



Authorization For Expenditure

Company Entry	Date Prepared
Cimarex Energy Co	March 26, 2014

Region	Well Name	Prospect or Field Name	Property Number	Lease Drilling Area Number
Permian	Hayduke 34 Fed Com #3H	White City		

Location	County	State	Well Type	Well Status
1880 FSL: 720 FSL, Sec 34/T15S/R16E	Eddy	NM	Oil	Exp/
660 FSL: 760 FSL, Sec 34/T26S/R16E			Gas	Prod

Estimate Type	Estimate Date	Estimate Date	Estimate Date	Estimate Date	Estimate Date
Original Estimate		May 19, 2014	July 1st, 2014	Wellcamp BCD	15,845'
Revised Estimate					
Supplemental Estimate					9,530'

Project Description:
Drill a Wellcamp BCD Horizontal producer. Drill 17.5" hole to 450' and set 13-3/8" casing, drill 12-1/4" hole to 1,900' and set 9-5/8" casing, drill 8-3/4" hole 75 degrees into the curve and set 7" casing at 9,999' MD then drill to 15,845' MD and run 4-1/2" liner. 30 stage frac, drill out plugs, tubing and GLV's, then flow to sales through shared facilities.

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$3,359,000		\$3,359,000
Completion Costs		\$5,145,218	\$5,145,218
Total Intangible Costs	\$3,359,000	\$5,145,218	\$8,504,218

Tangibles			
Well Equipment	\$100,000	\$626,500	\$726,000
Lease Equipment		\$765,651	\$765,651
Total Tangible Well Cost	\$100,000	\$1,391,651	\$1,491,651

Plug and Abandon Cost	\$0	\$0	\$0
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Total Well Cost	\$3,459,000	\$6,536,869	\$9,995,869
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Continued on Well Log
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.

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. Failure to make an election below shall be deemed an election to market your gas with Cimarex under the terms and conditions set forth above.

☐ I elect to take my gas in kind.

☐ I elect to market my gas with Cimarex pursuant to the terms and conditions of its contract.

Commentation 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
John David Williamson	Larry Seigrist	Roger Alexander

Joint Interest Approval

Company	By	Date

Oil Conservation Division
Case No. 15140
Exhibit No. 1



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