

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

*Ezeanyim*

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August 6, 2012

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 0747**

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

*Case 14847*

RE: Well Proposal under Force Pooling Orders  
Nebraska 1 Fee No. 1 and 3

Dear Ms. Davidson,

Pursuant to the orders of the Division, R-13606 and R-13605, enclosed are the well proposals sent to Yates Petroleum Corporation, Abo Petroleum Corporation and MYCO Industries, Inc. These orders pertain to the E/2SE/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 R. Coder".

Hilary R. Coder  
Petroleum Landman

Direct line: 432-571-7887



**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	Nebraska 1 Fee	3	Paddock Extension West (EDDY)		

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

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

Tangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$31,000	\$204,000	\$235,000
Lease Equipment		\$463,800	\$463,800
<b>Total Tangible Well Cost</b>	<b>\$31,000</b>	<b>\$667,800</b>	<b>\$698,800</b>

Plug and Abandon Cost	Dry Hole Cost	After Casing Point	Completed Well Cost
	\$30,000	-\$30,000	\$0

Total Well Cost	Dry Hole Cost	After Casing Point	Completed Well Cost
	<b>\$488,000</b>	<b>\$2,484,800</b>	<b>\$2,972,800</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 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 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
Steve Heitzman	Doug Park	Roger Alexander

**Joint Interest Approval**

Company	By	Date



Project Cost Estimate

Lease Name: Nebraska 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		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	\$192,000	\$192,000
Construction For Sales P/L				DICC.265	\$58,000	\$58,000
<b>Total Intangible Cost</b>			<b>\$427,000</b>		<b>\$1,847,000</b>	<b>\$2,274,000</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	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
Production Tie-Back					DWEA.100	\$0
Tubing	2 7/8"	2900.00	\$8.00		DWEA.105	\$23,000
N/C Well Equipment					DWEA.115	\$35,000
Wellhead, Tree, Chokes				DWEB.115	\$3,000	\$11,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	\$0
Packer, Nipples					DWEA.130	\$0
Pumping Unit, Engine					DLEQ.100	\$50,000
Lift Equipment (BHP, Rods, Anchors)					DLEQ.105	\$25,000
Tangible - Lease Equipment						
N/C Lease Equipment					DLEQ.115	\$176,000
Tanks, Tanks Steps, Stairs					DLEQ.120	\$178,000
Battery (Heater Treater, Separator, Gas Treating Equipment)					DLEQ.125	\$92,000
Flow Lines (Line Pipe from wellhead to central facility)					DLEQ.130	\$12,000
Offshore Production Structure for Facilities					DWEA.135	\$0
Pipeline to Sales					DWEA.140	\$5,800
<b>Total Tangibles</b>					<b>\$31,000</b>	<b>\$667,800</b>

P&A Costs	DIDC.295	\$30,000	DICC.275	-\$30,000	\$0
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<b>Total Cost</b>		<b>\$488,000</b>		<b>\$2,484,800</b>	<b>\$2,972,800</b>
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