



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Company					DATE PREPARED Dec 6, 2004	
REGION Midcon	WELL NAME Caudill South 21 Fee	WELL NO 1	PROSPECT OR FIELD NAME Caudill South	PROPERTY NUMBER 309498-001	DRILLING AFE NO. 215012	
LOCATION 1,830' FNL & 1,980' FWL Sec 21 T15S R36E			COUNTY Lea	STATE New Mexico	OIL TYPE WELL X EXPL X GAS PROD	
ORIGINAL ESTIMATE X		EST. START DATE TBA	EST. COMP. DATE TBA	FORMATION Wolfcamp	EST. TO 10,950'	
REVISED ESTIMATE						
SUPPLEMENTAL ESTIMATE						

PROJECT DESCRIPTION:

Drill and complete a 10,950' Wolfcamp oil well. No pipeline cost are included.

OIL CONSERVATION DIVISION

Drill 17-1/2" hole to \pm 600' and run 13-3/8" casing.
Drill 12-1/4" hole to \pm 4,750' and run 9-5/8" casing.
Drill 7-7/8" hole to \pm 10,950', E-Log and run 5-1/2" casing.
Fracture stimulate down casing. Run 2-7/8" tubing and place on pump.

CASE NUMBER

EXHIBIT NUMBER

INTANGIBLES	DRY HOLE COST	AFTER CASING POINT	COMPLETED WELL COST
Intangible Drilling Costs	\$887,500		\$887,500
Intangible Completion Costs		329,900	329,900
TOTAL INTANGIBLE COSTS	887,500	329,900	1,217,400
TANGIBLES			
Well Equipment	146,000	377,000	523,000
Lease Equipment		58,500	58,500
TOTAL TANGIBLE WELL COST	146,000	435,500	581,500
PLUG AND ABANDON COST	15,000	(15,000)	
TOTAL WELL COST:	\$1,048,500	\$750,400	\$1,798,900

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 well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefor. 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 operations authorized hereby. 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 for the benefit of non-operating working interest owners 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 the operations covered by this AFE only, 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.

95.75

CIMAREX ENERGY CO. APPROVAL

PREPARED BY <i>RC</i> 12/6/04 Robert C. Huizenga	V. P. DRILLING Roger G. Bureau	EXECUTIVE V. P. Steve R. Shaw	REGIONAL MANAGER
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JOINT INTEREST APPROVAL

COMPANY	BY	DATE
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PROJECT COST ESTIMATE

