



## Authorization For Expenditure

Company/Entity: Cimarex Energy Co. Date Prepared: February 25, 2011

Region: Permian Well Name: Alaska 29 Fee Well No.: 1 Prospect/Field Name: Paddock Extension-West Property Number: Drilling AFE No.:

Location: Sec. 29 - 185 - 26E County: Eddy State: NM Type Well: Oil ☒ Gas ☐ Expl ☒ Prod ☐

Estimate Type: Original Estimate ☒ Revised Estimate ☐ Supplemental Estimate ☐ Est. Start Date: Est. Comp. Date: Formation: Glorieta/Yeso Ttl. Measured Depth: 3,000' Ttl. Vertical Depth: 3,000'

Project Description: Drill and complete a Glorieta/Yeso vertical hole well.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$987,600		\$987,600
Completion Costs		\$614,000	\$614,000
Total Intangible Costs	\$987,600	\$614,000	\$1,601,600

Tangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Well Equipment	\$26,000	\$280,000	\$306,000
Lease Equipment		\$69,500	\$69,500
Total Tangible Well Cost	\$26,000	\$349,500	\$375,500

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
	\$443,600	\$933,500	\$1,377,100

Comments on Well Costs: 1. All tubulars, well or lease equipment is priced by COPAS and CFPS 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.

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.

☐ 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
Ryan Braxton	Doug Park	Roger Alexander

## Joint Interest Approval

Company	By	Date

Oil Conservation Division  
Case No.             
Exhibit No. 2



## Project Cost Estimate

Lease Name: Alaska 29 Fee

Well No.:

1

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC 120	\$30,000	DICC 120	\$3,500	\$33,500
Damages	DICC 125	\$4,000	DICC 125	\$1,000	\$5,000
Fluids Disposal Charges	DICC 125	\$30,000	DICC 125	\$13,000	\$43,000
Day Rate 5 D/H Days 2 ACP Days @ 13,500 Per Day	DICC 115	\$68,000	DICC 120	\$27,000	\$95,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DICC 115	\$12,000			\$12,000
Bits	DICC 125	\$15,000	DICC 125	\$0	\$15,000
Fuel \$2.80 Per Gallon 800 Gallons Per Day	DICC 125	\$11,000	DICC 125	\$4,000	\$15,000
Water / Completion Fluids 1,900 Per Day	DICC 140	\$10,000	DICC 125	\$63,000	\$73,000
Mud & Additives	DICC 145	\$12,500			\$12,500
Surface Rentals 1,000 Per Day	DICC 150	\$5,000	DICC 140	\$40,000	\$45,000
Downhole Rentals	DICC 155	\$16,000	DICC 145	\$32,000	\$48,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC 160	\$0			\$0
Mud Logging \$2 Days @ 1,200 Per Day	DICC 170	\$4,500			\$4,500
Open Hole Logging	DICC 170	\$20,000			\$20,000
Cementing & Float Equipment	DICC 185	\$15,000	DICC 155	\$20,000	\$35,000
Tubular Inspections	DICC 190	\$2,000	DICC 160	\$1,000	\$3,000
Casing Crews	DICC 205	\$5,000	DICC 165	\$5,000	\$10,000
Extra Labor, Welding, Etc.	DICC 205	\$3,000	DICC 170	\$10,000	\$13,000
Land Transportation (Trucking)	DICC 205	\$3,000	DICC 175	\$5,000	\$8,000
Supervision Per Day	DICC 210	\$12,600	DICC 180	\$12,000	\$24,600
Trailer House / Camp / Catering 700 Per Day	DICC 230	\$4,000	DICC 185	\$1,000	\$5,000
Other Misc Expenses	DICC 230	\$2,000	DICC 190	\$2,000	\$4,000
Overhead 300 Per Day	DICC 235	\$2,000	DICC 195	\$2,000	\$4,000
Remedial Cementing	DICC 240	\$0	DICC 205	\$0	\$0
MOB/DEMOB	DICC 240	\$45,000			\$45,000
Directional Drilling Services 0 Days @ 8,000 Per Day	DICC 245	\$0			\$0
Dock, Dispatcher, Crane	DICC 250	\$0	DICC 210	\$0	\$0
Marine & Air Transportation	DICC 255	\$0	DICC 215	\$0	\$0
Solids Control 3,000 Per Day	DICC 260	\$15,000			\$15,000
Well Control Equip (Snubbing Svcs.)	DICC 265	\$12,000	DICC 220	\$3,500	\$15,500
Fishing & Sidetrack Operations	DICC 270	\$0	DICC 225	\$0	\$0
Completion Rig 3 Days @ 3,500 Per Day			DICC 230	\$10,500	\$10,500
Coil Tubing Days @ Per Day			DICC 235	\$0	\$0
Completion Logging, Perforating, WL Units, WL Surveys			DICC 240	\$10,000	\$10,000
Stimulation			DICC 245	\$258,000	\$258,000
Legal / Regulatory / Curative	DICC 250	\$10,000	DICC 250	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DICC 255	\$1,000			\$1,000
Contingency 5% of Drilling Intangibles	DICC 260	\$18,000	DICC 255	\$26,000	\$44,000
Construction For Well Equipment			DICC 260	\$6,500	\$6,500
Construction For Lease Equipment			DICC 265	\$52,500	\$52,500
Construction For Sales P/L			DICC 270	\$5,500	\$5,500
<b>Total Intangible Cost</b>		<b>\$387,600</b>		<b>\$614,000</b>	<b>\$1,001,600</b>

Tangible - Well Equipment					
Casing	Size	Feet	\$ / Foot		
Drive Pipe	20 "	40.00	\$100.00	DWEL 130	\$0
Conductor Pipe	0 "	0.00	\$0.00	DWEL 130	\$0
Water String	0 "	0.00	\$0.00	DWEL 135	\$0
Surface Casing	8 5/8"	950.00	\$22.18	DWEL 140	\$21,000
Intermediate Casing	0 "	0.00	\$0.00	DWEL 145	\$0
Drilling Liner	0 "	0.00	\$0.00	DWEL 145	\$0
Drilling Liner	0 "	0.00	\$0.00	DWEL 145	\$0
Production Casing or Liner	5 1/2"	3000.00	\$19.93	DWEL 150	\$60,000
Production Tie-Back	0 "	0.00	\$0.00	DWEL 150	\$0
Tubing	2 7/8"	2300.00	\$6.83	DWEL 155	\$16,000
N/C Well Equipment				DWEL 155	\$6,500
Wellhead, Tree, Chokes				DWEL 155	\$10,000
Liner Hanger, Isolation Packer				DWEL 160	\$0
Packer, Nipples				DWEL 160	\$0
Pumping Unit, Engine				DWEL 160	\$125,000
Lift Equipment (BHP, Rods, Anchors)				DWEL 165	\$62,500
Tangible - Lease Equipment					
N/C Lease Equipment				DWEL 165	\$21,000
Tanks, Tanks Steps, Stairs				DWEL 170	\$13,500
Battery (Heater Treater, Separator, Gas Treating Equipment)				DWEL 175	\$29,500
Flow Lines (Line Pipe from wellhead to central facility)				DWEL 180	\$5,500
Offshore Production Structure for Facilities				DWEL 185	\$0
Pipeline to Sales				DWEL 190	\$0
<b>Total Tangibles</b>			<b>\$26,000</b>	<b>\$349,500</b>	<b>\$375,500</b>

P&A Costs	DICC 275	\$30,000	DICC 275	-\$30,000	\$0
<b>Total Cost</b>		<b>\$443,600</b>		<b>\$933,500</b>	<b>\$1,377,100</b>