20,000
Lift Equipment (BHP, Rods, Anchors)							DLEQ.105	\$20,000	\$20,000
Tangible - Lease Equipment									
N/C Lease Equipment							DLEQ.115	\$0	\$0
Tanks, Tanks Steps, Stairs							DLEQ.120	\$0	\$0
Battery (Heater Treater, Separator, Gas Treating Equipment)							DLEQ.125	\$0	\$0
Flow Lines (Line Pipe from wellhead to central facility)							DLEQ.130	\$10,000	\$10,000
Offshore Production Structure for Facilities							DWEA.135	\$0	\$0
Pipeline to Sales							DWEA.140	\$6,000	\$6,000
<b>Total Tangibles</b>						<b>\$43,000</b>		<b>\$182,000</b>	<b>\$225,000</b>

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
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<b>Total Cost</b>		<b>\$582,900</b>		<b>\$1,589,500</b>	<b>\$2,172,400</b>
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\*\*\* TX REPORT \*\*\*  
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TRANSMISSION OK

TX/RX NO 3197  
RECIPIENT ADDRESS 915757484572  
DESTINATION ID  
ST. TIME 07/09 15:18  
TIME USE 01'26  
PAGES SENT 3  
RESULT OK

**Cimarex Energy Co.**  
600 N. Marlenfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800



July 6, 2012

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 0143**  
**And Facsimile: (575) 748-4572**

Yates Petroleum Corporation  
Attn: Hannah Palomin, Land Manager  
105 S. 4<sup>th</sup> Street  
Artesia, New Mexico 88210

Re: Kansas 6 Fee No. 1  
Township 19 South, Range 26 East, N.M.P.M.  
Section 6: SE/4SE/4  
Eddy County, New Mexico

Dear Hannah:

Enclosed herewith is an itemized schedule of estimated costs to drill, complete and equip the above captioned well (the "Well"). If Yates Petroleum Corporation ("Yates") would like to participate in the Well as a pooled working interest owner, send a check for Yates' share of well costs to the undersigned within 30 days of your receipt of this letter. Failure to pay your share of estimated well costs will result in Yates being a non-consenting working interest owner in the Well.

A copy of the Compulsory Pooling Order No. R-13490-C is enclosed for your reference.

Regards,

**Cimarex Energy Co.**

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800



July 6, 2012

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

Erin N. Devlin  
Contract Landman

Cc: Oil Conservation Division  
Attn: Florene Davidson  
1220 South St. Frances Drive  
Sante Fe, New Mexico 87505

James Bruce



**Authorization For Expenditure**

**Company Entity**  
Cimarex Energy Co.

**Date Prepared**  
September 26, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Kansas 6 Fee	1	Paddock Extension West (EDDY)		

Location	County	State	Type Well	
	Eddy	NM	Oil	x Expl
			Gas	Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate	<input checked="" type="radio"/>		Penasco Draw San	3,000'
Revised Estimate	<input type="radio"/>		Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate	<input type="radio"/>		Associated Pool	3,000'

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Lease Equipment		\$16,000	\$16,000
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Plug and Abandon Cost			
	\$30,000	-\$30,000	\$0

  

Total Well Cost			
	<b>\$582,900</b>	<b>\$1,589,500</b>	<b>\$2,172,400</b>

**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.

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**Comments on AFE**  
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**Cimarex Energy Co. Approval**

Prepared by	Drilling and Completion Manager	Regional Manager
Steve Heitzman	Doug Park	Roger Alexander

