



Authorization For Expenditure

Company Entity	Date Prepared
Cimarex Energy Co.	January 18, 2013

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Independence	#1H	Caprock		

Location	County	State	Type Well
SHL: 510' FNL & 2310' FEL, SEC 8 / 15S / 31E	Chaves	NM	Oil x
BHL: 660' FNL & 330' FEL, SEC 9 / 15S / 31E			Gas
			Exp X
			Prod

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Tot. Measured Depth
Original Estimate			Abo	16,100'
Revised Estimate				Tot. Vertical Depth
Supplemental Estimate				8,850'

Project Description
Drill and complete an ABO Horizontal Producer

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$3,111,000		\$3,111,000
Completion Costs		\$3,093,600	\$3,093,600
Total Intangible Costs	\$3,111,000	\$3,093,600	\$6,204,600

Tangibles			
Well Equipment	\$478,000	\$671,000	\$1,149,000
Lease Equipment		\$75,580	\$75,580
Total Tangible Well Cost	\$478,000	\$746,580	\$1,224,580

Plug and Abandon Cost	\$0	\$0	\$0
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Total Well Cost	\$3,589,000	\$3,840,180	\$7,429,180
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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 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 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.
<input type="checkbox"/> 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.
<input type="checkbox"/> I elect to take my gas in kind.
<input type="checkbox"/> 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
Steve Heitzman	Larry Selgrist	Roger Alexander

Joint Interest Approval

	Date

Oil Conservation Division
Case No. 5
Exhibit No. 5



Project Cost Estimate

Lease Name: Independence

Well No.: #1H

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	D1DC.100	\$70,000	D1CC.100	\$10,000	\$80,000
Damages	D1DC.105	\$5,000	D1CC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	D1DC.235	\$90,000	D1CC.235	\$105,000	\$195,000
Day Rate 34 DH Days 5 ACP Days @ 24,500 Per Day	D1DC.115	\$833,000	D1CC.120	\$123,000	\$956,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D1DC.120	\$45,000			\$45,000
Bits	D1DC.125	\$125,000	D1CC.125	\$0	\$125,000
Fuel \$3.50 Per Gallon 1500 Gallons Per Day	D1DC.135	\$184,000	D1CC.130	\$26,000	\$210,000
Water / Completion Fluids	D1DC.140	\$20,000	D1CC.135	\$5,000	\$25,000
Mud & Additives	D1DC.145	\$180,000			\$180,000
Surface Rentals 1,500 Per Day	D1DC.150	\$51,000	D1CC.140	\$180,000	\$231,000
Downhole Rentals	D1DC.155	\$159,000	D1CC.145	\$10,000	\$169,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	D1DC.160	\$0			\$0
Mud Logging 24 Days @ 1,200 Per Day	D1DC.170	\$32,000			\$32,000
Open Hole Logging	D1DC.180	\$25,000			\$25,000
Cementing & Float Equipment	D1DC.185	\$180,000	D1CC.155	\$0	\$180,000
Tubular Inspections	D1DC.190	\$10,000	D1CC.160	\$2,000	\$12,000
Casing Crews	D1DC.195	\$23,000	D1CC.165	\$18,000	\$41,000
Extra Labor, Welding, Etc.	D1DC.200	\$20,000	D1CC.170	\$8,000	\$28,000
Land Transportation (Trucking)	D1DC.205	\$15,000	D1CC.175	\$20,000	\$35,000
Supervision 3,600 Per Day	D1DC.210	\$140,000	D1CC.180	\$30,000	\$170,000
Trailer House / Camp / Catering 800 Per Day	D1DC.230	\$37,000	D1CC.235	\$5,000	\$42,000
Other Misc Expenses	D1DC.220	\$1,000	D1CC.190	\$35,000	\$36,000
Overhead 300 Per Day	D1DC.225	\$10,000	D1CC.195	\$2,000	\$12,000
Remedial Cementing	D1DC.231	\$0	D1CC.215	\$0	\$0
MOB/DEMOB	D1DC.240	\$250,000			\$250,000
Directional Drilling Services Days @ Per Day	D1DC.245	\$355,000			\$355,000
Dock, Dispatcher, Crane	D1DC.250	\$0	D1CC.230	\$0	\$0
Marine & Air Transportation	D1DC.275	\$0	D1CC.250	\$0	\$0
Solids Control 1,100 Per Day	D1DC.260	\$37,000			\$37,000
Well Control Equip (Snubbing Svcs.)	D1DC.265	\$50,000	D1CC.240	\$60,000	\$110,000
Fishing & Sidetrack Operations	D1DC.270	\$0	D1CC.245	\$0	\$0
Completion Rig 12 Days @ 4,000 Per Day			D1CC.115	\$48,000	\$48,000
Coil Tubing 3 Days @ 50,000 Per Day			D1CC.260	\$150,000	\$150,000
Completion Logging, Perforating, WL Units, WL Surveys			D1CC.200	\$50,000	\$50,000
Stimulation			D1CC.110	\$1,876,000	\$1,876,000
Legal / Regulatory / Curative	D1DC.300	\$10,000	D1CC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	D1DC.285	\$6,000			\$6,000
Contingency 5% of Drilling Intangibles	D1DC.435	\$148,000	D1CC.220	\$138,000	\$286,000
Construction For Well Equipment			D1WEA.110	\$0	\$0
Construction For Lease Equipment			D1LEQ.110	\$192,600	\$192,600
Construction For Sales P/L			D1CC.265	\$0	\$0
Total Intangible Cost		\$3,111,000		\$3,093,600	\$6,204,600

Tangible - Well Equipment					
Casing	Size	Feet	\$ / Foot		
Drive Pipe				D1WEB.150	\$0
Conductor Pipe				D1WEB.130	\$0
Water String 13 3/8"	400.00	\$35.00		D1WEB.135	\$14,000
Surface Casing 9 5/8"	4000.00	\$35.00		D1WEB.140	\$140,000
Intermediate Casing 7"	9300.00	\$32.00		D1WEB.145	\$298,000
Drilling Liner				D1WEB.145	\$0
Drilling Liner				D1WEB.145	\$0
Production Casing or Liner 4 1/2"	8000.00	\$15.00		D1WEA.100	\$120,000
Production Tie-Back				D1WEA.130	\$0
Tubing 2 7/8"	9000.00	\$8.00		D1WEA.105	\$72,000
N/C Well Equipment				D1WEA.115	\$30,000
Wellhead, Tree, Chokes				D1WEA.120	\$45,000
Liner Hanger, Isolation Packer				D1WEA.125	\$0
Packer, Nipples				D1WEA.130	\$260,000
Pumping Unit, Engine				D1LEQ.100	\$120,000
Lift Equipment (BHP, Rods, Anchors)				D1LEQ.105	\$50,000
Tangible - Lease Equipment					
N/C Lease Equipment				D1LEQ.115	\$38,500
Tanks, Tanks Steps, Stairs				D1LEQ.120	\$0
Battery (Heater Treater, Separator, Gas Treating Equipment)				D1LEQ.125	\$22,580
Flow Lines (Line Pipe from wellhead to central facility)				D1LEQ.130	\$14,500
Offshore Production Structure for Facilities				D1WEA.135	\$0
Pipeline to Sales				D1WEA.140	\$0
Total Tangibles			\$478,000	\$746,580	\$1,224,580

P&A Costs	D1DC.295	\$0	D1CC.275	\$0	\$0
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Total Cost		\$3,589,000	\$3,840,180	\$7,429,180
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