



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Company			DATE PREPARED 02-May-06		
REGION Permian	WELL NAME Caudill South 21 Fee	WELL NO. 2H	PROSPECT OR FIELD NAME Star/Denton	PROPERTY NUMBER	DILLING AFE NO.
LOCATION: 2000' FSL & 940' FWL Sec 21, T15S, R37E			COUNTY Lea	STATE New Mexico	TYPE WELL X EXPL OIL CAS X PDCD X
ORIGINAL ESTIMATE	EST. START DATE	EST. COMP. DATE	FORMATION Wolfcamp C	EST. TD (TVD) 12,100'	
REVISED ESTIMATE					
SUPPLEMENTAL ESTIMATE					

PROJECT DESCRIPTION:

Drill and complete a Wolfcamp horizontal well
BHL 1650' FNL & 940' FWL Sec 21, T15S, R37E
12,100' MD/10,617' TVD

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INTANGIBLES	DRY HOLE COST	AFTER CASING POINT	COMPLETED WELL COST
Intangible Drilling Costs	\$2,167,478		\$2,167,478
Intangible Completion Costs		360,444	360,444
TOTAL INTANGIBLE COSTS	2,167,478	360,444	2,527,922
TANGIBLES			
Well Equipment	234,879	706,348	941,226
Lease Equipment		37,500	37,500
TOTAL TANGIBLE WELL COST	234,879	743,848	978,726
PLUG AND ABANDON COST	60,000		60,000
TOTAL WELL COST:	\$2,462,356	\$1,104,291	\$3,566,646

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 Howard Miller Sr. Drilling/Completion Engineer - Permian Basin	DRILLING DEPT. Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin

JOINT INTEREST APPROVAL		
COMPANY	BY	DATE

Oil Conservation Division
Case No. 5
Exhibit No. 5



PROJECT COST ESTIMATE

LEASE NAME: Caudill South 21 Fee

WELL NO.: 2H

INTANGIBLES						Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST		
ROADS & LOCATION PREPARATION / RESTORATION						DICC.100	80,000	DICC.100	5,000	85,000		
DAMAGES						DICC.105	20,000	DICC.105		20,000		
MUD/FLUIDS DISPOSAL CHARGES						DICC.235		DICC.235				
DAY RATE	45	DH Days	5	ACP Days	\$18,500	Per Day	DICC.115	832,500	DICC.120	92,500		
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)						DICC.120	10,000			10,000		
BITS						DICC.125	99,000	DICC.125		99,000		
FUEL	2.75	Per Gal			\$1,000	Gals/Day	DICC.135	123,750	DICC.130	13,750		
WATER / COMPLETION FLUIDS						DICC.140	78,750	DICC.135	21,250	100,000		
MUD & ADDITIVES						DICC.145	47,500			47,500		
SURFACE RENTALS						DICC.150	33,750	DICC.145	7,500	41,250		
DOWNHOLE RENTALS						DICC.155	135,000	DICC.145	18,000	153,000		
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)						DICC.160						
MUD LOGGING						33	Days	\$925	Per Day	DICC.170	30,525	
OPEN HOLE LOGGING						DICC.180	75,000			75,000		
CEMENTING & FLOAT EQUIPMENT						DICC.185	40,000	DICC.155	50,000	90,000		
TUBULAR INSPECTIONS						DICC.190	5,000	DICC.160	8,500	13,500		
CASING CREWS						DICC.195	6,000	DICC.165	12,500	18,500		
EXTRA LABOR, WELDING, ETC.						DICC.200	5,000	DICC.170	5,000	10,000		
LAND TRANSPORTATION (Trucking)						\$375	Per Day	DICC.205	18,875	DICC.175	1,875	
SUPERVISION						\$1,100	Per Day	DICC.210	49,500	DICC.180	11,000	
TRAILER HOUSE/CAMP/CATERING						\$400	Per Day	DICC.280	18,000	DICC.255	2,000	
OTHER MISC EXPENSES								DICC.220		DICC.190		
OVERHEAD							Per Day	DICC.225	13,500	DICC.195	3,000	
REMEDIAL CEMENTING								DICC.231		DICC.215		
MOB/DEMOB								DICC.240	77,000		77,000	
DIRECTIONAL DRILLING SERVICES						13	Days	\$8,500	Per Day	DICC.245	150,500	
DOCK, DISPATCHER, CRANE								DICC.250		DICC.230		
MARINE & AIR TRANSPORTATION								DICC.275		DICC.250		
SOLIDS CONTROL							Per Day	DICC.260	90,000		90,000	
WELL CONTROL EQUIP (Snubbing services)							Per Day	DICC.265	18,000	DICC.240	12,000	
FISHING & SIDETRACK OPERATIONS								DICC.270		DICC.245		
COMPLETION RIG						5	Days	\$3,500	Per Day		DICC.115	17,500
COIL TUBING							Days		Per Day		DICC.260	
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS										DICC.200	25,000	
STIMULATION										DICC.210	45,000	
LEGAL/REGULATORY/CURATIVE								DICC.300	5,000	DICC.280		
WELL CONTROL INSURANCE						\$0.34	Per Foot	12100		DICC.285	4,320	
CONTINGENCY						5%	Of Drilling Intangibles			DICC.435	103,008	
CONSTRUCTION FOR WELL EQUIPMENT										DWEA.110	7,500	
CONSTRUCTION FOR LEASE EQUIPMENT										DLEQ.110	5,000	
CONSTRUCTION FOR SALES P/L										DICC.265		
TOTAL INTANGIBLE COST									2,167,478		360,444	
TANGIBLE - WELL EQUIPMENT												
CASING							SIZE	FEET	\$/FOOT			
DRIVE PIPE										DWEB.150		
CONDUCTOR PIPE							20	40	\$95.06	DWEB.130	3,802	
WATER STRING										DWEB.135		
SURFACE CASING							13 3/8	600	\$42.31	DWEB.140	25,386	
INTERMEDIATE CASING							9 5/8	4750	\$34.63	DWEB.145	164,493	
DRILLING LINER										DWEB.145		
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PRODUCTION CASING OR LINER							7	10975	\$31.30		DWEA.100	343,518
PRODUCTION TIE-BACK							4 1/2	2000	\$12.34		DWEA.100	24,680
TUBING							2 7/8	10500	\$6.30		DWEA.105	66,150
N/C WELL EQUIPMENT											DWEA.115	
WELLHEAD, TREE, CHOKES										DWEB.115	45,000	
LINER HANGER, ISOLATION PACKER										DWEB.100		
PACKER, NIPPLES Peak Iso-Port and Centralizer 6 units											DWEA.125	
PUMPING UNIT, ENGINE											DWEA.130	107,000
LIFT EQUIPMENT (BHP, Rods, Anchors)											DLEQ.100	85,000
TANGIBLE - LEASE EQUIPMENT											DLEQ.105	25,000
N/C LEASE EQUIPMENT											DLEQ.115	5,000
TANKS, TANKS STEPS, STAIRS											DLEQ.120	10,000
BATTERY (Heater Treater, Separator, Gas Treating Equipment)											DLEQ.125	20,000
FLOW LINES (Line Pipe from wellhead to central facility)											DLEQ.130	2,500
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES											DWEA.135	
PIPELINES TO SALES											DWEA.140	
TOTAL TANGIBLES									234,879		743,848	
P&A COSTS									DICC.295	60,000	DICC.275	60,000
TOTAL COST									2,462,356		1,104,291	