

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF CIMAREX ENERGY CO. FOR
COMPULSORY POOLING, LEA COUNTY, NEW
MEXICO.**

Case No.

VERIFIED STATEMENT OF ANTHONY J. CERVI

Anthony J. Cervi, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition to this application is expected because the mineral interest owners being pooled are (i) unlocatable, or (ii) have repeatedly failed to respond to lease offers and well proposals.

(b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests in the Wolfcamp formation (Caudill-Permo Upper Penn Pool) underlying the SW/4NW/4 and NW/4SW/4 of Section 21, Township 15 South, Range 36 East, NMPM. The unit is to be dedicated to the Caudill South "21" Fee Well No. 2H, a horizontal well to be drilled at a surface location 2000 feet from the south line and 940 feet from the west line with a terminus located 1650 feet from the north line and 940 feet from the west line of Section 21.

(c) The parties being pooled, their interests in the well unit, and their last known addresses, are as follows:

Bruce W. Crockett
1611 Jackson Street
Roswell, New Mexico 88201

0.195313%

Oil Conservation Division
Case No. 13777
Exhibit No. 1

Dr. James Obed Baker (wife Vera) 9337 Redondo Drive Dallas, Texas 75218	0.781250%
Fred T. Schooler P.O. Box 843 Midland, Texas 79702	0.781250%
Randall Pettigrew 8986 Hialena Circle South North Richland Hills, Texas 76180	0.031250%
Richard Pettigrew 2812 Pinewood Drive League City, Texas 77573	0.031250%
Frank S. Hayford Apartment 35 2770 19 th Street San Francisco, California 94132	1.562500%
M.K. Bennett (no address)	0.390625%
The Blanco Company P.O. Box 3010 Ruidoso, New Mexico 88355	0.781250%

(d) Copies of the proposal letters and other correspondence sent to the uncommitted mineral interest owners are attached hereto as Exhibit B.

(e) The following interest owners were not locatable: Bruce W. Crockett, Dr. James Obed Baker (wife Vera), Fred T. Schooler, and M.K. Bennett. To locate these interest owners, Cimarex Energy Co. examined the Lea County records, telephone directories and county records in the counties of residence of the out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender.

(f) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.

(g) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

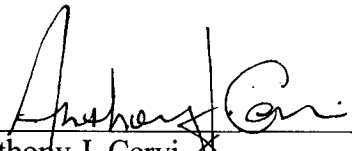
(h) Overhead charges of \$6,000/month for a drilling well, and \$600/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth.

(i) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)


Anthony J. Cervi, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.



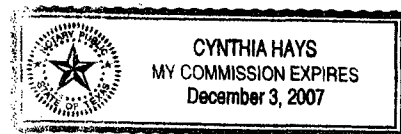
Anthony J. Cervi

SUBSCRIBED AND SWORN TO before me this 16th day of August, 2006 by
Anthony J. Cervi.

My Commission Expires: Dec 3, 2007



Notary Public



DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name CAUDILL SOUTH "21" FEE	Well Number 2 H
OGRID No.	Operator Name CIMAREX ENERGY CO.	Elevation 3906'

