

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

JBMIT IN **S** **DUPLICATE***
(Other instructions reverse)

ATS-07-285
FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		7. UNIT AGREEMENT NAME	
1b. TYPE OF WELL OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> WELL WELL OTHER ZONE SINGLE <input checked="" type="checkbox"/> MULTIPLE <input type="checkbox"/>		8. FARM OR LEASE NAME, WELL NO. Keely 26 Federal No. 2 35864	
2. NAME OF OPERATOR Cimarex Energy Co. of Colorado 162683		9. API WELL NO. 30-015- 35491	
3. ADDRESS AND TELEPHONE NO. P.O. Box 140907 Irving TX 75014 972-401-3111		10. FIELD AND POOL, OR WILDCAT Sand Tank; Morrow	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) 1240' FSL & 1835' FEL 1150' FSL & 1825' FEL as attached on 3507 C.L. 03/06/07		11. SEC. T.R.M., BLOCK AND SURVEY Basin AREA O-26-17S-29E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 2 miles Northeast of Loco Hills		12. COUNTY OR PARISH Eddy	
15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O. (Also to nearest drig. unit line, if any) 805'		13. STATE NM	
16. NO. OF ACRES IN LEASE 1264.52		17. NO. OF ACRES ASSIGNED TO THIS WELL NM 2575 81M Bond 320 STATEWIDE 3/6/07	
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 2080'		19. PROPOSED DEPTH 11300'	
20. ROTARY OR CABLE TOOLS Rotary		22. APPROX. DATE WORK WILL START* 04-01-07	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3567' GR			

23. PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	H-40 13-3/8"	48 #	350' - 500' *	500 sx circulate
12-1/4"	J-55 9-5/8"	40 #	4715'	1700 sx circulate
8-3/4"	P-110 5-1/2"	17 #	11300'	1460 sx TOC 8550'

*Set surface casing 25' into the top of the Rustler, which is estimated to be between 350' and 500'.

From the base of the surface pipe through the running of production casing, the well will be equipped with a 5000 - psi BOP system. We are requesting a variance for the 13-3/8" surface casing and BOP testing from Onshore Order No. 2, which states all casing strings below the conductor shall be pressure tested to 0.22 psi per foot or 1500#, whichever is greater, but not to exceed 70% of the manufacturer's stated maximum internal yield. During the running of the surface pipe and the drilling of the intermediate hole we do not anticipate any pressures greater than 1000#, and we are requesting a variance to test the 13 3/8" casing and BOP system to 1000# psi and use rig pumps instead of an independent service company.

IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Zeno Fami TITLE Mgr. Ops. Admin DATE 02-07-07

(This space for Federal or State office use)

PERMIT No. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ James Stovall TITLE FIELD MANAGER DATE MAR 20 2007

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

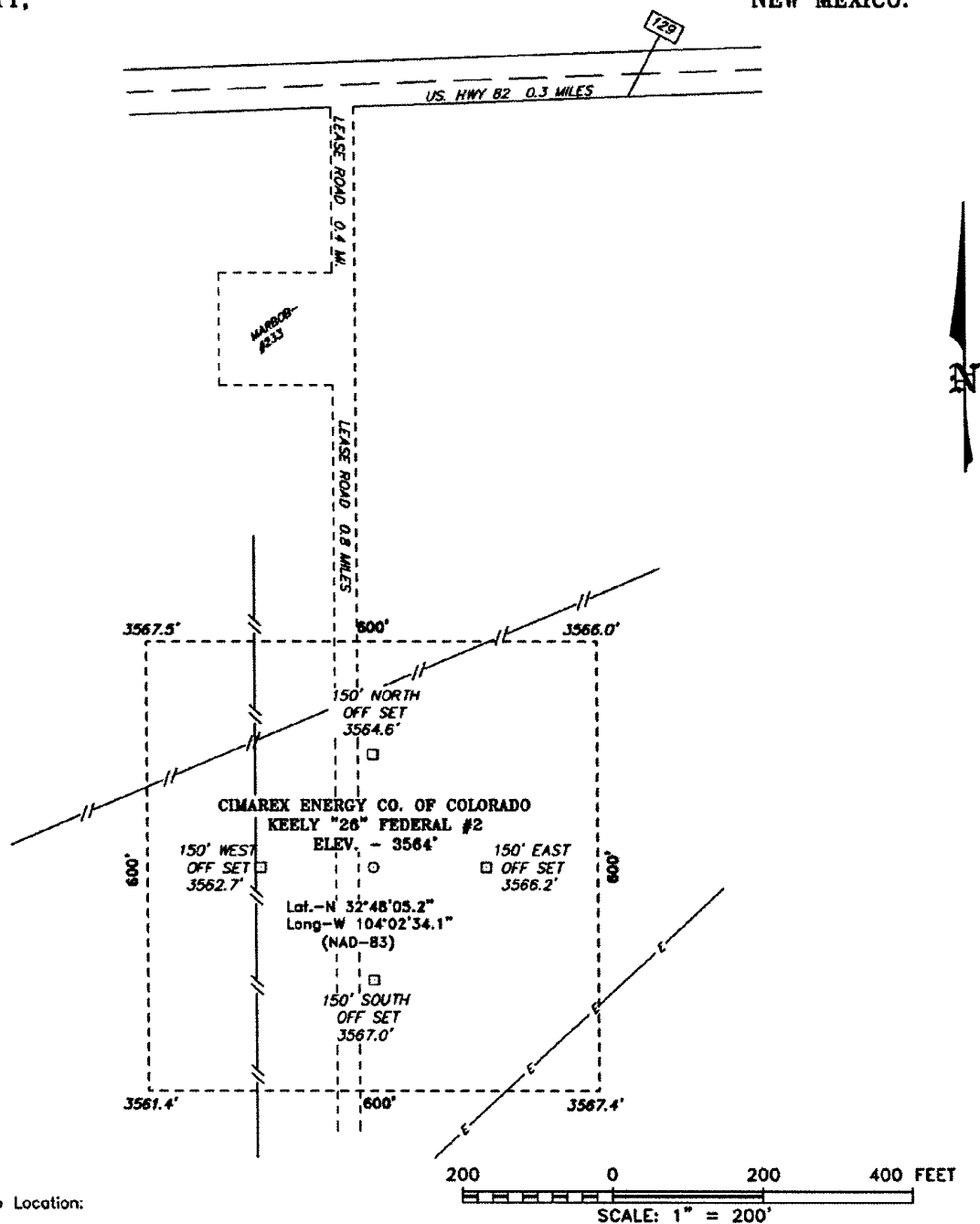
APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

