

Cimarex Energy Co.

600 N. Marienfeld St.

Suite 600

Midland, Texas 79701

PHONE 432.571.7800

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2010 NOV 22 P 1:31



November 19, 2010

Oil Conservation Division

Attn: Florene Davidson

1220 South St. Francis Drive

Santa Fe, New Mexico 87505

Re: Case No. ⁴14118 Order No. R-13228

Dear Florene:

Enclosed herewith is an itemized schedule of actual well costs associated with the drilling and completion of the Penny Pincher 21 Fed. Com No.1H well. The well costs are also being furnished to all pooled interest owners.

Please be advised that voluntary agreements were reached with Marbob Energy Corporation, Seven Rivers, Inc., aka Moutray Properties, The Bass Group and EGL Resources.

Invoices are still being collected for this well. A final accounting will be supplied to the OCD as soon as all invoices are charged.

If there is any additional information that you should require in regard to this matter, please do not hesitate to contact the undersigned. Thank you.

Sincerely,

Cimarex Energy Co.

A handwritten signature in black ink, appearing to read "Mark Compton", written over the printed name.

Mark Compton

Landman

cc: Gary Larson via email



Cimarex Energy Co.
Daily Cost Sheet

Well Name			AFE #		St. Well ID #		API #		Objective / Proposed TD		Date			
PENNY PINCHER 21 FEDERAL 1H			250022		309775-001		30-015-37699		Bone Springs ~13,500'		Tue, Aug 3, 2010			
Contractor		Rpt #	DFS	Present Operation										
Viva 26		13	136.250	Turn Well Over To Production										
Drilling:		MD	TVD	Footage	Daily \$/Ft	Cum \$/Ft	Completion:		TOC	PBTD	TD	HRS WRK		
		0	0.00	0	0	0			0	0	0	16.00		
Sub Ledger Description		Vendor & Description		B.C.P Code	Daily Drlg. Cost	Cum Drlg. Cost	Variance To Drlg. Afe Over/Under	A.C.P Code	Daily Compl. Cost	Cum Compl. Cost	Variance To Compl. Afe Over/Under	Dry Hole Cost	After Casing Point	Compl. Well Cost
Roads & Location Preparation / Restoration		[]		DIDC.100	-	18,831	-580	DICC.100	3,000	3,000	-	19,411	3,000	22,411
Damages		[]		DIDC.105	-	10,000	8,500	DICC.105	-	-	-	1,500	-	1,500
Mud/Fluids Disposal Charges		[]		DIDC.255	-	67,954	-28,745	DICC.235	-	23,868	-	96,699	23,868	120,567
Day Rate		[]		DIDC.115	-	510,639	-	DICC.120	3,000	13,565	-60,435	510,639	74,000	584,639
Misc Prep Cost (Mouse Hole, Rat Hole, Bits)		[]		DIDC.120	-	17,807	-10,131	-	-	-	-	27,938	-	27,938
Fuel		[]		DIDC.125	-	30,000	-24,985	DICC.125	-	-	-	54,985	-	54,985
		[]		DIDC.135	-	84,841	-22,210	DICC.130	-	-	-	107,051	-	107,051
Water 009 / Completion Fluids 109		[]		DIDC.140	-	22,402	20,532	DICC.135	-	962	-	1,870	962	2,832
Mud & Additives		[]		DIDC.145	-	45,752	-20,080	-	-	-	-	65,832	-	65,832
Surface Rentals		Diamond Tank Rental [Light Plants],		DIDC.150	-	30,925	-	DICC.140	73,176	190,142	-	30,925	190,142	221,067
Downhole Rentals		TFH [Frac Tanks]		DIDC.155	-	64,578	-10,268	DICC.145	640	16,740	-	74,846	16,740	91,586
DSTS, Formation Tests		[]		DIDC.160	-	-	-	-	-	-	-	-	-	-
Mud Logging		[]		DIDC.170	-	28,595	2,734	-	-	-	-	25,861	-	25,861
Open Hole Logging		[]		DIDC.180	-	14,497	-1,857	-	-	-	-	16,354	-	16,354
Cementing, thru Intermediate Casing		[]		DIDC.185	-	131,109	-25,793	DICC.155	-	34,501	-	156,902	34,501	191,403
Tubular Inspections		[]		DIDC.190	-	4,969	-61,107	DICC.160	-	3,286	-30,000	66,076	33,286	99,362
Casing Crews		[]		DIDC.195	-	17,938	-9,202	DICC.165	-	3,350	-	27,140	3,350	30,490
Extra labor, Welding, etc.		[]		DIDC.200	-	36,479	21,328	DICC.170	-	-	-	15,151	-	15,151
Trucking		[]		DIDC.205	-	19,807	-2,242	DICC.175	-	4,826	-	22,049	4,826	26,875