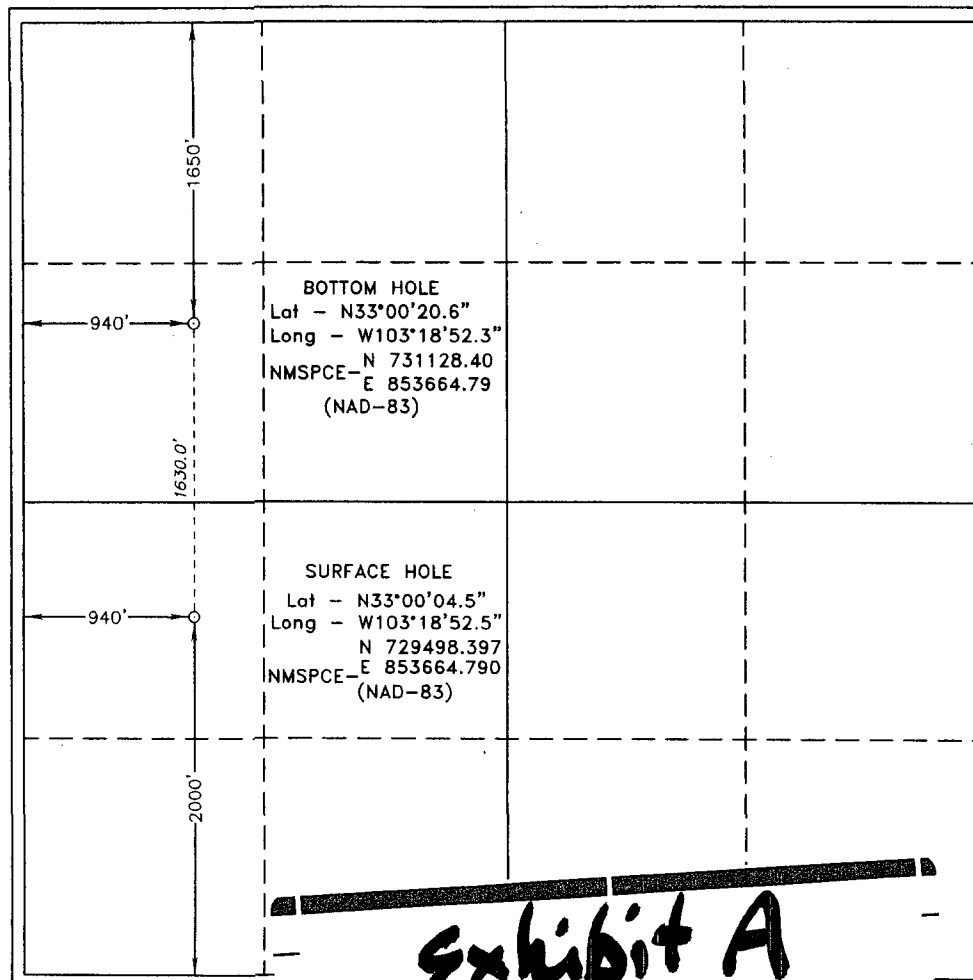
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	21	15 S	36 E		2000	SOUTH	940	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	21	15 S	36 E		1650	NORTH	940	WEST	LEA
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the information
contained herein is true and complete to the
best of my knowledge and belief.

Signature

Printed Name

Title

Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown
on this plat was plotted from field notes of
actual surveys made by me or under my
supervision, and that the same is true and
correct to the best of my belief.

Date Surveyed

Signature & Seal of
Professional Surveyor

7977

Certificate No. Gary L. Jones

7977

BASIN SURVEYS

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA OVERNIGHT MAIL

August 11, 2006

Bruce W. Crockett
1611 Jackson Street
Roswell, New Mexico 88201

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

Gentlemen:

Cimarex Energy Co. proposes to drill a horizontal Wolfcamp test at the following location in Section 21-15S-36E, Lea County, New Mexico:

- Surface Hole Location: 2000' FSL & 940' FWL
- Bottom Hole Location: 1650' FNL & 940' FWL

Enclosed is our detailed AFE reflecting estimated well costs.

If you intend to participate, please execute the AFE and return to me as soon as possible, and I will contact you regarding the joint operating agreement.

If you do not intend to participate, we respectfully request that you consider leasing your unleased mineral interest in Section 21 to Cimarex under the following terms:

- \$200/Acre, 3/16 Royalty, 3 years

Please do not hesitate to contact me with any questions. My direct line is 972-443-6452.

Very truly yours,

CIMAREX ENERGY CO.

A handwritten signature in cursive script, appearing to read "Anthony J. Cervi".

Anthony J. Cervi
Landman
Permian Basin Region

Enclosures

Exhibit B

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA OVERNIGHT MAIL

August 11, 2006

Dr. James Obed Baker (wife Vera)
9337 Redondo Drive
Dallas, Texas 75218-3645

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

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Anthony J. Cervi
Landman
Permian Basin Region

Enclosures

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA OVERNIGHT MAIL

August 11, 2006

Fred T. Schooler
P.O. Box 843
Midland, TX 79702

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

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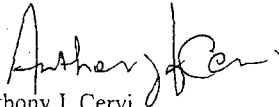
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Very truly yours,

CIMAREX ENERGY CO.


Anthony J. Cervi
Landman
Permian Basin Region

Enclosures

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA OVERNIGHT MAIL

August 11, 2006

Randall Pettigrew
8986 Hialena Circle South
North Richland Hills, Texas 76180

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

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Please do not hesitate to contact me with any questions. My direct line is 972-443-6452.

Very truly yours,

CIMAREX ENERGY CO.

