



Magnum Hunter Production, Inc. / Grady Petroleum Management Co.  
wholly owned subsidiaries of Cimarex Energy Co.  
**AUTHORIZATION FOR EXPENDITURE**

COMPANY ENTITY Grady Petroleum Management Co.			DATE PREPARED 19-Dec-06	
REGION S.E. NM	WELL NAME Full Tank Federal 33	WELL NO. #1	PROSPECT OR FIELD NAME High Lonesome	PROPERTY NUMBER
LOCATION: 860' FNL & 1987' FEL, Sec 33, T17S, R30E			COUNTY Eddy County	STATE New Mexico
ORIGINAL ESTIMATE			EST. START DATE	EST. COMP. DATE
REVISED ESTIMATE			TBD	TBD
SUPPLEMENTAL ESTIMATE			TBD	TBD
TYPE WELL OIL <input checked="" type="checkbox"/> GAS <input checked="" type="checkbox"/> PROD <input checked="" type="checkbox"/>			FORMATION Morrow	
			EST. TD (FV) 11,780'	

PROJECT DESCRIPTION:  
Drill and complete Morrow well.

INTANGIBLES	DRY HOLE COST	AFTER CASING POINT	COMPLETED WELL COST
Intangible Drilling Costs	\$1,597,000	\$0	\$1,597,000
Intangible Completion Costs	0	\$10,500	\$10,500
TOTAL INTANGIBLE COSTS	1,597,000	\$10,500	2,207,500
TANGIBLES			
Well Equipment	154,000	\$18,000	473,000
Lease Equipment	0	63,000	63,000
TOTAL TANGIBLE WELL COST	154,000	\$81,000	536,000
PLUG AND ABANDON COST	60,000	(50,000)	0
TOTAL WELL COST:	\$1,801,000	\$842,500	\$2,743,500

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 for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (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 Sherry Reid Carroll Sr. Drilling/Completion Engineer - Permian Basin	DRILLING DEPT. Doug Park, Mgr Drilling/Completion Operations Oftshire and Permian Regions	REGIONAL MANAGER
JOINT INTEREST APPROVAL		
COMPANY	BY	DATE

