



## Authorization For Expenditure

Company Entity <b>Cimarex Energy Co.</b>	Date Prepared <b>February 5, 2013</b>
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Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Chaparral 33 Fed Com	#4			

Location	County	State	Type Well
Sec 33 / T19S / R34E SHL: 330' FNL & 2010' FEL, DHL: 830' FSL & 1980' FEL	Lea	NM	Oil <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> Gas <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Ttl Measured Depth
Original Estimate <input checked="" type="radio"/>			3rd Bone Spring	15,450'
Revised Estimate <input type="radio"/>				Ttl Vertical Depth
Supplemental Estimate <input type="radio"/>				11,000'

Project Description  
Drill and complete a Bone Spring Horizontal Producer

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$2,766,000		\$2,766,000
Completion Costs		\$2,978,100	\$2,978,100
Total Intangible Costs	\$2,766,000	\$2,978,100	\$5,744,100

Tangibles			
Well Equipment	\$327,000	\$650,000	\$977,000
Lease Equipment		\$357,817	\$357,817
Total Tangible Well Cost	\$327,000	\$1,007,817	\$1,334,817

Plug and Abandon Cost			
	\$0	\$0	\$0

Total Well Cost			
	\$3,093,000	\$3,985,917	\$7,078,917

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.

☐ 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
Steve Heltzman	Larry Selgrist	Roger Alexander

## Joint Interest Approval

Company	By	Date

Oil Conservation Division  
Case No. 15034  
Exhibit No. 3



# Project Cost Estimate

Lease Name: Chaparral 33 Fed Com

Well No.: #4

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost
Roads & Location Preparation / Restoration	DICC.100	\$70,000	DICC.100	\$10,000	\$80,000
Damages	DICC.105	\$5,000	DICC.105	\$0	\$5,000
Mud / Fluids Disposal Charges	DICC.120	\$90,000	DICC.120	\$105,000	\$195,000
Day Rate 28.5 DH Days 4 ACP Days @ 24,000 Per Day	DICC.115	\$684,000	DICC.115	\$96,000	\$780,000
Misc Preparation Cost (mouse hole, rat hole, pods, pile clusters, misc.)	DICC.125	\$45,000			\$45,000
Bits	DICC.125	\$125,000	DICC.125	\$0	\$125,000
Fuel \$9.30 Per Gallon 1500 Gallons Per Day	DICC.135	\$155,000	DICC.135	\$21,000	\$176,000
Water / Completion Fluids	DICC.140	\$20,000	DICC.145	\$5,000	\$25,000
Mud & Additives	DICC.145	\$150,000			\$150,000
Surface Rentals 1,500 Per Day	DICC.150	\$43,000	DICC.140	\$180,000	\$223,000
Downhole Rentals	DICC.155	\$143,000	DICC.145	\$10,000	\$153,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)	DICC.160	\$0			\$0
Mud Logging 24 Days @ 1,200 Per Day	DICC.170	\$32,000			\$32,000
Open Hole Logging	DICC.180	\$25,000			\$25,000
Cementing & Float Equipment	DICC.185	\$180,000	DICC.155	\$120,000	\$300,000
Tubular Inspections	DICC.190	\$10,000	DICC.160	\$2,000	\$12,000
Casing Crews	DICC.195	\$23,000	DICC.165	\$18,000	\$41,000
Extra Labor, Welding, Etc.	DICC.200	\$20,000	DICC.170	\$8,000	\$28,000
Land Transportation (Trucking)	DICC.205	\$15,000	DICC.175	\$20,000	\$35,000
Supervision 3,600 Per Day	DICC.210	\$121,000	DICC.180	\$30,000	\$151,000
Trailer House / Camp / Catering 800 Per Day	DICC.220	\$32,000	DICC.185	\$5,000	\$37,000
Other Misc Expenses	DICC.225	\$1,000	DICC.190	\$35,000	\$36,000
Overhead 300 Per Day	DICC.235	\$9,000	DICC.195	\$2,000	\$11,000
Remedial Cementing	DICC.240	\$0	DICC.215	\$0	\$0
MOB/DEMOB	DICC.240	\$250,000			\$250,000
Directional Drilling Services 13 Days @ 14,000 Per Day	DICC.245	\$310,000			\$310,000
Dock, Dispatcher, Crane	DICC.250	\$0	DICC.220	\$0	\$0
Marine & Air Transportation	DICC.275	\$0	DICC.250	\$0	\$0
Solids Control 1,100 Per Day	DICC.260	\$31,000			\$31,000
Well Control Equip (Snubbing Svcs.)	DICC.265	\$30,000	DICC.240	\$60,000	\$90,000
Fishing & Sidetrack Operations	DICC.270	\$0	DICC.245	\$0	\$0
Completion Rig 8 Days @ 4,000 Per Day			DICC.115	\$32,000	\$32,000
Coil Tubing Days @ Per Day			DICC.280	\$180,000	\$180,000
Completion Logging, Perforating, WL Units, WL Surveys			DICC.200	\$110,000	\$110,000
Stimulation			DICC.210	\$1,569,000	\$1,569,000
Legal / Regulatory / Curative	DICC.300	\$10,000	DICC.280	\$0	\$10,000
Well Control Insurance \$0.35 Per Foot	DICC.235	\$5,000			\$5,000
Contingency 5% of Drilling Intangibles	DICC.435	\$132,000	DICC.220	\$131,000	\$263,000
Construction For Well Equipment			DWEA.110	\$0	\$0
Construction For Lease Equipment			DLEQ.110	\$229,100	\$229,100
Construction For Sales P/L			DICC.265	\$0	\$0
Total Intangible Cost		\$2,766,000		\$2,978,100	\$5,744,100