A handwritten signature in black ink, appearing to read "Anthony Cervi", written over a horizontal line.

Anthony J. Cervi
Landman
Permian Basin Region

Enclosures

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA OVERNIGHT MAIL

August 11, 2006

Richard Pettigrew
2812 Pinewood Drive
League City, Texas 77573

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

Gentlemen:

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Please do not hesitate to contact me with any questions. My direct line is 972-443-6452.

Very truly yours,

CIMAREX ENERGY CO.

A handwritten signature in dark ink, appearing to read "Anthony J. Cervi", is written over the company name.

Anthony J. Cervi
Landman
Permian Basin Region

Enclosures

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA FEDERAL EXPRESS

July 11, 2006

Mr. Frank Hayford
2770 19th Street
Apt. # 35
San Francisco, CA 94132

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

Gentlemen:

Cimarex Energy Co. proposes to drill a horizontal Wolfcamp test at the following location in Section 21-15S-36E, Lea County, New Mexico:

- Surface Hole Location: 2000' FSL & 940' FWL
- Bottom Hole Location: 1650' FNL & 940' FWL

Enclosed is our detailed AFE reflecting estimated well costs.

If you intend to participate, please execute the AFE and return to me as soon as possible, and I will contact you regarding the joint operating agreement. Your working interest will be 1.5625%.

If you do not intend to participate, we are willing to lease your minerals in the S/2 of Section 21 for a bonus consideration of \$2,000.00 (10 acres @ \$200/acre), 3/16ths royalty, and a three (3) year primary term. Our proposed lease form is enclosed.

In the meantime, please do not hesitate to contact me with any questions. My direct line is 972-443-6452.

Very truly yours,

CIMAREX ENERGY CO.

A handwritten signature in black ink, appearing to read "Anthony J. Cervi", is written over the company name.

Anthony J. Cervi
Landman
Permian Basin Region

Enclosures

OIL & GAS LEASE

THIS LEASE AGREEMENT (the "Lease") is made this 11th day of July, 2006 (the "Effective Date") between Frank Hayford, dealing in his sole and separate property the "Lessor" (whether one or more) whose address is 2770 19th Street, Apt. 35, San Francisco, California 94132 and, Clay Johnson, 203 W. Wall, Suite 202, Midland, Texas 79707, the "Lessee":

1. Lessor, in consideration of TEN DOLLARS and other consideration, the receipt of which is acknowledged, and of the royalties and agreements of the Lessee provided for in this Lease, grants, leases and lets exclusively to Lessee for the purpose of investigating, by geological, geophysical, seismic and other means, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Lea County, New Mexico:

Township 15 South, Range 36 East, N.M.P.M.
Section 21: S/2

The land is estimated to comprise 320.00 acres, whether it actually comprises more or less, and are referred to as the "land" or the "lease premises."

2. Subject to the other provisions, this Lease shall remain in force for a term of Three (3) years from the Effective Date (the "primary term") and as long thereafter as oil or gas is produced from the land or from land with which the land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 3/16ths of that produced and saved from the land, the same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from the land and used off the lease premises or used in the manufacture of gasoline or other products, the market value at the well of 3/16ths of the gas used, provided that on gas sold on or off the lease premises, the royalties shall be 3/16ths of the amount realized from the sale; (c) and at any time when this Lease is not validated by other provisions and there is a gas and/or condensate well on the land, or land pooled with the land, is not being sold or used and the well is shut in, either before or after production, then on or before 90 days after the well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this Lease by the party making the payment or tender, and so long as the shut-in royalty is paid or tendered this Lease shall not terminate and it shall be considered under its terms that gas is being produced from the leased premises in paying quantities. Each payment shall be paid or tendered to the party or parties who at the time of the payment would be entitled to receive the royalties which would be paid under this Lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this Lease in the same manner as though a proper payment had been made if Lessee shall correct the error within 30 days after Lessee has received written notice by certified mail from the party or parties entitled to receive payment together with the written instruments (or certified copies) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the lease premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for the term and under the conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in the contract or regulatory orders.

4. This is a Paid-Up Lease and Lessee shall not be obligated during the primary term to commence or continue any operations of any character or to make any payments in order to maintain this Lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or paragraph 3 above.

