

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, TX 79701

MAIN 432.571.7800

McMillan

RECEIVED OCD

2014 DEC 18 P 3:13



December 16, 2014

New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

RE: Colton 7 Fed Com 1
API #30-015-33101
NW/4 Sec. 7-T21S-R27E
Eddy County, New Mexico
OCD Order No. R-13924

Case 15223

VIA Certified Mail No. 91 7199 9991 7033 4368 3540

Gentlemen:

Pursuant to the requirements stated in the subject order, please find attached the requirements as stated in No. 8 (Pooled Working Interest Owners and the Authorization for Expenditure). XTO has elected to participate in this well and has tendered their share of the costs. The well was completed on November 26, 2014. I will furnish you an itemized schedule of costs as soon as possible.

Please feel free to call me should you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nash J. Dowdle, Jr.".

Nash J. Dowdle, Jr.

Petroleum Landman

Tel. 432-571-7857 – Off.

Email: ndowdle@cimarex.com

WORKING INTEREST OWNERSHIP

Colton 7 Fed Com 1 #300013-006		
Fidelity Exploration Prod		0.02307043
Magnum Hunter Production Inc.		0.59495860
XTO (pooled working interest owner)		0.38197097

Total	1.00000000
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XTO Energy Inc.
810 Houston Street
Fort Worth, Texas 76102-6298
(817) 870-2800
(817) 885-1806 Fax

November 24, 2014

Cimarex Energy Co.
600 N. Marienfeld St., Suite 600
Midland, TX 79705-9909
Attn: Nash Dowdle, Jr.

RE: Colton 7 Federal #1
Section 7, T21S-R27E
Eddy County, NM

Dear Mr. Dowdle:

In response to Order No. R-13924, please be advised that XTO Energy Inc. elects to participate in the recompletion of the Colton 7 Federal #1 well. Pursuant to paragraph (9) of that certain Order, enclosed is XTO's check #7648987 in the amount of \$84,873.93 for its share of estimated drilling costs.

Enclosed for your records is an executed AFE and well requirement sheet. XTO Energy Inc. carries its own Operator's extra expense insurance, and therefore should not be billed for this expense.

Should you have any questions, please do not hesitate to contact me at (817) 885-2746 or angie_repka@xtoenergy.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Angie Repka", written over a horizontal line.

Angie Repka, CPL
Division Landman

Cimarex Energy Co. - Recompletion AFE (RC)

AUTHORITY FOR EXPENDITURE (AFE)

DATE: 3/31/2014

PRODUCTION REGION Permian - Carlsbad	LEASE Cotton 7 Federal	WELL NO. 1	EST. START DATE April 9, 2014	EST. COMPL. DATE April 10, 2014	AFE NO. 374260RC
COUNTY Eddy	STATE N.M.	LOCATION 1250' FINL & 2150' FWL Sec 7, T21S, R27E	PROPERTY NO. 305520-017	☒ Cimarex ☐ Key ☐ MHP ☐ Price	

PURPOSE OF EXPENDITURE AND WORK PROCEDURE

PURPOSE: Recompletion to Steam

PROCEDURE: See attached procedure to Recomplete Steam formation

BILLING CATEGORY	INTANGIBLE	TOTAL COST
RECO.100	MISC SITE PREPARATION	
RECO.110	DOCK, DISPATCHER, CRANE	
RECO.115	MUD/FLUIDS DISPOSAL	Water Disposal 2,800
RECO.120	WELL CONTROL EQUIP/SERVICES	5 Day min \$3,500 + 3 Add on Days @ \$1,600 8,500
RECO.125	FISHING & SIDETRACK SERVICES	
RECO.130	MARINE/AIR TRANSPORTATION	
RECO.135	TRAILER, CAMP & CATERING	
RECO.140	COIL TUBING SERVICES	
RECO.145	DAMAGES	
RECO.150	LOCATION RESTORATION	
RECO.155	COMPLETION RIG	9 Days @ \$4,500 40,500
RECO.160	BITS	
RECO.165	FUEL	
RECO.170	WATER, MUD & FLUIDS	4% KCL & FW + 8 days x \$2,000 day 18,000
RECO.175	SURFACE RENTALS	Pipe Rack - \$1,500; Rig Mat - \$1,000; 2 Tanks - \$3,500; Flow Back - 4 days @ \$2,000 14,000
RECO.180	DOWNHOLE RENTALS	Hall - \$4,000; Globe \$3,000 6,000
RECO.185	GEOLOGICAL	
RECO.195	TUBULAR INSPECTIONS	CVD - \$3,500 + 2-7/8" @ \$3,500 7,000
RECO.200	CASING CREWS	
RECO.205	EXTRA LABOR: WELDING, ETC	
RECO.210	TRUCKING	Pipe Racks & Rig Mat - \$3,000; Tubing - \$7,000; Hot Shot - \$1,200 11,500
RECO.215	SUPERVISION	6 Days x \$1,600 day 12,000
RECO.225	OTHER MISC EXPENSES	
RECO.230	OVERHEAD	
RECO.235	LOGGING, PERFORATING, WL UNIT	CIPB, CMT, Perf - FMC Bid 14,000
RECO.240	ACIDIZE, BREAKDOWN	Petroplex Quote 15,000
RECO.245	FRACTURING, STIMULATION	
RECO.250	REMEDIAL CEMENTING	
RECO.255	CONTINGENCY	2 Days of Rentals 25,200
RECO.270	P&A COSTS	
RECO.275	LEGAL/REGULATORY/CURATIVE-ACP	
RECO.345	SHOES/COLLARS/CENTRALIZE	
RECO.355	WELL SURVEY/ELEC LOGGING	
RECO.365	WIRELINE SERVICES	
RECO.385	INSPECTION	
RECO.390	CORROSION CONTROL/SAFETY	
RECO.450	ENGINEERING SERVICES	
RECO.460	DIVING SERVICES	
TOTAL INTANGIBLE COST		172,200