Tangible - Well Equipment	Size	Feet	S / Foot			
Casing						
Drive Pipe				DWEB.110	\$0	\$0
Conductor Pipe				DWEB.120	\$0	\$0
Water String				DWEB.135	\$0	\$0
Surface Casing 13 3/8"	1780.00	\$46.00	DWEB.140	\$82,000	\$82,000	
Intermediate Casing 9 5/8"	5480.00	\$40.00	DWEB.145	\$219,000	\$219,000	
Drilling Liner				DWEB.145	\$0	\$0
Drilling Liner				DWEB.145	\$0	\$0
Production Casing or Liner 5 1/2"	15400.00	\$20.00		DWEA.100	\$308,000	\$308,000
Production Tie-Back				DWEA.100	\$0	\$0
Tubing 2 7/8"	10300.00	\$8.00		DWEA.105	\$82,000	\$82,000
N/C Well Equipment				DWEA.115	\$30,000	\$30,000
Wellhead, Tree, Chokes				DWEB.115	\$26,000	\$26,000
Liner Hanger, Isolation Packer				DWEB.100	\$0	\$0
Packer, Nipples				DWEA.130	\$20,000	\$20,000
Pumping Unit, Engine				DLEQ.100	\$120,000	\$120,000
Lift Equipment (BHP, Rods, Anchors)				DLEQ.105	\$50,000	\$50,000
Tangible - Lease Equipment						
N/C Lease Equipment				DLEQ.115	\$143,000	\$143,000
Tanks, Tanks Steps, Stairs				DLEQ.120	\$89,430	\$89,430
Battery (Heater Treater, Separator, Gas Treating Equipment)				DLEQ.125	\$113,587	\$113,587
Flow Lines (Line Pipe from wellhead to central facility)				DLEQ.130	\$11,800	\$11,800
Offshore Production Structure for Facilities				DWEA.135	\$0	\$0
Pipeline to Sales				DWEA.140	\$0	\$0
Total Tangibles					\$327,000	\$1,007,817

P&A Costs	DICC.195	\$0	DICC.275	\$0	\$0
Total Cost		\$3,093,000		\$3,985,917	\$7,078,917