5. Lessee is granted the right and power, from time to time, to pool or combine this Lease, the land covered by it, or any part, subsurface depth, or horizon of the land with any other land, leases or mineral estates, for the production of oil or gas. Units pooled by the terms of this Lease shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which the land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the lease premises are located and the units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any unit shall be considered for all purposes, except the payment of royalty, as operations conducted on or production from the land subject to this Lease. There shall be allocated to the land covered by this Lease included in any unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in Lease or unit operations, which the net oil or gas acreage in the land covered by this Lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of the land covered by this Lease and included in a unit in the same manner as though produced from the land under the terms of this Lease. Any pooled unit designated by Lessee, may be dissolved by Lessee by recording an appropriate instrument in the county where the land is situated at any time.

6. If at the expiration of the primary term there is no well on the land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking, this Lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether the operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from the land. If, after the expiration of the primary term, all wells on the land should become incapable of producing for any cause, this Lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days. If any drilling, additional drilling, or reworking operations result in production, then this Lease shall remain in full force so long thereafter as oil or gas is produced.

7. Lessee shall have free use of oil, gas and water from the land, except water from Lessor's wells and tanks, for all operations under this Lease, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this Lease to remove all property and fixtures placed by Lessee on the land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on the land without Lessor's consent.

8. The rights of Lessor or Lessee to this Lease may be assigned in whole or in part and the provisions of this Lease shall extend to their respective heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division shall be binding on Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies of them constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of an owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to the deceased's estate or heirs, executor, or administrator until the time Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to the sums. An assignment of this Lease in whole or in part shall, to the extent of the assignment, relieve and discharge Lessee of any obligations under this Lease and, if Lessee or an assignee of a part or parts of this Lease shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from the Lessee or an assignee or fail to comply with any of the provisions of this Lease, the default shall not affect this Lease insofar as it covers a part of the lands on which Lessee or any assignee shall properly comply or make the payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this Lease, or from conducting drilling or reworking operations on this Lease, or from producing oil or gas by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duties under this Lease shall be suspended, and Lessee duly shall not be liable for failure to comply with the terms of this Lease; and, this Lease shall be extended while and so long as Lessee is prevented by any cause from conducting drilling or reworking operations or from producing oil or gas; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this Lease to the contrary notwithstanding.

10. Lessor warrants and agrees to defend the title to the land and agrees that Lessee at its option may discharge any tax, mortgage or other lien on the land. In the event Lessee does so, it shall be subrogated to the lien with the right to enforce same and to apply royalties and shut-in royalties payable under the terms of this Lease toward satisfying same. Without impairment of Lessee's rights under the warranty, if this Lease covers a lesser interest in the oil or gas in all or any part of the land than the entire and undivided fee simple estate (whether Lessor's interest is specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this Lease covers less than the full interest, shall be paid only in the proportion which the interest, if any, covered by this Lease, bears to the whole and undivided fee simple estate in the land. Should any one or more of the parties named above as Lessors fail to execute this Lease, it shall nevertheless be binding on the party or parties executing the Lease.

11. Lessee and Lessee's successors, heirs and assigns, shall have the right at any time to surrender this Lease, in whole or in part, to Lessor or Lessor's heirs, successors, and assigns by delivering or mailing a release to the Lessor, or by placing a release of record in the county in which the land is situated. Then, Lessee shall be relieved from all obligations, expressed or implied of this Lease as to acreage surrendered, and then the shut-in royalty payable under the terms of this Lease shall be reduced in the proportion that the acreage covered by this Lease is reduced by the release or releases.

This Lease is executed by the Lessor as of the date of the acknowledgment below, but shall be deemed effective as of the Effective Date stated above.

Lessor

Frank Hayford, dealing in his sole and separate property

SS#: _____

STATE OF CALIFORNIA §

COUNTY OF §

This instrument was acknowledged before me on this _____ day of _____, 2006, by Frank Hayford, dealing in his sole and separate property.

Notary Public in and for the State of California
Commission Expires: _____

Cimarex Energy Co.
5215 N. O'Connor Blvd.
Suite 1500
Irving, Texas 75039
PHONE 972.401.0752
FAX 972.401.3110



VIA OVERNIGHT MAIL

August 11, 2006

The Blanco Company
P.O. Box 1698
Roswell, New Mexico 88202

**Re: Caudill South 21 Fee # 2H
Section 21, Township 15 South, Range 36 East
Lea County, New Mexico**

Gentlemen:

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Very truly yours,

CIMAREX ENERGY CO.