BILLING CATEGORY	TANGIBLE	TOTAL COST
RELW.105	PRODUCTION CSG/TE BACK	
RELW.105	TUBING	New 2-3/8" 4.7# J-55 EUE \$45,300 + Tax 60,000
RELW.110	CONSTRUCTION FOR WELL EQUIP	
RELW.115	M/C WELL EQUIPMENT	
RELW.120	WELLHEAD, TREE, CHOKES	
RELW.125	LINER HANGER, ISOLATION PACKER	
RELW.130	PACKER, NIPPLES	
RELW.155	PUMPING UNIT, ENGINE	
RELW.160	LIFT EQUIP (BHP, RODS, ANCHORS)	
RELW.165	CONSTRUCTION FOR LEASE EQUIP	
RELW.170	M/C LEASE EQUIPMENT	
RELW.175	TANKS	
RELW.180	BATTERY (HTR, TRTR, SEPAR, GAS T)	
RELW.185	FLOW LINES, LINE PIPE	
RELW.190	MISC LEASE EQUIPMENT	
RELW.195	COMPRESSORS	
TOTAL TANGIBLE COST		60,000

TOTAL ESTIMATED COST

\$222,200

INTERNAL APPROVAL

PREPARED BY: Winston Kelly	DATE: 3/31/2014	WORKING INTEREST: 0.977000
APPROVED BY: Keri Barton	4-14-14	NET TOTAL COST: \$217,059
APPROVED BY: Blake Sirgo	4-14-14	
APPROVED BY: Rick White	4/14/14	
APPROVED BY:		

NONOPERATOR APPROVAL

COMPANY: YTD Energy Inc.	APPROVED BY (PRINT NAME): Angie Berke	APPROVED BY (SIGNATURE): [Signature]	DATE: 11-24-14
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NOTICE TO NONOPERATOR: Costs shown on this form are estimates only. In executing this AFE, the consenting party agrees to pay the proportional share of actual costs incurred. Overhead will be charged in accordance with the Joint Operating Agreement.

CIMAREX ENERGY CO.

PRODUCTION AFE ROUTING FORM

Date: 3/31/2014 Production Region: Permian - Carlsbad Exploration Region: _____
 Eff. Date: _____ Comments: Recompletion to Strawn

☒ New
☐ Supplement # _____
☐ Revision # _____

Reason for AFE: Recompletion to Strawn
 Company Entity: Cimarex Energy Co. of Colorado

PROPERTY INFORMATION

Well Name: Colton 7 Federal
 Location: 1250' FNL & 2150' FWL Sec 7, T21S, R
 County/Parish: Eddy
 Prospect: Burlon Flat
 Operator: Cimarex Energy Co. of Colorado

AFE #: 374260RC
 Outside Operated AFE#: _____
 State: NM
 Property #: 309620-017

PROPOSAL

Submitted By: Winston Kelly
 Objective Depth: 10,014' - 230' Formation: Strawn

Type:

☐ New Well: Development ☐ Exploratory ☐ PUD ☐
☒ Remedial: Recomplete ☒ Sidetrack/Deepen ☐ Workover (Exp) ☐ Workover (Cap) ☐
☐ P&A
☐ Facility: _____

Election:

☒ Participate
☐ Non-Consent
☐ Divestiture: Assignment/Lease ☐ Farmout ☐
☐ Acquisition: Production Acquisition ☐

LAND SUMMARY

Regulatory Rules:
 a. Spacing: _____
 b. Pooling: _____
 c. Location Exception: _____
 d. Increased Density: _____
 e. Production Allowable: _____

Operating Agreement: Date: _____ Form: _____
 Non-Consent: _____ Gas Balancing: _____
 Preferential Right: _____ Tax Partnership: _____

Title Work:

a. Title Opinion: _____
 b. Drilling Title Approved By: _____

Deal \ Operational Summary: ☐ Payout Calculation Required

Marketing Information:

a. Prior Deductions: _____
 b. Calls on Production: _____
 c. Facilities: _____

Cimarex Interest(Decimal)	BCP	ACP	BPO	AP01	AP02
Working Interest			0.977000		
Net Revenue Interest			0.737600		
Overriding Royalty Interest					
Royalty Interest					

SUMMARY OF ESTIMATED COSTS

Estimated Cost	Original AFE			Current Estimate	Supplement 1
	Tangible	Intangible	Total	Total	
Gross	\$50,000	\$172,200	\$222,200		
Net to Cimarex					

Generated By: <u>Winston Kelly</u> <i>WK</i> Date: <u>3/31/2014</u> Approved By: <u>Kim Barton</u> <i>KB</i> <u>4-19-14</u> Approved By: <u>Blake Sirgo</u> <i>BAS</i> <u>4-14-14</u> Approved By: <u>Rick White</u> <i>RW</i> <u>4/14/14</u> Approved By: _____ Approved By: _____	Within Region Authority ☐ N VP Approval Obtained (if req'd) ☐ Y WI Expected To Change ☐ N Work Category # ☐ 2-RC
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