

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

*Ezeanyim*

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2012 AUG -3 P 12: 29



July 30, 2012

To: Addressees Listed on Page 2

Re: Case No. 14730; Order No. R-13488  
Boxer 3 Federal Com No. 1 (API# 30-005-29195)  
Township 15 South, Range 31 East, N.M.P.M.  
Section 3: S/2N/2  
Chaves County, New Mexico

Dear Non-Consenting Working Interest Owner:

In accordance with Order No. R-13488, enclosed herewith is an itemized schedule of actual well costs associated with the drilling and completion of the Boxer 3 Federal Com No. 1.

If you should have any questions in regard to this matter, please contact the undersigned at (432) 571-7856.

Sincerely,

**Cimarex Energy Co.**

A handwritten signature in black ink, appearing to read "Hayden P. Tresner".

Hayden P. Tresner  
Landman

// Enclosure

Case No. 14730; Order No. R-13488  
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Township 15 South, Range 31 East, N.M.P.M.  
Section 3: S/2N/2  
Chaves County, New Mexico

Page 2

**Non-Consenting Working Interest Owner Address List**

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0388 8818

Sigyn Lund  
c/o Hilmer H. Graham  
110-55 72nd Street, Apt. 307  
Forrest Hills, New York 11375

Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 0388 8801

Clare L. Fraser  
133 East 64th Street  
New York, New York 10021

Cc: Oil Conservation Division  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Cc: James Bruce  
369 Montezuma, No. 213  
Santa Fe, New Mexico 87501



