

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

RECEIVED OCD

2012 AUG -8 P 12:39

Brooks



August 2, 2012

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 0778

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

Case 14771

RE: Well Proposal under Force Pooling Orders
Montana 1 Fee No. 1,3

Dear Ms. Davidson,

Pursuant to the orders of the Division, R-13589, enclosed are the well proposals sent to Lonesome Oil, LLC. These orders pertain to the W/2SW/4 of Section 1, Township 19 South, Range 25 East, Eddy County, New Mexico, N.M.P.M.

Sincerely,

A handwritten signature in cursive script, appearing to read "Hilary Coder".

Hilary R. Coder
Petroleum Landman

Direct line: 432-571-7887

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



August 2, 2012

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9332 8980
And E-mail

Lonesome Oil, LLC
P.O. Box 50880
Midland, Texas 79710-0880

Re: Well Proposal under Force Pooling Orders - Montana 1 Fee No. 1 and 3
Township 19 South, Range 25 East, N.M.P.M.
Section 1: W/2SW/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 wells (the "Wells"). If Lonesome Oil, LLC ("Lonesome") would like to participate in the Well as a pooled working interest owner, send a check for Lonesome'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 results in Lonesome being a non-consenting working interest owner in the Well.

A copy of the Compulsory Pooling Order No. R-13589 is enclosed for your reference.

Regards,

Cimarex Energy Co.

A handwritten signature in black ink, appearing to read "Hilary R. Coder".

Hilary R. Coder
Petroleum 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	Date Prepared
Cimarex Energy Co.	February 8, 2012

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Montana 1 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	⊙		Penasco Draw San	3,000'
Revised Estimate	○		Andres-Yeso	Ttl Vertical Depth
Supplemental Estimate	○		Associated Pool	3,000'

Project Description
Drill and complete a 3000' Blinebry/Paddock vertical well

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,646,000	\$1,646,000
Total Intangible Costs	\$427,000	\$1,646,000	\$2,073,000

Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$20,000	\$20,000
Total Tangible Well Cost	\$31,000	\$224,000	\$255,000

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$488,000	\$1,840,000	\$2,328,000
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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.
<input type="checkbox"/> 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 re-drilling 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.
<input type="checkbox"/> I elect to take my gas in kind.
<input type="checkbox"/> 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: Montana 1 Fee

Well No.:

1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$60,000	DICC.100	\$5,000	\$65,000
Damages	DIDC.105	\$5,000	DICC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$100,000	\$130,000
Day Rate 3.5 DH Days 1 ACP Days @ 15,000 Per Day	DIDC.115	\$53,000	DICC.120	\$15,000	\$68,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$16,000			\$16,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel \$3.50 Per Gallon 800 Gallons Per Day	DIDC.135	\$15,000	DICC.130	\$3,000	\$18,000
Water / Completion Fluids Per Day	DIDC.140	\$25,000	DICC.135	\$230,000	\$255,000
Mud & Additives	DIDC.145	\$10,000			\$10,000
Surface Rentals 2,000 Per Day	DIDC.150	\$7,000	DICC.140	\$125,000	\$132,000
Downhole Rentals	DIDC.155	\$20,000	DICC.145	\$2,000	\$22,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging 3 Days @ 1,500 Per Day	DIDC.170	\$8,000			\$8,000
Open Hole Logging	DIDC.180	\$0			\$0
Cementing & Float Equipment	DIDC.185	\$22,000	DICC.155	\$25,000	\$47,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$8,000	\$13,000
Extra Labor, Welding, Etc.	DIDC.200	\$9,000	DICC.170	\$5,000	\$14,000
Land Transportation (Trucking)	DIDC.205	\$3,000	DICC.175	\$5,000	\$8,000
Supervision 1,700 Per Day	DIDC.210	\$11,000	DICC.180	\$15,000	\$26,000
Trailer House / Camp / Catering 700 Per Day	DIDC.280	\$5,000	DICC.255	\$0	\$5,000
Other Misc Expenses	DIDC.220	\$1,000	DICC.190	\$10,000	\$11,000
Overhead 300 Per Day	DIDC.225	\$1,000	DICC.195	\$2,000	\$3,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$50,000			\$50,000
Directional Drilling Services 0 Days @ 0 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	\$16,000			\$16,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$7,000	DICC.240	\$14,000	\$21,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 3 Days @ 4,000 Per Day			DICC.115	\$12,000	\$12,000
Coil Tubing Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$30,000	\$30,000
Stimulation			DICC.210	\$900,000	\$900,000
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	\$20,000	DICC.220	\$75,000	\$95,000
Construction For Well Equipment			DWEA.110	\$15,000	\$15,000
Construction For Lease Equipment			DLEQ.110	\$49,000	\$49,000
Construction For Sales P/L			DICC.265	\$0	\$0
Total Intangible Cost		\$427,000		\$1,646,000	\$2,073,000

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	8.5/8"	950.00	\$29.00	DWEB.140	\$28,000			\$28,000
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	\$21.00			DWEA.100	\$63,000	\$63,000
Production Tie-Back						DWEA.100	\$0	\$0
Tubing	2.7/8"	2900.00	\$8.00			DWEA.105	\$23,000	\$23,000
N/C Well Equipment						DWEA.115	\$35,000	\$35,000
Wellhead, Tree, Chokes				DWEB.115	\$3,000	DWEA.120	\$8,000	\$11,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0	\$0
Packer, Nipples						DWEA.130	\$0	\$0
Pumping Unit, Engine						DLEQ.100	\$50,000	\$50,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$25,000	\$25,000
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	\$20,000	\$20,000
Offshore Production Structure for Facilities						DWEA.135	\$0	\$0
Pipeline to Sales						DWEA.140	\$0	\$0
Total Tangibles					\$31,000		\$224,000	\$255,000
P&A Costs				DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost					\$488,000		\$1,840,000	\$2,328,000



