



Authorization For Expenditure

Company Entry	Date Prepared
Cimarex Energy Co.	November 16, 2011

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Independence 8 Federal Com	2	Caprock	309742-023.01	251020

Location	County	State	Type Well
SHL 1830 FNL & 2310 FEL Section 8-T155-R31E 1980 FNL & 330 FEL Section 9-T155-R31E	BHLL	Chaves	NM
			Oil <input checked="" type="checkbox"/> Gas <input checked="" type="checkbox"/> Expl <input checked="" type="checkbox"/> Prod <input checked="" type="checkbox"/>

Estimate type	Est. Start Date	Est. Completion Date	Formation	TU Measured Depth
Original Estimate <input checked="" type="radio"/>				15,806'
Revised Estimate <input type="radio"/>			Abo	TU Vertical Depth
Supplemental Estimate <input type="radio"/>				8,850'

Project Description:
Drill and complete a Lower ABO horizontal well (with pilot hole) using rotary Steerable dir tools. Complete with 15 stages 73 62' VS with Peak open hole packer system.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$3,368,320		\$3,368,320
Completion Costs		\$3,674,000	\$3,674,000
Total Intangible Costs	\$3,368,320	\$3,674,000	\$7,042,320

Tangibles			
Well Equipment	\$37,000	\$1,048,889	\$1,085,889
Lease Equipment		\$280,000	\$280,000
Total Tangible Well Cost	\$37,000	\$1,328,889	\$1,365,889

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$3,555,320	\$4,852,889	\$8,408,209

Comments on Well Costs:
1. All tubular, 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.

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
Art Metcalfe	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date

Oil Conservation Division
Case No. 4
Exhibit No. 1

11/16/2011 1:55 PM



Project Cost Estimate

Lease Name: Independence 8 Federal Com

Well No.:

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Intangibles	Code	Dry Hole Cost	Code	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DIOC.109	\$65,000	DICC.100	\$10,000	\$75,000
Damages	DIOC.105	\$2,000	DICC.105		\$2,000
Mud / Fluids Disposal Charges	DIOC.155	\$94,000	DICC.235	\$60,000	\$154,000
Day Rate 40 DH Days 6 ACP Days @ Per Day	DIOC.115	\$690,120	DICC.120	\$104,000	\$794,120
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIOC.170	\$24,000			\$24,000
RTs	DIOC.125	\$130,000	DICC.125	\$2,000	\$132,000
Fuel \$3.50 Per Gallon Gallons Per Day	DIOC.155	\$223,000	DICC.120	\$1,000	\$224,000
Water / Completion Fluids	DIOC.140	\$0	DICC.135	\$140,000	\$140,000
Mud & Additives	DIOC.145	\$140,000			\$140,000
Surface Rentals Per Day	DIOC.150	\$299,000	DICC.140	\$150,000	\$449,000
Downhole Rentals	DIOC.155	\$96,000	DICC.145	\$22,000	\$118,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIOC.160				\$0
Mud Logging \$1,200 Days @ 32 Per Day	DIOC.170	\$42,000			\$42,000
Open Hole Logging	DIOC.180	\$45,000			\$45,000
Cementing & Float Equipment	DIOC.185	\$110,000	DICC.155	\$0	\$110,000
Tubular Inspections	DIOC.190	\$12,000	DICC.160	\$3,000	\$15,000
Casing Crews	DIOC.195	\$12,000	DICC.165	\$18,000	\$30,000
Extra Labor, Welding, Etc.	DIOC.200	\$15,000	DICC.170	\$10,000	\$25,000
Land Transportation (Trucking)	DIOC.205	\$18,000	DICC.175	\$22,000	\$40,000
Supervision Per Day	DIOC.210	\$67,200	DICC.180	\$30,000	\$97,200
Trailer House / Camp / Catering \$80 Per Day	DIOC.220	\$24,000	DICC.235	\$6,000	\$30,000
Other Misc Expenses	DIOC.220	\$2,000	DICC.190	\$12,000	\$14,000
Overhead 250 Per Day	DIOC.235	\$9,000	DICC.195	\$4,000	\$13,000
Remedial Cementing	DIOC.251		DICC.215		\$0
MOB/DEMOS	DIOC.240	\$165,000			\$165,000
Directional Drilling Services 24 Days @ \$1,500 Per Day	DIOC.245	\$816,000			\$816,000
Deck, Dispatcher, Crane	DIOC.150		DICC.230		\$0
Marine & Air Transportation	DIOC.275		DICC.250		\$0
Solids Control 1,550 Per Day	DIOC.280	\$62,000			\$62,000
Well Control Equip (Snubbing Svcs.)	DIOC.285	\$25,000	DICC.240	\$16,000	\$41,000
Fishing & Sidetrack Operations	DIOC.270	\$0	DICC.245		\$0
Completion Rig 5 Days @ 4,400 Per Day			DICC.115	\$34,000	\$34,000
Coff Tubing 1 Days @ Per Day			DICC.260	\$55,000	\$55,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$12,000	\$12,000
Stimulation			DICC.210	\$2,555,000	\$2,555,000
Legal / Regulatory / Curative	DIOC.300	\$15,000	DICC.280		\$15,000
Well Control Insurance \$0.35 Per Foot	DIOC.355	\$6,000			\$6,000
Contingency 5% of Drilling Intangibles	DIOC.435	\$160,000	DICC.220	\$163,000	\$323,000
Construction For Well Equipment			DWEA.110	\$32,000	\$32,000
Construction For Lease Equipment			DLEQ.110	\$98,000	\$98,000
Construction For Sales P/L			DICC.265	\$115,000	\$115,000
Total Intangible Cost		\$3,368,320		\$3,674,000	\$7,042,320

Tangible - Well Equipment	Size	Feet	\$ / Foot			
Casing						
Drive Pipe 20"		40.00	\$173.00	DWEB.150	\$7,000	\$7,000
Conductor Pipe				DWEB.120	\$0	\$0
Water String				DWEB.125	\$0	\$0
Surface Casing 13-3/8"		340.00	\$42.72	DWEB.140	\$15,000	\$15,000
Intermediate Casing 9 5/8"		0.00	\$33.26	DWEB.145	\$0	\$0
Drilling Liner				DWEB.145	\$0	\$0
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Production Casing or Liner 7"		9050.00	\$31.50			
Production Tie-Back 4 1/2"		7450.00	\$15.22			
Tubing 2 7/8"		8400.00	\$8.25			
N/C Well Equipment						
Wellhead, Tree, Chokes				DWEB.115	\$13,000	\$13,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	\$0
Packer, Nipples				DWEA.130	\$225,000	\$225,000
Pumping Unit, Engine				DLEQ.100	\$210,000	\$210,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.105	\$69,000	\$69,000
Tangible - Lease Equipment						
N/C Lease Equipment						
Tanks, Tanks Steps, Stairs				DLEQ.115	\$107,000	\$107,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.120	\$90,000	\$90,000
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.125	\$76,000	\$76,000
Offshore Production Structure for Facilities				DLEQ.130	\$7,000	\$7,000
Pipeline to Sales				DWEA.135	\$0	\$0
Pipeline to Sales				DWEA.140	\$0	\$0
Total Tangibles					\$37,000	\$1,328,889

P&A Costs	DIOC.295	\$150,000	DICC.275	-\$150,000	\$0
Total Cost		\$3,555,320		\$4,852,889	\$8,408,209