# Cimarex Energy Co.

## Drilling Accrual Review

Afe Code: 251154  
Property Code: 309742-063.01  
End Date: 01/01/2076

Well Name: BOXER 3 FEDERAL COM 1

| Sub Ledger Description                                     | BCP Code | Afe BCP Cost     | Field BCP Cost   | Invoiced BCP Cost | Invoiced Variance To Field Over/Under | ACP Code | Afe ACP Cost     | Field ACP Cost   | Invoiced ACP Cost | Invoiced Variance To Field Over/Under |
|------------------------------------------------------------|----------|------------------|------------------|-------------------|---------------------------------------|----------|------------------|------------------|-------------------|---------------------------------------|
| Roads & Location Preparation / Restoration                 | DICC.100 | 87,000           | 66,040           | 74,056            | 8,016                                 | DICC.100 | 7,000            | 8,750            | 33,765            | 25,015                                |
| Damages                                                    | DICC.105 | 1,500            | 1,500            | 0                 | -1,500                                | DICC.105 | 0                | 0                | 0                 | 0                                     |
| Mud/Fluids Disposal Charges                                | DICC.255 | 72,000           | 41,625           | 80,085            | 38,460                                | DICC.235 | 120,000          | 25,511           | 85,364            | 59,853                                |
| Day Rate                                                   | DICC.115 | 508,005          | 512,894          | 471,761           | -41,133                               | DICC.120 | 85,000           | 100,890          | 83,266            | -17,624                               |
| Misc Prep Cost (Mouse Hole, Rat Hole, Pads, Pile Clusters) | DICC.120 | 15,000           | 26,614           | 139,425           | 112,810                               |          | 0                | 0                | 0                 | 0                                     |
| Bits                                                       | DICC.125 | 75,000           | 56,250           | 61,877            | 5,627                                 | DICC.125 | 5,000            | 0                | 0                 | 0                                     |
| Fuel                                                       | DICC.135 | 148,000          | 101,230          | 124,116           | 22,886                                | DICC.130 | 24,500           | 17,906           | 17,906            | 0                                     |
| Water 009 / Completion Fluids 109                          | DICC.140 | 6,000            | 41,570           | 0                 | -41,570                               | DICC.135 | 150,000          | 313,350          | 24,855            | -288,495                              |
| Mud & Additives                                            | DICC.145 | 85,000           | 106,809          | 154,352           | 47,543                                |          | 0                | 0                | 0                 | 0                                     |
| Surface Rentals                                            | DICC.150 | 181,000          | 171,331          | 210,016           | 38,685                                | DICC.140 | 210,000          | 217,753          | 284,955           | 67,202                                |
| Downhole Rentals                                           | DICC.155 | 85,000           | 98,189           | 146,730           | 48,541                                | DICC.145 | 25,000           | 34,723           | 14,118            | -20,605                               |
| DSTS, Formation Tests                                      | DICC.160 | 0                | 0                | 0                 | 0                                     |          | 0                | 0                | 0                 | 0                                     |
| Mud Logging                                                | DICC.170 | 32,000           | 30,660           | 46,725            | 16,065                                |          | 0                | 0                | 0                 | 0                                     |
| Open Hole Logging                                          | DICC.180 | 45,000           | 0                | 0                 | 0                                     |          | 0                | 0                | 0                 | 0                                     |
| Cementing, thru Intermediate Casing                        | DICC.185 | 75,000           | 98,003           | 31,120            | -66,883                               | DICC.155 | 0                | 12,299           | 62,284            | 49,985                                |
| Tubular Inspections                                        | DICC.190 | 12,000           | 2,461            | 5,786             | 3,325                                 | DICC.160 | 4,000            | 1,250            | 1,336             | 86                                    |
| Casing Crews                                               | DICC.195 | 20,000           | 16,050           | 23,029            | 6,979                                 | DICC.165 | 16,000           | 16,347           | 14,547            | -1,800                                |
| Extra labor, Welding, etc.                                 | DICC.200 | 12,000           | 21,169           | 11,240            | -9,929                                | DICC.170 | 6,000            | 0                | 12,338            | 12,338                                |
| Trucking                                                   | DICC.205 | 9,000            | 2,002            | 16,043            | 14,041                                | DICC.175 | 18,000           | 12,645           | 17,778            | 5,133                                 |
| Supervision                                                | DICC.210 | 51,200           | 49,050           | 54,297            | 5,247                                 | DICC.180 | 27,000           | 52,900           | 26,953            | -25,947                               |
| Trailer, Camp & Catering                                   | DICC.280 | 21,000           | 16,508           | 39,886            | 23,378                                | DICC.255 | 4,000            | 3,689            | 1,290             | -2,399                                |
| Other misc expenses                                        | DICC.220 | 1,500            | 1,796            | 2,804             | 1,008                                 | DICC.190 | 6,000            | 0                | 77                | 77                                    |
| Overhead                                                   | DICC.225 | 7,000            | 7,000            | 7,350             | 350                                   | DICC.195 | 4,000            | 0                | 6,159             | 6,159                                 |
| Remedial Cementing                                         | DICC.231 | 0                | 1,406            | 1,406             | 0                                     | DICC.215 | 0                | 0                | 0                 | 0                                     |
| Mobilize & Demobilize                                      | DICC.240 | 150,000          | 289,012          | 237,405           | -51,607                               |          | 0                | 0                | 0                 | 0                                     |
| Directional Drilling                                       | DICC.245 | 178,000          | 247,089          | 162,008           | -85,081                               |          | 0                | 0                | 0                 | 0                                     |
| Dock, Dispatcher, Crane                                    | DICC.250 | 0                | 0                | 0                 | 0                                     | DICC.230 | 0                | 0                | 0                 | 0                                     |
| Marine/Air Transportation                                  | DICC.275 | 0                | 0                | 0                 | 0                                     | DICC.250 | 0                | 0                | 0                 | 0                                     |
| Solids Control-Equip/Services                              | DICC.260 | 26,400           | 88,665           | 92,702            | 4,037                                 |          | 0                | 0                | 0                 | 0                                     |
| Well Control-Equip/Services                                | DICC.265 | 20,000           | 14,813           | 28,813            | 14,000                                | DICC.240 | 15,000           | 19,057           | 22,953            | 3,896                                 |
| Fishing & Sidetrack Services                               | DICC.270 | 0                | 0                | 0                 | 0                                     | DICC.245 | 0                | 0                | 0                 | 0                                     |
| Completion Rig                                             |          | 0                | 0                | 0                 | 0                                     | DICC.115 | 34,000           | 42,841           | 56,022            | 13,181                                |