Authorization For Expenditure

Company Entity
Cimarex Energy Co.Date Prepared
February 8, 2012

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Montana 1 Fee	3	Paddock Extension West (EDDY)		

Location	County	State	Type Well
	Eddy	NM	Oil <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Gas <input type="checkbox"/> Prod <input type="checkbox"/>

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 3000' Blinebry/Paddock vertical well. Install tank battery.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$427,000		\$427,000
Completion Costs		\$1,847,000	\$1,847,000
Total Intangible Costs	\$427,000	\$1,847,000	\$2,274,000

Tangibles			
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$463,800	\$463,800
Total Tangible Well Cost	\$31,000	\$667,800	\$698,800

Plug and Abandon Cost	\$30,000	-\$30,000	\$0
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Total Well Cost	\$488,000	\$2,484,800	\$2,972,800
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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.
<input type="checkbox"/> 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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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: Montana 1 Fee

Well No.:

3

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$60,000	DICC.100	\$5,000	\$65,000
Damages	DIDC.105	\$5,000	DICC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	DIDC.255	\$30,000	DICC.235	\$100,000	\$130,000
Day Rate 3:5 DH Days 1 ACP Days @ 15,000 Per Day	DIDC.115	\$53,000	DICC.120	\$15,000	\$68,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$16,000			\$16,000
Bits	DIDC.125	\$15,000	DICC.125	\$0	\$15,000
Fuel \$3.50 Per Gallon 800 Gallons Per Day	DIDC.135	\$15,000	DICC.130	\$3,000	\$18,000
Water / Completion Fluids Per Day	DIDC.140	\$25,000	DICC.135	\$230,000	\$255,000
Mud & Additives	DIDC.145	\$10,000			\$10,000
Surface Rentals 2,000 Per Day	DIDC.150	\$7,000	DICC.140	\$125,000	\$132,000
Downhole Rentals	DIDC.155	\$20,000	DICC.145	\$2,000	\$22,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160	\$0			\$0
Mud Logging 3 Days @ 1,500 Per Day	DIDC.170	\$8,000			\$8,000
Open Hole Logging	DIDC.180	\$0			\$0
Cementing & Float Equipment	DIDC.185	\$22,000	DICC.155	\$25,000	\$47,000
Tubular Inspections	DIDC.190	\$2,000	DICC.160	\$1,000	\$3,000
Casing Crews	DIDC.195	\$5,000	DICC.165	\$8,000	\$13,000
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Supervision 1,700 Per Day	DIDC.210	\$11,000	DICC.180	\$15,000	\$26,000
Trailer House / Camp / Catering 700 Per Day	DIDC.280	\$5,000	DICC.255	\$0	\$5,000
Other Misc Expenses	DIDC.220	\$1,000	DICC.190	\$10,000	\$11,000
Overhead 300 Per Day	DIDC.225	\$1,000	DICC.195	\$2,000	\$3,000
Remedial Cementing	DIDC.231	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DIDC.240	\$50,000			\$50,000
Directional Drilling Services 30 Days @ 20 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	\$16,000			\$16,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$7,000	DICC.240	\$14,000	\$21,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245	\$0	\$0
Completion Rig 3 Days @ 4,000 Per Day			DICC.115	\$12,000	\$12,000
Coil Tubing Days @ Per Day			DICC.260	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$30,000	\$30,000
Stimulation			DICC.210	\$900,000	\$900,000
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Well Control Insurance \$0.35 Per Foot	DIDC.285	\$1,000			\$1,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$20,000	DICC.220	\$75,000	\$95,000
Construction For Well Equipment			DWEA.110	\$15,000	\$15,000
Construction For Lease Equipment			DLEQ.110	\$192,000	\$192,000
Construction For Sales P/L			DICC.265	\$58,000	\$58,000
Total Intangible Cost		\$427,000		\$1,847,000	\$2,274,000

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	8 5/8"	950.00	\$29.00	DWEB.140	\$28,000			\$28,000
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	\$21.00			DWEA.100	\$63,000	\$63,000
Production Tie-Back						DWEA.100	\$0	\$0
Tubing	2 7/8"	2900.00	\$8.00			DWEA.105	\$23,000	\$23,000
N/C Well Equipment						DWEA.115	\$35,000	\$35,000
Wellhead, Tree, Chokes				DWEB.115	\$3,000	DWEA.120	\$8,000	\$11,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$0	\$0
Packer, Nipples						DWEA.130	\$0	\$0
Pumping Unit, Engine						DLEQ.100	\$50,000	\$50,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$25,000	\$25,000
Tangible - Lease Equipment								
N/C Lease Equipment						DLEQ.115	\$176,000	\$176,000
Tanks, Tanks Steps, Stairs						DLEQ.120	\$178,000	\$178,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$92,000	\$92,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$12,000	\$12,000
Offshore Production Structure for Facilities						DWEA.135	\$0	\$0
Pipeline to Sales						DWEA.140	\$5,800	\$5,800
Total Tangibles					\$31,000		\$667,800	\$698,800
P&A Costs				DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
Total Cost					\$488,000		\$2,484,800	\$2,972,800