



Authorization For Expenditure

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

Region: Permian Well Name: Alaska 29 Fee Well No: 2 Prospect or Field Name: Paddock Extension-West Property Number: Drilling AFE No:

Location: Sec. 29 - 18S - 26E County: Eddy State: NM Type Well: Oil X Expl X Gas Prod

Estimate Type: Original Estimate Revised Estimate Supplemental Estimate Est. Start Date: Est. Comp Date: Formation: Glorieta/Yeso TD Measured Depth: 3,000' TD 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 | \$387,600 | | \$387,600 |
| Completion Costs | | \$614,000 | \$614,000 |
| Total Intangible Costs | \$387,600 | \$614,000 | \$1,001,600 |

| Tangibles | | | |
|--------------------------|----------|-----------|-----------|
| 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 | | | |
|-----------------------|----------|-----------|-----|
| | \$30,000 | -\$30,000 | \$0 |

| Total 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 CEP 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 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 |
|--------------|---------------------------------|------------------|
| Ryan Braxton | Doug Park | Roger Alexander |

Joint Interest Approval

| Company | By | Date |
|---------|----|------|
| | | |

Oil Conservation Division
Case No. 5
Exhibit No.



Project Cost Estimate

Lease Name: Alaska 29 Fee

Well No.:

2

| Intangibles | Codes | Dry Hole Cost | Codes | After Casing Point | Completed Well Cost |
|--|----------|------------------|----------|--------------------|---------------------|
| Roads & Location Preparation / Restoration | DRPC 100 | \$30,000 | DRPC 100 | \$3,500 | \$23,500 |
| Damages | DRPC 105 | \$4,000 | DRPC 105 | \$1,000 | \$5,000 |
| Mud / Fluids Disposal Charges | DRPC 235 | \$30,000 | DRPC 235 | \$13,000 | \$43,000 |
| Day Rate 5.04 Days 2.12 CP Days 0 13,500 Per Day | DRPC 235 | \$68,000 | DRPC 235 | \$27,000 | \$95,000 |
| Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.) | DRPC 235 | \$12,000 | DRPC 235 | | \$12,000 |
| Bits | DRPC 145 | \$15,000 | DRPC 145 | \$0 | \$15,000 |
| Fuel \$2.80 Per Gallon 800 Gallons Per Day | DRPC 145 | \$11,000 | DRPC 145 | \$4,000 | \$15,000 |
| Water / Completion Fluids 1,900 Per Day | DRPC 145 | \$10,000 | DRPC 145 | \$63,000 | \$73,000 |
| Mud & Additives | DRPC 145 | \$12,500 | DRPC 145 | | \$12,500 |
| Surface Rentals 1,000 Per Day | DRPC 145 | \$5,000 | DRPC 145 | \$40,000 | \$45,000 |
| Downhole Rentals | DRPC 145 | \$16,000 | DRPC 145 | \$32,000 | \$48,000 |
| Formation Evaluation (DST, Coring including evaluation, G&G Services) | DRPC 145 | \$0 | DRPC 145 | | \$0 |
| Mud Logging \$21 Days 0 1,200 Per Day | DRPC 145 | \$4,500 | DRPC 145 | | \$4,500 |
| Open Hole Logging | DRPC 145 | \$20,000 | DRPC 145 | | \$20,000 |
| Cementing & Float Equipment | DRPC 145 | \$15,000 | DRPC 145 | \$20,000 | \$35,000 |
| Trouble Inspections | DRPC 145 | \$2,000 | DRPC 145 | \$1,000 | \$3,000 |
| Casing Crews | DRPC 145 | \$5,000 | DRPC 145 | \$5,000 | \$10,000 |
| Extra Labor, Welding, Etc. | DRPC 145 | \$3,000 | DRPC 145 | \$10,000 | \$13,000 |
| Land Transportation (Trucking) | DRPC 145 | \$3,000 | DRPC 145 | \$5,000 | \$8,000 |
| Supervision Per Day | DRPC 145 | \$12,000 | DRPC 145 | \$12,000 | \$24,000 |
| Trailer House / Camp / Catering 700 Per Day | DRPC 145 | \$4,000 | DRPC 145 | \$1,000 | \$5,000 |
| Other Misc Expenses | DRPC 145 | \$2,000 | DRPC 145 | \$2,000 | \$4,000 |
| Overhead 300 Per Day | DRPC 145 | \$2,000 | DRPC 145 | \$2,000 | \$4,000 |
| Removal Cementing | DRPC 145 | \$0 | DRPC 145 | \$0 | \$0 |
| MOD/DEMOS | DRPC 145 | \$45,000 | DRPC 145 | | \$45,000 |
| Directional Drilling Services 0 Days 0 8,000 Per Day | DRPC 145 | \$0 | DRPC 145 | | \$0 |
| Deck, Dispatcher, Crane | DRPC 145 | \$0 | DRPC 145 | \$0 | \$0 |
| Marine & Air Transportation | DRPC 145 | \$0 | DRPC 145 | \$0 | \$0 |
| Solids Control 3,000 Per Day | DRPC 145 | \$15,000 | DRPC 145 | | \$15,000 |
| Well Control Equip (Snubbing Svcs) | DRPC 145 | \$12,000 | DRPC 145 | \$3,500 | \$15,500 |
| Fishing & Sidetrack Operations | DRPC 145 | \$0 | DRPC 145 | \$0 | \$0 |
| Completion Rig 3 Days 0 3,500 Per Day | DRPC 145 | \$10,500 | DRPC 145 | \$10,500 | \$21,000 |
| Cool Tubing Days 0 Per Day | DRPC 145 | \$0 | DRPC 145 | \$0 | \$0 |
| Completion Logging, Perforating, J/L Units, J/L Surveys | DRPC 145 | \$10,000 | DRPC 145 | \$10,000 | \$20,000 |
| Stimulation | DRPC 145 | \$258,000 | DRPC 145 | \$258,000 | \$516,000 |
| Legal / Regulatory / Curative | DRPC 145 | \$10,000 | DRPC 145 | \$0 | \$10,000 |
| Well Control Insurance \$0.35 Per Foot | DRPC 145 | \$1,000 | DRPC 145 | \$1,000 | \$2,000 |
| Contingency 5% of Drilling Intangibles | DRPC 145 | \$18,000 | DRPC 145 | \$26,000 | \$44,000 |
| Construction For Well Equipment | DRPC 145 | \$6,500 | DRPC 145 | \$6,500 | \$13,000 |
| Construction For Lease Equipment | DRPC 145 | \$52,500 | DRPC 145 | \$52,500 | \$105,000 |
| Construction For Sales P/L | DRPC 145 | \$5,500 | DRPC 145 | \$5,500 | \$11,000 |
| Total Intangible Cost | | \$387,600 | | \$614,000 | \$1,001,600 |

