

Cimarex Energy Co.  
600 N. Marienfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800

Brooks  
File  
Case 14923

RECEIVED OCD

2013 JAN 22



January 15, 2013

**Via: U.S. Certified Mail-Return Receipt No. 91 7108 2133 3938 9333 6039**

The Dow Chemical Company  
Attn: Jere H. Dial  
P.O. Box 4286  
Houston, Texas 77210-4286

Re: Snoddy Federal No. 23H- Compulsory Pooling Well Proposal  
Township 20 South, Range 32 East, N.M.P.M.  
Section: 20  
Lea County, New Mexico

Dear Pooled Working Interest Owner:

This proposal is being submitted to you in accordance with Compulsory Pooling Order No. R-13671. A copy of the Order is enclosed herewith. As a pooled working interest owner under the Order, you have the right to participate in the above-captioned well (the "Well") by paying your share of estimated well costs within 30 days of your receipt of this proposal.

Accordingly, enclosed herewith is an itemized schedule of estimated costs to drill, complete and equip the Well. If you elect to participate in the Well as a pooled working interest owner, please remit payment for your share of estimated well costs to the attention of the undersigned at the above-letterhead address. Be advised that failure to pay your share of estimated well costs within 30 days of your receipt of this proposal will result in you being a non-consenting working interest owner in the Well.

Please contact the undersigned at (432) 571-7856 if you should have any questions in regard to this proposal.

Respectfully Submitted,

**Cimarex Energy Co.**

  
Hayden P. Tresner  
Landman

Snoddy Federal No. 21H- Compulsory Pooling Well Proposal

Township 20 South, Range 32 East, N.M.P.M.

Section: 20

Lea County, New Mexico

CC: Oil Conservation Division (Ref. Case No. 14923; Order No. R-13671)

Attn: Florene Davidson

1220 South St. Francis Drive

Santa Fe, New Mexico 87505

James Bruce

P.O. Box 1056

Santa Fe, New Mexico 87504



Authorization For Expenditure

Company Entry  
**Cimarex Energy Co.**

Date Prepared  
**March 1, 2012**

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Snoddy Federal	23H	Mitchell		

Location	County	State	Type Well			
Est SHL: 811 FNL & 644 FEL Sec 26, 20S-32E Est BHL: 2310 FSL & 330 FWL Sec 26, 20S-32E	Lea	NM	Oil	x	Expl	x
			Gas		Prod	

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Ttl. Measured Depth
Original Estimate			Bone Spring	14,300'
Revised Estimate				Ttl. Vertical Depth
Supplemental Estimate				9,900'

Project Description  
 Drill and complete a Bone spring horizontal well . Potash 4 string design.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$2,066,950		\$2,066,950
Completion Costs		\$2,981,400	\$2,981,400
<b>Total Intangible Costs</b>	<b>\$2,066,950</b>	<b>\$2,981,400</b>	<b>\$5,048,350</b>

Tangibles			
Well Equipment	\$696,000	\$618,500	\$1,314,500
Lease Equipment		\$166,750	\$166,750
<b>Total Tangible Well Cost</b>	<b>\$696,000</b>	<b>\$785,250</b>	<b>\$1,481,250</b>

<b>Plug and Abandon Cost</b>	\$150,000	-\$150,000	\$0
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<b>Total Well Cost</b>	<b>\$2,912,950</b>	<b>\$3,616,650</b>	<b>\$6,529,600</b>
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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 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.

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
Mark Audas	Doug Park	Roger Alexander

