

**Cimarex Energy Co.**  
600 N. Marienfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800

RECEIVED  
2009 SEP 28 PM 2 10

Brooks



September 23, 2009

**Via: e-mail and Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 6619**


Anadarko Petroleum Corporation  
Attn: David Ward  
P.O. Box 1330  
Houston, Texas 77251-1330

**Re: Ticonderoga 16 State Com No. 2  
N/2N/2 Section 16-T15S-R31E  
Chaves County, New Mexico**

Dear Dave:

In accordance with Paragraph (9) on Page 4 of NMOC Order No. R-13164, enclosed is an AFE for the above-captioned well. If Anadarko Petroleum Corporation would like to participate in the well, please follow the instructions set forth in Paragraph (10) on Page 4 of the aforementioned Order. Thank you.

Sincerely,

**Cimarex Energy Co.**  
  
Hayden P. Tresner  
Landman

cc. Oil Conservation Division (Via: U.S. Mail)  
Attn: Florene Davidson  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

James Bruce (Via: e-mail)  
P.O. Box 1056  
Santa Fe, New Mexico 87504



Authorization For Expenditure

Company Entity	Date Prepared
Cimarex Energy Co.	September 23, 2009

Region	Well Name	Well No.	Prospect or Field Name	Property Number	Drilling AFE No.
Permian	Ticonderoga 16 State Com	2H	Caprock	309742-032	259063

Location	County	State	Type Well								
N/2 N/2 of Sec 16, 15S-31E	Chaves	NM	<table><tr><td>Oil</td><td>x</td><td>Expl</td><td>x</td></tr><tr><td>Gas</td><td></td><td>Prod</td><td></td></tr></table>	Oil	x	Expl	x	Gas		Prod	
Oil	x	Expl	x								
Gas		Prod									

Estimate Type	Est. Start Date	Est. Comp Date	Formation	Est. TD
Original Estimate	⊙		ABO	13,260'
Revised Estimate	○			
Supplemental Estimate	○			

**Project Description**  
Drill and complete a Lower ABO horizontal well. Pilot hole. 8750' TVD, 13,260' MD. 13 stages 4560' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,368,375		\$1,368,375
Completion Costs		\$1,192,125	\$1,192,125
<b>Total Intangible Costs</b>	<b>\$1,368,375</b>	<b>\$1,192,125</b>	<b>\$2,560,500</b>

Tangibles			
Well Equipment	\$183,000	\$882,462	\$1,065,462
Lease Equipment		\$97,000	\$97,000
<b>Total Tangible Well Cost</b>	<b>\$183,000</b>	<b>\$979,462</b>	<b>\$1,162,462</b>

Plug and Abandon Cost	\$150,000	-\$150,000	\$0
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<b>Total Well Cost</b>	<b>\$1,701,375</b>	<b>\$2,021,587</b>	<b>\$3,722,962</b>
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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 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	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval		
Company	By	Date