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Anthony J. Cervi
Landman
Permian Basin Region

Enclosures



AUTHORIZATION FOR EXPENDITURE

COMPANY ENTITY Cimarex Energy Company			DATE PREPARED 02-May-06		
REGION Permian	WELL NAME Caudill South 21 Fee	WELL NO. 2H	PROSPECT OR FIELD NAME Star/Denton	PROPERTY NUMBER	DRILLING AFE NO.
LOCATION: 2000' FSL & 940' FWL Sec 21, T15S, R36E			COUNTY Lea	STATE New Mexico	TYPE WELL OIL <input checked="" type="checkbox"/> EXPL. <input type="checkbox"/> GAS <input type="checkbox"/> PROD. <input checked="" type="checkbox"/>
ORIGINAL ESTIMATE	EST. START DATE	EST. COMP. DATE	FORMATION Wolfcamp C	EST. TD (TVD) 12,100'	
REVISED ESTIMATE					
SUPPLEMENTAL ESTIMATE					

PROJECT DESCRIPTION:
 Drill and complete a Wolfcamp horizontal well
 BHL 1650' FNL & 940' FWL Sec 21, T15S, R37E
 12,100' MD/10,617' TVD

INTANGIBLES	DRY HOLE COST	AFTER CASING POINT	COMPLETED WELL COST
Intangible Drilling Costs	\$2,167,478		\$2,167,478
Intangible Completion Costs		360,444	360,444
TOTAL INTANGIBLE COSTS	2,167,478	360,444	2,527,922
TANGIBLES			
Well Equipment	234,879	706,348	941,226
Lease Equipment		37,500	37,500
TOTAL TANGIBLE WELL COST	234,879	743,848	978,726
PLUG AND ABANDON COST	60,000		60,000
TOTAL WELL COST:	\$2,462,356	\$1,104,291	\$3,566,648

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 Howard Miller Sr. Drilling/Completion Engineer - Permian Basin	DRILLING DEPT. Doug Park, Mgr Drilling/Completion Operations Offshore and Permian Regions	REGIONAL MANAGER Roger Alexander, Regional Manager Permian Basin
JOINT INTEREST APPROVAL		
COMPANY	BY	DATE