Joint Interest Approval

Company	By	Date



Project Cost Estimate

Lease Name: Snoddy Federal

Well No.: 23H

Intangibles	Codes	Qty	Unit	Rate	Subtotal	Codes	Qty	Unit	Rate	Subtotal	Codes	Qty	Unit	Rate	Subtotal
					Dry Hole Cost					After Casing Point					Completed Well Cost
Roads & Location Preparation / Restoration	DIDC.100				\$60,000	DICC.100				\$3,000					\$63,000
Damages	DIDC.105				\$1,000	DICC.105									\$1,000
Mud / Fluids Disposal Charges	DIDC.255				\$50,000	DICC.255				\$80,000					\$130,000
Day Rate		35	DH Days												
				3.5	ACP Days @										
					Per Day	DIDC.115				\$665,000	DICC.120				\$732,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	DIDC.120				\$5,000										\$5,000
Bits	DIDC.125				\$65,000	DICC.125				\$1,000					\$66,000
Fuel				\$3.70	Per Gallon										
					Gallons Per Day	DIDC.135				\$117,000	DICC.130				\$118,000
Water / Completion Fluids	DIDC.140				\$33,250	DICC.135				\$147,000					\$180,250
Mud & Additives	DIDC.145				\$84,700										\$84,700
Surface Rentals	DIDC.150				\$54,000	DICC.140				\$147,000					\$201,000
Downhole Rentals	DIDC.155				\$125,000	DICC.145				\$36,000					\$161,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DIDC.160														\$0
Mud Logging	DIDC.170			\$1,200	Days @										\$28,000
					20	Per Day									
Open Hole Logging	DIDC.180				\$15,000										\$15,000
Cementing & Float Equipment	DIDC.185				\$98,000	DICC.155				\$86,000					\$184,000
Tubular Inspections	DIDC.190				\$5,000	DICC.160				\$5,000					\$10,000
Casing Crews	DIDC.195				\$18,000	DICC.165				\$18,000					\$36,000
Extra Labor, Welding, Etc.	DIDC.200				\$11,000	DICC.170				\$10,400					\$21,400
Land Transportation (Trucking)	DIDC.205				\$11,000	DICC.175				\$7,000					\$18,000
Supervision	DIDC.210				\$66,000	DICC.180				\$32,000					\$98,000
Trailer House / Camp / Catering	DIDC.220				\$35,000	DICC.255				\$4,000					\$39,000
Other Misc Expenses	DIDC.230				\$2,000	DICC.190				\$7,000					\$9,000
Overhead	DIDC.225			300	Per Day					\$12,000	DICC.195				\$15,000
Remedial Cementing	DIDC.231					DICC.215									\$0
MOB/DEMOB	DIDC.240				\$110,000										\$110,000
Directional Drilling Services	DIDC.245			14	Days @										\$204,000
					12,800	Per Day									
Dock, Dispatcher, Crane	DIDC.250														\$0
Marine & Air Transportation	DIDC.275														\$0
Solids Control	DIDC.260				\$46,000										\$46,000
Well Control Equip (Snubbing Svcs.)	DIDC.265				\$30,000	DICC.240				\$25,000					\$55,000
Fishing & Sidetrack Operations	DIDC.270				\$0	DICC.245									\$0
Completion Rig				6	Days @										\$32,000
					3,400	Per Day									
Coil Tubing				1	Days @										\$45,000
					Per Day										
Completion Logging, Perforating, WL Units, WL Surveys															\$70,000
Stimulation															\$2,010,000
Legal / Regulatory / Curative	DIDC.300				\$13,000	DICC.280									\$13,000
Well Control Insurance	DIDC.285			\$0.35	Per Foot										\$5,000
Contingency	DIDC.495			5%	of Drilling Intangibles										\$148,000
Construction For Well Equipment															\$10,000
Construction For Lease Equipment															\$75,000
Construction For Sales P/L															\$10,000
<b>Total Intangible Cost</b>										<b>\$2,066,950</b>					<b>\$2,981,400</b>

Tangible - Well Equipment	Size	Feet	\$/ Foot	Codes	Qty	Unit	Rate	Subtotal	Codes	Qty	Unit	Rate	Subtotal	Codes	Qty	Unit	Rate	Subtotal
Casing																		
Drive Pipe	36"	120.00	\$180.00	DWEB.150				\$22,000					\$22,000					\$22,000
Conductor Pipe				DWEB.130				\$0					\$0					\$0
Water String	20"	1090.00	\$136.78	DWEB.135				\$149,000					\$149,000					\$149,000
Surface Casing	13-3/8"	3524.00	\$83.03	DWEB.140				\$293,000					\$293,000					\$293,000
Intermediate Casing	9 5/8"	5200.00	\$42.13	DWEB.145				\$219,000					\$219,000					\$219,000
Drilling Liner				DWEB.145				\$0					\$0					\$0
Drilling Liner				DWEB.145				\$0					\$0					\$0
Production Casing or Liner	5 1/2"	14000.00	\$20.54						DWEA.100				\$291,000					\$291,000
Production Tie-Back									DWEA.100				\$0					\$0
Tubing	2 7/8"	9000.00	\$8.14						DWEA.105				\$73,000					\$73,000
N/C Well Equipment									DWEA.115				\$72,500					\$72,500
Wellhead, Tree, Chokes				DWEB.115				\$13,000	DWEA.120				\$18,000					\$31,000
Liner Hanger, Isolation Packer				DWEB.100				\$0	DWEA.125				\$10,000					\$10,000
Packer, Nipples									DWEA.130				\$0					\$0
Pumping Unit, Engine									DLEQ.100				\$145,000					\$145,000
Lift Equipment (BHP, Rods, Anchors)									DLEQ.105				\$9,000					\$9,000
Tangible - Lease Equipments																		
N/C Lease Equipment									DLEQ.115				\$64,500					\$64,500
Tanks, Tanks Steps, Stairs									DLEQ.120				\$64,250					\$64,250
Battery (Heater Treater, Separator, Gas Treating Equipment)									DLEQ.125				\$32,500					\$32,500
Flow Lines (Line Pipe from wellhead to central facility)									DLEQ.130				\$5,500					\$5,500
Offshore Production Structure for Facilities									DWEA.135				\$0					\$0
Pipeline to Sales									DWEA.140				\$0					\$0
<b>Total Tangibles</b>								<b>\$696,000</b>					<b>\$785,250</b>					<b>\$1,481,250</b>
P&A Costs	DIDC.265				\$150,000	DICC.275				-\$150,000					\$0			
<b>Total Cost</b>								<b>\$2,912,950</b>					<b>\$3,616,650</b>					<b>\$6,529,600</b>