Project Cost Estimate

Lease Name: Ticonderoga 16 State Com

Well No.: 2H

Intangibles					Dry Hole Cost		After Casing Point		Completed Well Cost
					Codes		Codes		
Roads & Location Preparation / Restoration					DIDC.100	\$35,000	DICC.100	\$3,000	\$38,000
Damages					DIDC.105	\$6,000	DICC.105		\$6,000
Mud / Fluids Disposal Charges					DIDC.255	\$65,000	DICC.235	\$50,000	\$115,000
Day Rate	35	DH Days	7	ACP Days @	DIDC.115	\$550,000	DICC.120	\$84,000	\$634,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)					DIDC.120	\$14,000			\$14,000
Bits					DIDC.125	\$18,750	DICC.125	\$1,000	\$19,750
Fuel	\$0.00	Per Gallon		Gallons Per Day	DIDC.135	\$0	DICC.130	\$0	\$0
Water / Completion Fluids					DIDC.140	\$30,625	DICC.135	\$111,125	\$141,750
Mud & Additives					DIDC.145	\$63,000			\$63,000
Surface Rentals					DIDC.150	\$31,000	DICC.140	\$83,000	\$114,000
Downhole Rentals					DIDC.155	\$36,000	DICC.145	\$14,000	\$50,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)					DIDC.160				\$0
Mud Logging					DIDC.170	\$30,000			\$30,000
Open Hole Logging					DIDC.180	\$30,000			\$30,000
Cementing & Float Equipment					DIDC.185	\$40,000	DICC.155	\$17,000	\$57,000
Tubular Inspections					DIDC.190	\$5,000	DICC.160	\$3,000	\$8,000
Casing Crews					DIDC.195	\$16,000	DICC.165	\$10,000	\$26,000
Extra Labor, Welding, Etc.					DIDC.200	\$14,000	DICC.170	\$5,000	\$19,000
Land Transportation (Trucking)					DIDC.205	\$21,000	DICC.175	\$4,000	\$25,000
Supervision					DIDC.210	\$49,000	DICC.180	\$18,000	\$67,000
Trailer House / Camp / Catering					DIDC.280	\$21,000	DICC.255	\$4,000	\$25,000
Other Misc Expenses					DIDC.220	\$2,000	DICC.190	\$7,000	\$9,000
Overhead					DIDC.225	\$13,000	DICC.195	\$3,000	\$16,000
Remedial Cementing					DIDC.231		DICC.215		\$0
MOB/DEMOB					DIDC.240				\$0
Directional Drilling Services					DIDC.245	\$137,000			\$137,000
Dock, Dispatcher, Crane					DIDC.250		DICC.230		\$0
Marine & Air Transportation					DIDC.275		DICC.250		\$0
Solids Control					DIDC.260	\$52,000			\$52,000
Well Control Equip (Snubbing Svcs.)					DIDC.265	\$12,000	DICC.240	\$11,000	\$23,000
Fishing & Sidetrack Operations					DIDC.270	\$0	DICC.245		\$0
Completion Rig							DICC.115	\$36,000	\$36,000
Coil Tubing							DICC.260	\$25,000	\$25,000
Completion Logging, Perforating, WL Units, WL Surveys							DICC.200	\$8,000	\$8,000
Stimulation							DICC.210	\$585,000	\$585,000
Legal / Regulatory / Curative					DIDC.300	\$7,000	DICC.280		\$7,000
Well Control Insurance					DIDC.285	\$5,000			\$5,000
Contingency					DIDC.435	\$65,000	DICC.220	\$54,000	\$119,000
Construction For Well Equipment							DWEA.110	\$1,000	\$1,000
Construction For Lease Equipment							DLEQ.110	\$55,000	\$55,000
Construction For Sales P/L							DICC.265		\$0
Total Intangible Cost						\$1,368,375		\$1,192,125	\$2,560,500

Tangible - Well Equipment									
Casing	Size	Feet	\$ / Foot						
Drive Pipe	20 "	40.00	\$0.00	DWEB.150	\$0				\$0
Conductor Pipe				DWEB.130	\$0				\$0
Water String				DWEB.135	\$0				\$0
Surface Casing	13-3/8"	340.00	\$48.26	DWEB.140	\$16,000				\$16,000
Intermediate Casing	9 5/8"	3950.00	\$42.21	DWEB.145	\$167,000				\$167,000
Drilling Liner				DWEB.145	\$0				\$0
Drilling Liner				DWEB.145	\$0				\$0
Production Casing or Liner	7"	8500.00	\$29.37			DWEA.100	\$257,000		\$257,000
Production Tie-Back	4 1/2"	4600.00	\$15.97			DWEA.100	\$73,462		\$73,462
Tubing	2 7/8"	8400.00	\$9.53			DWEA.105	\$80,000		\$80,000
N/C Well Equipment						DWEA.115	\$72,500		\$72,500
Wellhead, Tree, Chokes				DWEB.115		DWEA.120	\$10,000		\$10,000
Liner Hanger, Isolation Packer				DWEB.100		DWEA.125	\$196,000		\$196,000
Packer, Nipples						DWEA.130	\$1,000		\$1,000
Pumping Unit, Engine						DLEQ.100	\$135,000		\$135,000
Lift Equipment (BHP, Rods, Anchors)						DLEQ.105	\$57,500		\$57,500

Tangible - Lease Equipment									
N/C Lease Equipment						DLEQ.115	\$7,500		\$7,500
Tanks, Tanks Steps, Stairs						DLEQ.120	\$60,000		\$60,000
Battery (Heater Treater, Separator, Gas Treating Equipment)						DLEQ.125	\$24,000		\$24,000
Flow Lines (Line Pipe from wellhead to central facility)						DLEQ.130	\$5,500		\$5,500
Offshore Production Structure for Facilities						DWEA.135			\$0
Pipeline to Sales						DWEA.140			\$0
Total Tangibles						\$183,000		\$979,462	\$1,162,462

P&A Costs	DIDC.295	\$150,000	DICC.275	-\$150,000	\$0
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Total Cost						\$1,701,375		\$2,021,587	\$3,722,962
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