LEASE NAME: Caudill South 21 Fee

WELL NO.: 1

Gen	INTANGIBLES	Sub	DRY HOLE COST	Sub	AFTER CASING POINT	COMPLETED WELL COST
168	ROADS & LOCATION PREPARATION / RESTORATION	001	\$40,000	101	\$1,000	\$41,000
168	DAMAGES	002	10,000	102		\$10,000
168	MUD/FLUIDS DISPOSAL CHARGES	039	20,000	139		\$20,000
168	DAY RATE 27 OH DAYS 2 ACP DAYS @ 10000 PER DAY	004	270,000	105	20,000	\$290,000
168	MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)	005	8,000			\$8,000
168	BITS	006	55,000	106		\$55,000
168	FUEL \$1.40 PER GALLON	008	59,000	108	4,000	\$63,000
168	WATER 009/COMPLETION FLUIDS 109	009	4,000	109	35,000	\$39,000
168	MUD & ADDITIVES	010	75,000			\$75,000
168	SURFACE RENTALS	011	30,000	111	3,000	\$33,000
168	DOWNHOLE RENTALS	012	15,000	112		\$15,000
168	FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)	013				
168	MUD LOGGING 12 DAYS @ \$600 PER DAY	015	7,000			\$7,000
168	OPEN HOLE LOGGING	017	65,000			\$65,000
168	CEMENTING & FLOAT EQUIPMENT	018	36,000	118	26,000	\$62,000
168	TUBULAR INSPECTIONS	019	10,000	119	6,000	\$16,000
168	CASING CREWS	020	18,000	120	12,000	\$30,000
168	EXTRA LABOR, WELDING, ETC.	021	7,500	121	5,000	\$12,500
168	LAND TRANSPORTATION (Trucking)	022	10,000	122	8,000	\$18,000
168	SUPERVISION	023	27,000	123	11,000	\$38,000
168	TRAILER HOUSE/CAMP/CATERING	045	5,000	145	600	\$5,600
168	OTHER MISC EXPENSES	025	5,000	125	2,500	\$7,500
168	OVERHEAD	026	8,000	126	3,000	\$11,000
168	REMEDIAL CEMENTING	031		131		
168	MOB/DEMOB	035	50,000			\$50,000
168	DIRECTIONAL DRILLING SERVICES DAYS @ PER DAY	037				
168	DOCK, DISPATCHER, CRANE	038		138		
168	MARINE & AIR TRANSPORTATION	044		144		
168	SOLIDS CONTROL	040	1,000			\$1,000
168	WELL CONTROL EQUIP (Snubbing services)	042		142		
168	FISHING & SIDETRACK OPERATIONS	043		143		
168	COMPLETION RIG 7 DAYS @ 3400 PER DAY			104	23,800	\$23,800
168	COIL TUBING DAYS @ PER DAY			147		
168	COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS			128	25,000	\$25,000
168	STIMULATION			130	100,000	\$100,000
168	LEGAL/REGULATORY/CURATIVE	350	5,000	351		\$5,000
168	WELL CONTROL INSURANCE \$0.45 PER FOOT	401	5,000			\$5,000
168	CONTINGENCY 5% OF DRILLING INTANGIBLES	032	42,000	132	14,000	\$56,000
168	CONSTRUCTION FOR WELL EQUIPMENT			207	12,500	\$12,500
168	CONSTRUCTION FOR LEASE EQUIPMENT			301	17,500	\$17,500
168	CONSTRUCTION FOR SALES P/L			311		
	TOTAL INTANGIBLE COST		\$887,500		\$329,900	\$1,217,400
	TANGIBLE - WELL EQUIPMENT					
	CASING					
	SIZE FEET \$/FOOT					
168	DRIVE PIPE			215		
168	CONDUCTOR PIPE			201		
168	WATER STRING 13-3/8" 600 34.08		202	20,000		\$20,000
168	SURFACE CASING 9-5/8" 4,750 25.15		203	119,000		\$119,000
168	INTERMEDIATE CASING		204			
168	DRILLING LINER		204			
168	DRILLING LINER		204			
168	PRODUCTION CASING OR LINER 5-1/2" 10,950 11.52			205	126,000	\$126,000
168	PRODUCTION TIE-BACK			205		
168	TUBING 2-7/8" 10,000 4.92			206	49,000	\$49,000
168	N/C WELL EQUIPMENT			208		
168	WELLHEAD, TREE, CHOKES	030	7,000	209	20,000	\$27,000
168	LINER HANGER, ISOLATION PACKER	051		210		
168	PACKER, NIPPLES			211	7,000	\$7,000
168	PUMPING UNIT, ENGINE			212	140,000	\$140,000
168	LIFT EQUIPMENT (BHP, Rods, Anchors)			213	35,000	\$35,000
	TANGIBLE - LEASE EQUIPMENT					
168	N/C LEASE EQUIPMENT			302	20,000	\$20,000
168	TANKS, TANKS STEPS, STAIRS			303	23,000	\$23,000
168	BATTERY (Heater Treater, Separator, Gas Treating Equipment)			304	12,000	\$12,000
168	FLOW LINES (Line Pipe from wellhead to central facility)			305	3,500	\$3,500
168	OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES			308		
168	PIPELINES TO SALES			309		
	TOTAL TANGIBLES		\$146,000		\$435,500	\$581,500
168	P&A COSTS	050	15,000	150	(15,000)	
	TOTAL COST		\$1,048,500		\$750,400	\$1,798,900