

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

Brooks



February 18, 2013

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 6763

The Dow Chemical Company

Attn: Jere H. Dial

P.O. Box 4286

Houston, Texas 77210-4286

Re: Snoddy Federal No. 22H- Compulsory Pooling Well Proposal
Township 20 South, Range 32 East, N.M.P.M.
Section: 20
Lea County, New Mexico

Dear Pooled Working Interest Owner:


This proposal is being submitted to you in accordance with Compulsory Pooling Order No. R-13676. A copy of the Order is enclosed herewith. As a pooled working interest owner under the Order, you have the right to participate in the above-captioned well (the "Well") by paying your share of estimated well costs within 30 days of your receipt of this proposal.

Accordingly, enclosed herewith is an itemized schedule of estimated costs to drill, complete and equip the Well. If you elect to participate in the Well as a pooled working interest owner, please remit payment for your share of estimated well costs to the attention of the undersigned at the above-letterhead address. Be advised that failure to pay your share of estimated well costs within 30 days of your receipt of this proposal will result in you being a non-consenting working interest owner in the Well.

Please contact the undersigned at (432) 571-7856 if you should have any questions in regard to this proposal.

Respectfully Submitted,

Cimarex Energy Co.


Hayden P. Tresner
Landman

Snoddy Federal No. 22H- Compulsory Pooling Well Proposal

Township 20 South, Range 32 East, N.M.P.M.

Section: 20

Lea County, New Mexico

CC: Oil Conservation Division (Ref. Case No. 14922; Order No. R-13676)

Attn: Florene Davidson

1220 South St. Francis Drive

Santa Fe, New Mexico 87505

James Bruce

P.O. Box 1056

Santa Fe, New Mexico 87504



Authorization For Expenditure

Company Entity
Cimarex Energy Co.Date Prepared
March 1, 2012

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Snoddy Federal	22H	Mitchell		

Location	County	State	Type Well
Est SHL: 797 FNL & 596 FEL Sec 26, 20S-32E Est BHL: 330 FSL & 1986 FWL Sec 26, 20S-32E 990	Lea	NM	Oil x Gas Expl x Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	True Vertical Depth
Original Estimate	⊗		Bone Spring	14,300'
Revised Estimate	○			Vertical Depth
Supplemental Estimate	○			9,900'

Project Description

Drill and complete a Bone spring horizontal well . Potash 4 string design.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$2,066,950		\$2,066,950
Completion Costs		\$2,981,400	\$2,981,400
Total Intangible Costs	\$2,066,950	\$2,981,400	\$5,048,350

Tangibles			
Well Equipment	\$696,000	\$618,500	\$1,314,500
Lease Equipment		\$166,750	\$166,750
Total Tangible Well Cost	\$696,000	\$785,250	\$1,481,250

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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Total Well Cost	\$2,912,950	\$3,616,650	\$6,529,600
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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.

☐ 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.

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
Mark Audas	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Snoddy Federal