12/20/2005 3:39 PM

OIL CONSERVATION DIVISION  
CASE NUMBER  
EXHIBIT NUMBER 4



## PROJECT COST ESTIMATE

LEASE NAME: Full Tank Federal 33

WELL NO.: #1

				DRY HOLE		AFTER CASING		COMPLETED
				Costs	COST	Costs	POINT	WELL COST
INTANGIBLES								
ROADS & LOCATION PREPARATION / RESTORATION				826.12	\$36,000	826.12	\$5,000	\$40,000
DAMAGES				826.12	\$5,000	826.12	\$5,000	\$10,000
MUD/FLUIDS DISPOSAL CHARGES				826.46	\$20,000	826.46	\$35,000	\$55,000
DAY RATE 35 DH DAYS 2 ACP DAYS @ 21000 PER DAY				821.22	\$735,000	826.24	\$42,000	\$777,000
MISC PREPARATION COST (mud hole, pit hole, pads, pile clusters, misc.)				826.12	\$7,500			\$7,500
BITS				826.34	\$20,000	826.79	\$0	\$20,000
FUEL \$2.00 PER GALLON				826.30	\$136,000	826.30	\$5,000	\$141,000
WATER / COMPLETION FLUIDS				826.21	\$30,000	826.21	\$16,000	\$46,000
MUD & ADDITIVES				826.40	\$53,000			\$53,000
SURFACE RENTALS				826.79	\$20,000	826.79	\$30,000	\$50,000
DOWNHOLE RENTALS				826.79	\$50,000	826.79	\$25,000	\$75,000
FORMATION EVALUATION (CST, Coring including evaluation, G&G SERVICES)				826.80	\$0			\$0
MUD LOGGING 25 DAYS @ \$900 PER DAY				826.41	\$22,500			\$22,500
OPEN HOLE LOGGING				826.42	\$25,000			\$25,000
CEMENTING & FLOAT EQUIPMENT				826.80	\$40,000	826.80	\$50,000	\$90,000
TUBULAR INSPECTIONS				826.16	\$3,000	826.16	\$2,000	\$5,000
CASING CREWS				826.81	\$10,000	826.81	\$10,000	\$20,000
EXTRA LABOR, WELDING, ETC.				826.80	\$10,000	826.80	\$10,000	\$20,000
LAND TRANSPORTATION (Trucking)				826.32	\$10,000	826.32	\$10,000	\$20,000
SUPERVISION				826.82	\$25,000	826.82	\$24,000	\$49,000
TRAILER HOUSE/CAMP/CATERING				826.70	\$8,000	826.70	\$2,500	\$11,500
OTHER MISC EXPENSES				826.26	\$5,000	826.26	\$5,000	\$10,000
OVERHEAD				826.85	\$11,000	826.85	\$6,000	\$17,000
REMEDIAL CEMENTING				826.80	\$0	826.80	\$0	\$0
MOR/DEADS (includes rig up, daywork costs)				826.20	\$115,000			\$115,000
DIRECTIONAL DRILLING SERVICES DAYS @ PER DAY				826.72	\$0			\$0
DOCK, DISPATCHER, CRANE				826.78	\$0	826.78	\$0	\$0
MARINE & AIR TRANSPORTATION				826.84	\$0	826.83	\$0	\$0
SOLIDS CONTROL				826.70	\$5,000			\$5,000
WELL CONTROL EQUIP (Shustring services)				826.70	\$10,000	826.70	\$10,000	\$20,000
FISHING & SIDETRACK OPERATIONS				826.76	\$0	826.76	\$0	\$0
COMPLETION RIG 20 DAYS @ 3000 PER DAY						826.24	\$60,000	\$60,000
COIL TUBING DAYS @ PER DAY						826.72	\$0	\$0
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS						826.82	\$25,000	\$25,000
STIMULATION						826.74	\$150,000	\$150,000
LEGAL/REGULATORY/CURATIVE				826.10	\$10,000			\$10,000
WELL CONTROL INSURANCE \$0.35 PER FOOT				826.15	\$4,000			\$4,000
CONTINGENCY 5% OF DRILLING INTANGIBLES				826.65	\$78,000	826.65	\$25,000	\$103,000
CONSTRUCTION FOR WELL EQUIPMENT						826.75	\$5,000	\$5,000
CONSTRUCTION FOR LEASE EQUIPMENT						826.75	\$30,000	\$30,000
CONSTRUCTION FOR SALES PH.						826.75	\$0	\$0
TANGIBLE - WELL EQUIPMENT								0
CASING	SIZE	FEET	\$/FOOT					
DRIVE PIPE 20" 40 88.00				840.07	\$4,000			\$4,000
CONDUCTOR PIPE				840.07	\$0			\$0
WATER STRING				840.10	\$0			\$0
SURFACE CASING 12-3/8" 500 42.00				840.10	\$21,000			\$21,000
INTERMEDIATE CASING 9-5/8" 4,000 26.00				840.11	\$104,000			\$104,000
DRILLING LINER				840.14	\$0			\$0
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PRODUCTION CASING OR LINER 5-1/2" 11,750 19.50						840.18	\$229,000	\$229,000
PRODUCTION TIE-BACK						840.12	\$0	\$0
TUBING 2-3/8" 11,000 5.00						840.13	\$55,000	\$55,000
N/C WELL EQUIPMENT						840.22	\$5,000	\$5,000
WELLHEAD, TREE, CHOKES				840.20	\$25,000	840.20	\$25,000	\$50,000
LINER HANGER, ISOLATION PACKER				840.25	\$0	840.25	\$0	\$0
PACKER, NIPPLES						840.23	\$5,000	\$5,000
PUMPING UNIT, ENGINE						840.21	\$0	\$0
LIFT EQUIPMENT (BHP, Rods, Anchors)						840.24	\$0	\$0
TANGIBLE - LEASE EQUIPMENT								0
N/C LEASE EQUIPMENT						840.20	\$15,000	\$15,000
TANKS, TANKS STEPS, STAIRS						840.20	\$15,000	\$15,000
BATTERY (Heater, Trailer, Separator, Gas Treating Equipment)						840.20	\$30,000	\$30,000
FLOW LINES (Line Pipe from wellhead to central facility)						840.20	\$3,000	\$3,000
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES						845.05	\$0	\$0
PIPELINES TO SALES						840.50	\$0	\$0
P&A COSTS				826.80	\$50,000	826.80	(\$50,000)	\$0