Exhibit C



PROJECT COST ESTIMATE

LEASE NAME: Caudill South 21 Fee

WELL NO.: 2H

INTANGIBLES						Codes	DRY HOLE COST	Codes	AFTER CASING POINT	COMPLETED WELL COST			
ROADS & LOCATION PREPARATION / RESTORATION						DIDC.100	80,000	DICC.100	5,000	85,000			
DAMAGES						DIDC.105	20,000	DICC.105		20,000			
MUD/FLUIDS DISPOSAL CHARGES						DIDC.255		DICC.235					
DAY RATE	45	DH Days	5	ACP Days	\$18,500	Per Day	DIDC.115	832,500	DICC.120	92,500	925,000		
MISC PREPARATION COST (mouse hole, rat hole, pads, pile clusters, misc.)						DIDC.120	10,000			10,000			
BITS						DIDC.125	99,000	DICC.125		99,000			
FUEL	2.75	Per Gal			\$1,000	Gals/Day	DIDC.135	123,750	DICC.130	13,750	137,500		
WATER / COMPLETION FLUIDS						\$1,750	Per Day	DIDC.140	78,750	DICC.135	21,250	100,000	
MUD & ADDITIVES								DIDC.145	47,500			47,500	
SURFACE RENTALS						\$750	Per Day	DIDC.150	33,750	DICC.140	7,500	41,250	
DOWNHOLE RENTALS						\$3,000	Per Day	DIDC.155	135,000	DICC.145	18,000	153,000	
FORMATION EVALUATION (DST, Coring including evaluation, G&G SERVICES)								DIDC.160					
MUD LOGGING						33	Days	\$925	Per Day	DIDC.170	30,525	30,525	
OPEN HOLE LOGGING								DIDC.180	75,000			75,000	
CEMENTING & FLOAT EQUIPMENT								DIDC.185	40,000	DICC.155	50,000	90,000	
TUBULAR INSPECTIONS								DIDC.190	5,000	DICC.160	8,500	13,500	
CASING CREWS								DIDC.195	6,000	DICC.165	12,500	18,500	
EXTRA LABOR, WELDING, ETC.								DIDC.200	5,000	DICC.170	5,000	10,000	
LAND TRANSPORTATION (Trucking)						\$375	Per Day	DIDC.205	18,875	DICC.175	1,875	18,750	
SUPERVISION						\$1,100	Per Day	DIDC.210	49,500	DICC.180	11,000	60,500	
TRAILER HOUSE/CAMP/CATERING						\$400	Per Day	DIDC.280	18,000	DICC.255	2,000	20,000	
OTHER MISC EXPENSES								DIDC.220		DICC.190			
OVERHEAD							Per Day	DIDC.225	13,500	DICC.195	3,000	16,500	
REMEDIAL CEMENTING								DIDC.231		DICC.215			
MOB/DEMOB								DIDC.240	77,000			77,000	
DIRECTIONAL DRILLING SERVICES						13	Days	\$8,500	Per Day	DIDC.245	150,500	150,500	
DOCK, DISPATCHER, CRANE								DIDC.250		DICC.230			
MARINE & AIR TRANSPORTATION								DIDC.275		DICC.250			
SOLIDS CONTROL							Per Day	DIDC.260	90,000			90,000	
WELL CONTROL EQUIP (Snubbing services)							Per Day	DIDC.265	18,000	DICC.240	12,000	30,000	
FISHING & SIDETRACK OPERATIONS								DIDC.270		DICC.245			
COMPLETION RIG						5	Days	\$3,500	Per Day		DICC.115	17,500	17,500
COIL TUBING							Days		Per Day		DICC.260		
COMPLETION LOGGING, PERFORATING, WL UNITS, WL SURVEYS										DICC.200	25,000	25,000	
STIMULATION										DICC.210	45,000	45,000	
LEGAL/REGULATORY/CURATIVE								DIDC.300	5,000	DICC.280		5,000	
WELL CONTROL INSURANCE						\$0.34	Per Foot		12100	DIDC.285	4,320	4,320	
CONTINGENCY						5%	Of Drilling Intangibles	DIDC.435	103,008	DICC.220	16,569	119,576	
CONSTRUCTION FOR WELL EQUIPMENT										DWEA.110	7,500	7,500	
CONSTRUCTION FOR LEASE EQUIPMENT										DLEQ.110	5,000	5,000	
CONSTRUCTION FOR SALES P/L										DICC.265			
TOTAL INTANGIBLE COST								2,167,478		380,444	2,527,922		
TANGIBLE - WELL EQUIPMENT													
CASING													
DRIVE PIPE								DWEB.150					
CONDUCTOR PIPE						20	40	\$95.06	DWEB.130	3,802		3,802	
WATER STRING								DWEB.135					
SURFACE CASING						13 3/8	600	\$42.31	DWEB.140	25,386		25,386	
INTERMEDIATE CASING						9 5/8	4750	\$34.63	DWEB.145	164,493		164,493	
DRILLING LINER								DWEB.145					
DRILLING LINER								DWEB.145					
PRODUCTION CASING OR LINER						7	10975	\$31.30		DWEA.100	343,518	343,518	
PRODUCTION TIE-BACK						4 1/2	2000	\$12.34		DWEA.100	24,680	24,680	
TUBING						2 7/8	10500	\$6.30		DWEA.105	66,150	66,150	
N/C WELL EQUIPMENT										DWEA.115			
WELLHEAD, TREE, CHOKES								DWEB.115	45,000	DWEA.120	55,000	100,000	
LINER HANGER, ISOLATION PACKER								DWEB.100		DWEA.125			
PACKER, NIPPLES Peak Iso-Port and Centralizer-6 units										DWEA.130	107,000	107,000	
PUMPING UNIT, ENGINE										DLEQ.100	85,000	85,000	
LIFT EQUIPMENT (BHP, Rods, Anchors)										DLEQ.105	25,000	25,000	
TANGIBLE - LEASE EQUIPMENT													
N/C LEASE EQUIPMENT										DLEQ.115	5,000	5,000	
TANKS, TANKS STEPS, STAIRS										DLEQ.120	10,000	10,000	
BATTERY (Heater Treater, Separator, Gas Treating Equipment)										DLEQ.125	20,000	20,000	
FLOW LINES (Line Pipe from wellhead to central facility)										DLEQ.130	2,500	2,500	
OFFSHORE PRODUCTION STRUCTURE FOR FACILITIES										DWEA.135			
PIPELINES TO SALES										DWEA.140			
TOTAL TANGIBLES								234,879		743,848	978,726		
P&A COSTS								DIDC.295	60,000	DICC.275		60,000	
TOTAL COST								2,462,356		1,104,291	3,566,648		