Supervision		Steve Snelson [Supervision]		DIDC.210	-	65,800	13,726	DICC.180	-	12,700	-	52,074	12,700	64,774
Trailer, Camp & Catering		[]		DIDC.280	-	18,798	2,515	DICC.255	-	315	-	16,283	315	16,598
Other misc expenses		[]		DIDC.220	-	14,041	-30	DICC.190	-	-	-	14,071	-	14,071
Overhead		[]		DIDC.225	-	12,000	4,219	DICC.195	3,000	3,000	-	7,781	3,000	10,781
Remedial Cementing		[]		DIDC.231	-	-	-	DICC.215	-	-	-	-	-	-
Mobilize & Demobilize		[]		DIDC.240	-	86,500	-53	-	-	-	-	86,553	-	86,553
Directional Drilling		[]		DIDC.245	-	148,428	-	-	-	-	-	148,428	-	148,428
Dock, Dispatcher, Crane		[]		DIDC.250	-	-	-	DICC.230	-	-	-	-	-	-
Marine/Air Transportation		[]		DIDC.275	-	-	-	DICC.250	-	-	-	-	-	-
Solids Control-Equip/Services		[]		DIDC.260	-	84,693	19,411	-	-	-	-	65,282	-	65,282
Well Control-Equip/Services		R&H [BOP]		DIDC.265	-	12,240	-25,095	DICC.240	400	2,300	-	37,335	2,300	39,635
Fishing & Sidetrack Services		[]		DIDC.270	-	-	-	DICC.245	-	-	-	-	-	-
Completion Rig		Viva 29 [Completion Rig]		-	-	-	-	DICC.115	4,290	23,280	-	-	23,280	23,280
Coil Tubing		[]		-	-	-	-	DICC.260	-	-	-	-	-	-
Completion Logging, Perforating		[]		-	-	-	-	DICC.200	-	-	-	-	-	-
Stimulation		[]		-	-	-	-	DICC.210	-	1,205,795	-	-	1,205,795	1,205,795
Legal/Regulatory/Curative		[]		DIDC.300	-	13,000	-28,460	DICC.280	-	-	-	41,460	-	41,460
Well Control Insurance		[]		DIDC.285	-	5,000	-	-	-	-	-	5,000	-	5,000
Contingency		[]		DIDC.435	-	79,361	-10,639	DICC.220	6,875	79,582	-2,419	90,000	82,000	172,000
Construction For Well Equipment		[]		-	-	-	-	DWEA.110	50,000	50,000	-	-	50,000	50,000
Construction For Lease Equipment		[]		-	-	-	-	DLEQ.110	-	-	-	-	-	-
Construction For Sales P/L		[]		-	-	-	-	DICC.265	-	-	-	-	-	-
Intangible					0	1,696,984	-188,512		144,381	1,671,212	-92,854	1,885,496	1,764,065	3,649,561
Drive Pipe		[]		DWEB.150	-	-	-	-	-	-	-	-	-	-
Conductor Pipe		[]		DWEB.130	-	-	-	-	-	-	-	-	-	-
Water String		[]		DWEB.135	-	50,632	-13,429	-	-	-	-	64,061	-	64,061
Surface Casing		[]		DWEB.140	-	122,515	-3,988	-	-	-	-	126,503	-	126,503
Intermediate Casing		[]		DWEB.145	-	168,857	31,637	-	-	-	-	137,220	-	137,220
Production Casing Or Liner		[]		-	-	-	-	DWEA.100	-	353,700	-	-	353,700	353,700
Tubing		[263 jts (8332) 2-7/8" 6.5# L80]		-	-	-	-	DWEA.105	54,741	54,741	-	-	54,741	54,741
N/C Well Equipment		[]		-	-	-	-	DWEA.115	65,000	65,000	-	-	65,000	65,000
Wellhead, Tree, Chokes		[] / QCI [Submersible Hanger]		DWEB.115	-	-	-13,873	DWEA.120	18,000	18,000	-	13,873	18,000	31,873
Liner Hanger, Isolation Packer		[]		DWEB.100	-	-	-	DWEA.125	-	243,127	-	-	243,127	243,127
Packer, Nipples		[]		-	-	-	-	DWEA.130	-	-	-	-	-	-
Pumping Unit, Engine		[]		-	-	-	-	DLEQ.100	190,000	190,000	-	-	190,000	190,000
Lift Equipment (Bhp, Rods, Anchors)		[]		-	-	-	-	DLEQ.105	60,000	60,000	-	-	60,000	60,000
Metering Equipment		[]		-	-	-	-	DLEQ.220	-	-	-	-	-	-
Tangible - Well Equipment					0	342,004	347		387,741	984,568	0	341,657	984,568	1,326,225
N/C Lease Equipment		[]		-	-	-	-	DLEQ.115	7,500	7,500	-	-	7,500	7,500
Tanks, Tanks Steps, Stairs		[]		-	-	-	-	DLEQ.120	62,000	62,000	-	-	62,000	62,000
Battery (Heater Treater, Separator,...)		[]		-	-	-	-	DLEQ.125	24,500	24,500	-	-	24,500	24,500
Flow Lines (Line Pipe From Wellhead)		[]		-	-	-	-	DLEQ.130	2,500	2,500	-	-	2,500	2,500
Offshore Production Structure For ...		[]		-	-	-	-	DWEA.135	-	-	-	-	-	-
Pipeline to Sales		[]		-	-	-	-	DWEA.140	-	-	-	-	-	-
Tangible - Lease Equipment					0	0	0		96,500	96,500	0	0	96,500	96,500
P&A Costs		[]		DIDC.295	-	-	-150,000	DICC.275	-	-	150,000	150,000	-150,000	-
P&A					0	0	-150,000		0	0	150,000	150,000	-150,000	0