| Tangible Well Equipment | | | | | |
|---|--------|----------|-----------|------------------|------------------|
| | Size | Feet | \$ / Foot | | |
| Casing | | | | | |
| Drive Pipe | 20" | 40.00' | \$100.00 | \$4,000 | \$4,000 |
| Conductor Pipe | 0" | 0.00' | \$0.00 | \$0 | \$0 |
| Water String | 0" | 0.00' | \$0.00 | \$0 | \$0 |
| Surface Casing | 8 5/8" | 950.00' | \$22.18 | \$21,000 | \$21,000 |
| Intermediate Casing | 0" | 0.00' | \$0.00 | \$0 | \$0 |
| Drilling Liner | 0" | 0.00' | \$0.00 | \$0 | \$0 |
| Drilling Liner | 0" | 0.00' | \$0.00 | \$0 | \$0 |
| Production Casing or Liner | 5 1/2" | 3000.00' | \$19.93 | \$60,000 | \$60,000 |
| Production Tie-Back | 0" | 0.00' | \$0.00 | \$0 | \$0 |
| Tubing | 2 7/8" | 2300.00' | \$6.83 | \$16,000 | \$16,000 |
| N/C Well Equipment | | | | \$6,500 | \$6,500 |
| Wellhead, Tree, Chokes | | | | \$10,000 | \$10,000 |
| Inner Hanger, Isolation Packer | | | | \$0 | \$0 |
| Packer, Nipples | | | | \$0 | \$0 |
| Pumping Unit, Engine | | | | \$125,000 | \$125,000 |
| U/I Equipment (BHP, Rods, Anchors) | | | | \$62,500 | \$62,500 |
| Tangible Lease Equipment | | | | | |
| N/C Lease Equipment | | | | \$21,000 | \$21,000 |
| Tanks, Tanks Steps, Stairs | | | | \$13,500 | \$13,500 |
| Battery (Heater Treater, Separator, Gas Treating Equipment) | | | | \$29,500 | \$29,500 |
| Flow Lines (Line Pipe from wellhead to central facility) | | | | \$5,500 | \$5,500 |
| Offshore Production Structure for Facilities | | | | \$0 | \$0 |
| Pipeline to Sales | | | | \$0 | \$0 |
| Total Tangibles | | | | \$349,500 | \$375,500 |

| | | | |
|-------------------|------------------|------------------|--------------------|
| P&A Costs | \$30,000 | -\$30,000 | \$0 |
| Total Cost | \$443,600 | \$933,500 | \$1,377,100 |