**Joint Interest Approval**

Company	By	Date



Project Cost Estimate

Lease Name: Kansas 6 Fee

Well No.: 1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$78,000	DICC.100	\$30,000	\$108,000
Damages	DIDC.105	\$2,500	DICC.105	\$0	\$2,500
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$130,000	\$160,000
Day Rate 5 DH Days 2 ACP Days @ 15,000 Per Day	DIDC.115	\$75,000	DICC.120	\$30,000	\$105,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$16,000			\$16,000
Bits	DIDC.125	\$13,000	DICC.125	\$0	\$13,000
Fuel \$3.50 Per Gallon .800 Gallons Per Day	DIDC.135	\$19,000	DICC.130	\$6,000	\$25,000
Water / Completion Fluids .800 Per Day	DIDC.140	\$4,000	DICC.135	\$150,000	\$154,000
Mud & Additives	DIDC.145	\$35,000			\$35,000
Surface Rentals 1,000 Per Day	DIDC.150	\$5,000	DICC.140	\$140,000	\$145,000
Downhole Rentals	DIDC.155	\$22,400	DICC.145	\$0	\$22,400
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging 3 Days @ 1,200 Per Day	DIDC.170	\$6,500			\$6,500
Open Hole Logging	DIDC.180	\$18,000			\$18,000
Cementing & Float Equipment	DIDC.185	\$45,000	DICC.155	\$20,000	\$65,000
Tubular Inspections	DIDC.190	\$3,000	DICC.160	\$2,000	\$5,000
Casing Crews	DIDC.195	\$6,000	DICC.165	\$6,000	\$12,000
Extra Labor, Welding, Etc.	DIDC.200	\$3,000	DICC.170	\$3,000	\$6,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision 1,500 Per Day	DIDC.210	\$10,500	DICC.180	\$15,000	\$25,500
Trailer House / Camp / Catering 700 Per Day	DIDC.280	\$4,000	DICC.255	\$0	\$4,000
Other Misc Expenses	DIDC.220	\$1,000	DICC.190	\$1,000	\$2,000
Overhead 300 Per Day	DIDC.225	\$2,000	DICC.195	\$2,000	\$4,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$40,000			\$40,000
Directional Drilling Services 0 Days @ 8,000 Per Day	DIDC.245	\$0			\$0
Dock, Dispatcher, Crane	DIDC.250	\$0	DICC.230	\$0	\$0
Marine & Air Transportation	DIDC.275	\$0	DICC.250	\$0	\$0
Solids Control 3,500 Per Day	DIDC.260	\$18,000			\$18,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$15,000	DICC.240	\$14,000	\$29,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 3 Days @ 3,500 Per Day			DICC.115	\$10,500	\$10,500
Coil Tubing 3 Days @ 3,500 Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$24,000	\$24,000
Stimulation			DICC.210	\$670,000	\$670,000
Legal / Regulatory / Curative	DIDC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$1,000			\$1,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$24,000	DICC.220	\$48,000	\$72,000
Construction For Well Equipment			DWEA.110	\$15,000	\$15,000
Construction For Lease Equipment			DLEQ.110	\$58,000	\$58,000
Construction For Sales P/L			DICC.265	\$58,000	\$58,000
<b>Total Intangible Cost</b>		<b>\$509,900</b>		<b>\$1,437,500</b>	<b>\$1,947,400</b>

Tangible - Well Equipment							
Casing	Size	Feet	\$/Foot				
Drive Pipe				DWEB.150	\$0		\$0
Conductor Pipe				DWEB.130	\$0		\$0
Water String				DWEB.135	\$0		\$0
Surface Casing	9 5/8"	950.00	\$39.77	DWEB.140	\$38,000		\$38,000
Intermediate Casing				DWEB.145	\$0		\$0
Drilling Liner				DWEB.145	\$0		\$0
Drilling Liner				DWEB.145	\$0		\$0
Production Casing or Liner	5 1/2"	3000.00	\$19.93			DWEA.100	\$60,000
Production Tie-Back						DWEA.100	\$0
Tubing	2 7/8"	2900.00	\$8.10			DWEA.105	\$23,000
N/C Well Equipment						DWEA.115	\$35,000
Wellhead, Tree, Chokes				DWEB.115	\$5,000	DWEA.120	\$8,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0
Packer, Nipples						DWEA.130	\$0
Pumping Unit, Engine						DLEQ.100	\$20,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$20,000
Tangible - Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$0
Tanks, Tanks Steps, Stairs						DLEQ.120	\$0
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$0
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$10,000
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$6,000
<b>Total Tangibles</b>					<b>\$43,000</b>		<b>\$182,000</b>

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
<b>Total Cost</b>		<b>\$582,900</b>		<b>\$1,589,500</b>	<b>\$2,172,400</b>