| Coil Tubing                                                |          | 0                | 0                | 0                 | 0                                     | DICC.260 | 95,000           | 0                | 0                 | 0                                     |
| Completion Logging, Perforating                            |          | 0                | 0                | 0                 | 0                                     | DICC.200 | 42,000           | 0                | 0                 | 0                                     |
| Stimulation                                                |          | 0                | 0                | 0                 | 0                                     | DICC.210 | 1,450,000        | 1,128,241        | 1,379,616         | 251,375                               |
| Legal/Regulatory/Curative                                  | DICC.300 | 6,000            | 6,000            | 3,340             | -2,660                                | DICC.280 | 0                | 0                | 2,228             | 2,228                                 |
| Well Control Insurance                                     | DICC.285 | 5,000            | 5,000            | 0                 | -5,000                                |          | 0                | 0                | 0                 | 0                                     |
| Contingency                                                | DICC.435 | 97,000           | 106,037          | 0                 | -106,037                              | DICC.220 | 117,000          | 99,628           | 0                 | -99,628                               |
| Construction For Well Equipment                            |          | 0                | 0                | 0                 | 0                                     | DWEA.110 | 9,000            | 0                | 19,848            | 19,848                                |
| Construction For Lease Equipment                           |          | 0                | 0                | 0                 | 0                                     | DLEQ.110 | 80,000           | 52,450           | 50,001            | -2,449                                |
| Construction For Sales P/L                                 |          | 0                | 0                | 0                 | 0                                     | DICC.265 | 5,000            | 0                | 0                 | 0                                     |
| <b>Intangible</b>                                          |          | <b>2,031,605</b> | <b>2,226,773</b> | <b>2,226,372</b>  | <b>-402</b>                           |          | <b>2,558,500</b> | <b>2,160,230</b> | <b>2,217,662</b>  | <b>57,432</b>                         |
| Drive Pipe                                                 | DWEB.150 | 0                | 0                | 0                 | 0                                     |          | 0                | 0                | 0                 | 0                                     |
| Conductor Pipe                                             | DWEB.130 | 0                | 0                | 0                 | 0                                     |          | 0                | 0                | 0                 | 0                                     |
| Water String                                               | DWEB.135 | 0                | 0                | 0                 | 0                                     |          | 0                | 0                | 0                 | 0                                     |
| Surface Casing                                             | DWEB.140 | 16,000           | 15,422           | 15,681            | 259                                   |          | 0                | 0                | 0                 | 0                                     |
| Intermediate Casing                                        | DWEB.145 | 266,000          | 279,324          | -90               | -279,414                              |          | 0                | 0                | 0                 | 0                                     |
| Production Casing Or Liner                                 |          | 0                | 0                | 0                 | 0                                     | DWEA.100 | 78,000           | 75,865           | 363,655           | 287,790                               |
| Tubing                                                     |          | 0                | 0                | 0                 | 0                                     | DWEA.105 | 70,000           | 0                | 75,431            | 75,431                                |
| N/C Well Equipment                                         |          | 0                | 0                | 0                 | 0                                     | DWEA.115 | 69,000           | 0                | 15,246            | 15,246                                |
| Wellhead, Tree, Chokes                                     | DWEB.115 | 15,000           | 27,843           | 8,263             | -19,580                               | DWEA.120 | 20,000           | 1,313            | 15,004            | 13,591                                |
| Liner Hanger, Isolation Packer                             | DWEB.100 | 0                | 0                | 0                 | 0                                     | DWEA.125 | 0                | 0                | 0                 | 0                                     |
| Packer, Nipples                                            |          | 0                | 0                | 0                 | 0                                     | DWEA.130 | 150,000          | 159,443          | 167,737           | 8,294                                 |
| Pumping Unit, Engine                                       |          | 0                | 0                | 0                 | 0                                     | DLEQ.100 | 100,000          | 0                | 355               | 355                                   |
| Lift Equipment (Bhp, Rods, Anchors)                        |          | 0                | 0                | 0                 | 0                                     | DLEQ.105 | 6,500            | 28,861           | 0                 | -28,861                               |
| Metering Equipment                                         |          | 0                | 0                | 0                 | 0                                     | DLEQ.220 | 0                | 0                | 0                 | 0                                     |
| <b>Tangible - Well Equipment</b>                           |          | <b>297,000</b>   | <b>322,589</b>   | <b>23,853</b>     | <b>-298,735</b>                       |          | <b>493,500</b>   | <b>265,482</b>   | <b>637,429</b>    | <b>371,947</b>                        |
| N/C Lease Equipment                                        |          | 0                | 0                | 0                 | 0                                     | DLEQ.115 | 30,000           | 9,650            | 43,960            | 34,310                                |
| Tanks, Tanks Steps, Stairs                                 |          | 0                | 0                | 0                 | 0                                     | DLEQ.120 | 65,000           | 34,000           | 52,163            | 18,163                                |
| Battery (Heater Treater, Separator,...)                    |          | 0                | 0                | 0                 | 0                                     | DLEQ.125 | 35,000           | 0                | 28,799            | 28,799                                |
| Flow Lines (Line Pipe From Wellhead)                       |          | 0                | 0                | 0                 | 0                                     | DLEQ.130 | 25,000           | 0                | 11,737            | 11,737                                |
| Offshore Production Structure For ...                      |          | 0                | 0                | 0                 | 0                                     | DWEA.135 | 0                | 0                | 0                 | 0                                     |
| Pipeline to Sales                                          |          | 0                | 0                | 0                 | 0                                     | DWEA.140 | 0                | 0                | 0                 | 0                                     |
| <b>Tangible - Lease Equipment</b>                          |          | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>0</b>                              |          | <b>155,000</b>   | <b>43,650</b>    | <b>136,658</b>    | <b>93,008</b>                         |
| P&A Costs                                                  | DICC.295 | 0                | 0                | 0                 | 0                                     | DICC.275 | 0                | 0                | 0                 | 0                                     |
| <b>P&amp;A</b>                                             |          | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>0</b>                              |          | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>0</b>                              |
| <b>Total Costs</b>                                         |          | <b>2,328,605</b> | <b>2,549,362</b> | <b>2,250,225</b>  | <b>-299,137</b>                       |          | <b>3,207,000</b> | <b>2,469,362</b> | <b>2,991,749</b>  | <b>522,388</b>                        |