Well No.: 22H

Intangibles	Code	Dry Hole Cost	Code	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100	\$60,000	DICC.100	\$3,000	\$63,000
Damages	DIDC.105	\$1,000	DICC.105		\$1,000
Mud / Fluids Disposal Charges	DIDC.255	\$50,000	DICC.255	\$80,000	\$130,000
Day Rate 35 DH Days 3.5 ACP Days @ Per Day	DIDC.115	\$665,000	DICC.120	\$67,000	\$732,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120	\$5,000			\$5,000
Bits	DIDC.125	\$65,000	DICC.125	\$1,000	\$66,000
Fuel \$3.70 Per Gallon Gallons Per Day	DIDC.135	\$117,000	DICC.130	\$1,000	\$118,000
Water / Completion Fluids Per Day	DIDC.140	\$33,250	DICC.135	\$147,000	\$180,250
Mud & Additives	DIDC.145	\$84,700			\$84,700
Surface Rentals Per Day	DIDC.150	\$54,000	DICC.140	\$147,000	\$201,000
Downhole Rentals	DIDC.155	\$125,000	DICC.145	\$36,000	\$161,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160				\$0
Mud Logging \$1,200 Days @ 20 Per Day	DIDC.170	\$28,000			\$28,000
Open Hole Logging	DIDC.180	\$15,000			\$15,000
Cementing & Float Equipment	DIDC.185	\$98,000	DICC.155	\$86,000	\$184,000
Tubular Inspections	DIDC.190	\$5,000	DICC.160	\$5,000	\$10,000
Casing Crews	DIDC.195	\$18,000	DICC.165	\$18,000	\$36,000
Extra Labor, Welding, Etc.	DIDC.200	\$11,000	DICC.170	\$10,400	\$21,400
Land Transportation (Trucking)	DIDC.205	\$11,000	DICC.175	\$7,000	\$18,000
Supervision Per Day	DIDC.210	\$66,000	DICC.180	\$32,000	\$98,000
Trailer House / Camp / Catering Per Day	DIDC.280	\$35,000	DICC.255	\$4,000	\$39,000
Other Misc Expenses	DIDC.220	\$2,000	DICC.190	\$7,000	\$9,000
Overhead 300 Per Day	DIDC.225	\$12,000	DICC.195	\$3,000	\$15,000
Remedial Cementing	DIDC.231		DICC.215		\$0
MOB/DEMOB	DIDC.240	\$110,000			\$110,000
Directional Drilling Services 14 Days @ 12,800 Per Day	DIDC.245	\$204,000			\$204,000
Dock, Dispatcher, Crane	DIDC.250		DICC.230		\$0
Marine & Air Transportation	DIDC.275		DICC.250		\$0
Solids Control Per Day	DIDC.260	\$46,000			\$46,000
Well Control Equip (Snubbing Svcs.)	DIDC.265	\$30,000	DICC.240	\$25,000	\$55,000
Fishing & Sidetrack Operations	DIDC.270	\$0	DICC.245		\$0
Completion Rig 6 Days @ 3,400 Per Day			DICC.115	\$32,000	\$32,000
Coil Tubing 1 Days @ Per Day			DICC.260	\$45,000	\$45,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$70,000	\$70,000
Stimulation			DICC.210	\$2,010,000	\$2,010,000
Legal / Regulatory / Curative	DIDC.300	\$13,000	DICC.280		\$13,000
Well Control Insurance \$0.35 Per Foot	DIDC.285	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DIDC.435	\$98,000	DICC.230	\$50,000	\$148,000
Construction For Well Equipment			DWEA.110	\$10,000	\$10,000
Construction For Lease Equipment			DLEQ.110	\$75,000	\$75,000
Construction For Sales P/L			DICC.265	\$10,000	\$10,000
Total Intangible Cost		\$2,066,950		\$2,981,400	\$5,048,350

Tangible Well Equipment	Size	Feet	\$ / Foot				
Casing							
Drive Pipe	36"	120.00	\$180.00	DWEB.150	\$22,000		\$22,000
Conductor Pipe				DWEB.130	\$0		\$0
Water String	20"	1090.00	\$136.78	DWEB.135	\$149,000		\$149,000
Surface Casing	13-3/8"	3524.00	\$83.03	DWEB.140	\$293,000		\$293,000
Intermediate Casing	9 5/8"	5200.00	\$42.13	DWEB.145	\$219,000		\$219,000
Drilling Liner				DWEB.145	\$0		\$0
Drilling Liner				DWEB.145	\$0		\$0
Production Casing or Liner	5 1/2"	14000.00	\$20.54			DWEA.100	\$291,000
Production Tie-Back						DWEA.100	\$0
Tubing	2 7/8"	9000.00	\$8.14			DWEA.105	\$73,000
N/C Well Equipment						DWEA.115	\$72,500
Wellhead, Tree, Chokes				DWEB.115	\$13,000	DWEA.120	\$18,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	DWEA.125	\$10,000
Packer, Nipples						DWEA.130	\$0
Pumping Unit, Engine						DLEQ.100	\$145,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$9,000
Tangible Lease Equipment							
N/C Lease Equipment						DLEQ.115	\$64,500
Tanks, Tanks Steps, Stairs						DLEQ.120	\$64,250
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$32,500
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$5,500
Offshore Production Structure for Facilities						DWEA.135	\$0
Pipeline to Sales						DWEA.140	\$0
Total Tangibles					\$696,000		\$785,250
							\$1,481,250
P&A Costs				DIDC.295	\$150,000	DICC.275	-\$150,000
							\$0
Total Cost					\$2,912,950		\$3,616,650
							\$6,529,600