



# Authorization For Expenditure

Cimarex Energy Co.

November 30, 2009

Permian Penny Pincher 21 Fed Com 1H West Luck

SHL: Approx 660 FN, 990 FWL of Sec 21, 19S-31E

Eddy

NM

Oil

x

Expl

x

BHL: Approx 330 FS & WL, Sec 21, 19S-31E

Gas

Prod

Original Estimate

13,500'

Revised Estimate

9,100'

Supplemental Estimate

Drill and complete a NM Bone Spring horizontal well. With no pilot hole. 10 stages 4500' VS

Intangibles	Dry Hole Cost	After Casing Point	Completed Well Cost
Drilling Costs	\$1,334,990		\$1,334,990
Completion Costs		\$959,375	\$959,375
Total Intangible Costs	\$1,334,990	\$959,375	\$2,294,365
Tangibles			
Well Equipment	\$379,000	\$917,196	\$1,296,196
Lease Equipment		\$96,500	\$96,500
Total Tangible Well Cost	\$379,000	\$1,013,696	\$1,392,696
Plug and Abandon Cost	\$150,000	-\$150,000	\$0
Total Well Cost	\$1,363,990	\$1,823,071	\$3,687,061

1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

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.

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

Joint Interest Approval

OCC Case No. 14418

CIMAREX ENERGY  
Exhibit #4

1/4/2010 2:47 PM



## Project Cost Estimate

Lease Name: Penny Pincher 21 Fed Cam

Well No.: 1H

Item	Unit	Rate	Quantity	Amount	Unit	Rate	Quantity	Amount
Roads & Location Preparation / Restoration			1	\$30,000			1	\$3,000
Damages			1	\$10,000			1	\$10,000
Mud / Fluids Disposal Charges			1	\$56,000			1	\$45,000
Day Rate	34 DH Days	\$1 ACP Days @	Per Day	\$328,000			1	\$57,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)			1	\$5,000			1	\$5,000
Bits			1	\$30,000			1	\$11,000
Fuel	\$2.60 Per Gallon		Gallons Per Day	\$30,000			1	\$11,000
Water / Completion Fluids			Per Day	\$36,270			1	\$64,375
Mud & Additives			1	\$29,250			1	\$29,250
Surface Rentals			Per Day	\$20,000			1	\$95,000
Downhole Rentals			1	\$77,970			1	\$14,000
Formation Evaluation (DST, Coring including evaluation, G&G Services)			1				1	\$0
Mud Logging	\$850 Days @	25 Per Day	1	\$25,000			1	\$25,000
Open Hole Logging			1	\$25,000			1	\$25,000
Cementing & Float Equipment			1	\$65,000			1	\$20,000
Tubular Inspections			1	\$5,000			1	\$3,000
Casing Crews			1	\$9,000			1	\$14,000
Extra Labor, Welding, Etc.			1	\$10,000			1	\$5,000
Land Transportation (Trucking)			1	\$20,000			1	\$4,000
Supervision			Per Day	\$44,000			1	\$14,000
Trailer House / Camp / Catering			400 Per Day	\$20,000			1	\$4,000
Other Misc Expenses			1	\$2,000			1	\$7,000
Overhead			300 Per Day	\$12,000			1	\$3,000
Remedial Cementing			1				1	\$0
MOB/DEMOB			1	\$30,000			1	\$30,000
Directional Drilling Services	13 Days @	7,200 Per Day	1	\$114,000			1	\$114,000
Dock, Dispatcher, Crane			1				1	\$0
Marine & Air Transportation			1				1	\$0
Solids Control			Per Day	\$24,400			1	\$24,400
Well Control Equip (Snubbing Svcs.)			1	\$35,100			1	\$11,000
Fishing & Sidetrack Operations			1	\$0			1	\$0
Completion Rig	7 Days @	3,400 Per Day	1				1	\$36,000
Coil Tubing	Days @	Per Day	1				1	\$30,000
Completion Logging, Perforating, WL Units, WL Surveys			1				1	\$8,000
Stimulation			1				1	\$425,000
Legal / Regulatory / Curative			1	\$13,000			1	\$13,000
Well Control Insurance	\$0.35 Per Foot		1	\$5,000			1	\$5,000
Contingency	5% of Drilling Intangibles		1	\$64,000			1	\$25,000
Construction For Well Equipment			1				1	\$50,000
Construction For Lease Equipment			1				1	\$0
Construction For Sales P/L			1				1	\$0
Total Intangible Cost				\$1,334,990				\$959,375

Item	Size	Feet	\$ / Foot	Amount	Unit	Rate	Quantity	Amount
Casing								
Drive Pipe	30"	40.00	\$0.00	\$0			1	\$0
Conductor Pipe				\$0			1	\$0
Water String	20"	620.00	\$110.00	\$68,000			1	\$68,000
Surface Casing	13-3/8"	2500.00	\$63.90	\$160,000			1	\$160,000
Intermediate Casing	9 5/8"	4100.00	\$33.26	\$136,000			1	\$136,000
Drilling Liner				\$0			1	\$0
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Production Casing or Liner	7"	8500.00	\$35.80	\$304,300			1	\$304,300
Production Tie-Back	4 1/2"	4600.00	\$15.26	\$70,196			1	\$70,196
Tubing	2 7/8"	8400.00	\$7.30	\$61,000			1	\$61,000
N/C Well Equipment				\$65,000			1	\$65,000
Wellhead, Tree, Chokes				\$18,000			1	\$33,000
Liner Hanger, Isolation Packer				\$145,000			1	\$145,000
Packer, Nipples				\$1,000			1	\$1,000
Pumping Unit, Engine				\$150,000			1	\$150,000
Lift Equipment (BHP, Rods, Anchors)				\$60,000			1	\$60,000
N/C Lease Equipment				\$7,500			1	\$7,500
Tanks, Tanks Steps, Stairs				\$62,000			1	\$62,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				\$24,500			1	\$24,500
Flow Lines (Line Pipe from wellhead to central facility)				\$2,500			1	\$2,500
Offshore Production Structure for Facilities				\$0			1	\$0
Pipeline to Sales							1	\$0
Total Tangibles				\$379,000				\$1,013,696
P&A Costs				\$150,000				\$-150,000
Total Cost				\$1,863,990				\$1,823,071