'APPROVAL FOR 1 YEAR

	<p>1980'</p> <p>1550'</p> <p>Keely 26 Fed #1</p> <p>LC-028784-B</p> <p>Keely 26 Fed #2</p> <p>3567.5' 3566.0'</p> <p>1825'</p> <p>3561.4' 3567.4'</p> <p>1150'</p>	<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><u>Zeno Farris</u> 03-05-07</p> <p>Signature Date</p> <p><u>Zeno Farris</u></p> <p>Printed Name</p>
<p>Lat - N32°48'05.2"</p> <p>Long - W104°02'34.1"</p> <p>NMSPCE- N 665416.33</p> <p>E 630608.846</p> <p>(NAD-83)</p>	<p>LC-028784-B</p> <p>Keely 26 Fed #2</p> <p>3567.5' 3566.0'</p> <p>1825'</p> <p>3561.4' 3567.4'</p> <p>1150'</p>	<p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>FEBRUARY 07, 2007</p> <p>Date Surveyed</p> <p>Signature <u>Gary L. Jones</u></p> <p>Professional Surveyor</p> <p>758</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

SECTION 26, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM MILE MARKER 128 ON US HWY 82, PROCEED WEST 0.3 MILES TO LEASE ROAD, ON LEASE ROAD PROCEED SOUTH 0.4 MILES TO THE MARBOK KEELY #233, THEN GO SOUTH 0.8 MILES TO PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 17758

Drawn By: J. M. SMALL

Date: 02-09-2007

Disk: JMS 17758W

CIMAREX ENERGY CO. OF COLORADO

REF: KEELY '26" FEDERAL #2 / WELL PAD TOPO

THE KEELY "26" FEDERAL #2 LOCATED 1150' FROM
THE SOUTH LINE AND 1825' FROM THE EAST LINE OF
SECTION 26, TOWNSHIP 17 SOUTH, RANGE 29 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 02-07-2007

Sheet 1 of 1 Sheets

Application to Drill

Cimarex Energy Co. of Colorado
Keely 26 Federal No. 2
Unit O Section 26
T17S-R29E Eddy County, NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

- 1 Location: 1240' FSL & 1835' FEL
- 2 Elevation above sea level: GR 3567'
- 3 Geologic name of surface formation: Quaternary Alluvium Deposits
- 4 Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5 Proposed drilling depth: 11300'
- 6 Estimated tops of geological markers:

San Andres	2600
Yeso	4100
Wolfcamp	7500
Lower Wolfcamp	9050
Strawn LS	10200
Atoka Clastics	10360
Morrow Clastics	10845
Miss Unconformity	11100
- 7 Possible mineral bearing formation:

Morrow	Gas
Atoka	Gas
Wolfcamp	Oil
- 8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
17-1/2"	0-500'	13-3/8"	48	8-R	ST&C	H-40
12-1/4"	0-4715'	9-5/8"	40	8-R	LT&C	J-55
8-3/4"	0-11300'	5-1/2"	17	8-R	LT&C	P-110

Application to Drill

Cimarex Energy Co. of Colorado
Keely 26 Federal No. 2
Unit O Section 26
T17S-R29E Eddy County, NM

9 Cementing & Setting Depth:

13 3/8" Surface Set 500' of 13 3/8" H-40 48# ST&C casing. Cement with 500 Sx. Of Premium Plus + additives, circulate cement to surface.

9 5/8" Intermediate Set 4715' of 9 5/8" J-55 40# LT&C casing. Cement with 1700 Sx. Of Class Premium Plus + additives, circulate cement to surface.

5 1/2" Production Set 11300' of 5 1/2" P-110 17# LT&C casing. Cement with 1460 Sx. of Class POZ/C Cement + additives. Estimated top of cement 8550'.

See
COA

10 Pressure control Equipment:

Exhibit "E". A 13 3/8" 5000 PSI working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 5000 # annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 6000'. A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor. BOP unit will be hydraulically operated. BOP will be nipped up on the 9 5/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. No abnormal pressure or temperature is expected while drilling.

See
COA

11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0-500'	8.4 - 8.6	30 - 32	May lose circ.	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
500'-4715'	9.7 - 10.0	28 - 29	May lose circ.	Brine water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole.
4715'-8300'	8.4 - 9.9	28 - 29	NC	Brine water. Paper for seepage. Lime for PH (9 - 9.5)
8300'-10000'	8.45 - 8.9	28 - 29	NC	Cut brine. Caustic for pH control.
10000'-11300'	8.9 - 9.7	29 - 45	NC	Cut brine. Caustic for pH control.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DSTs, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

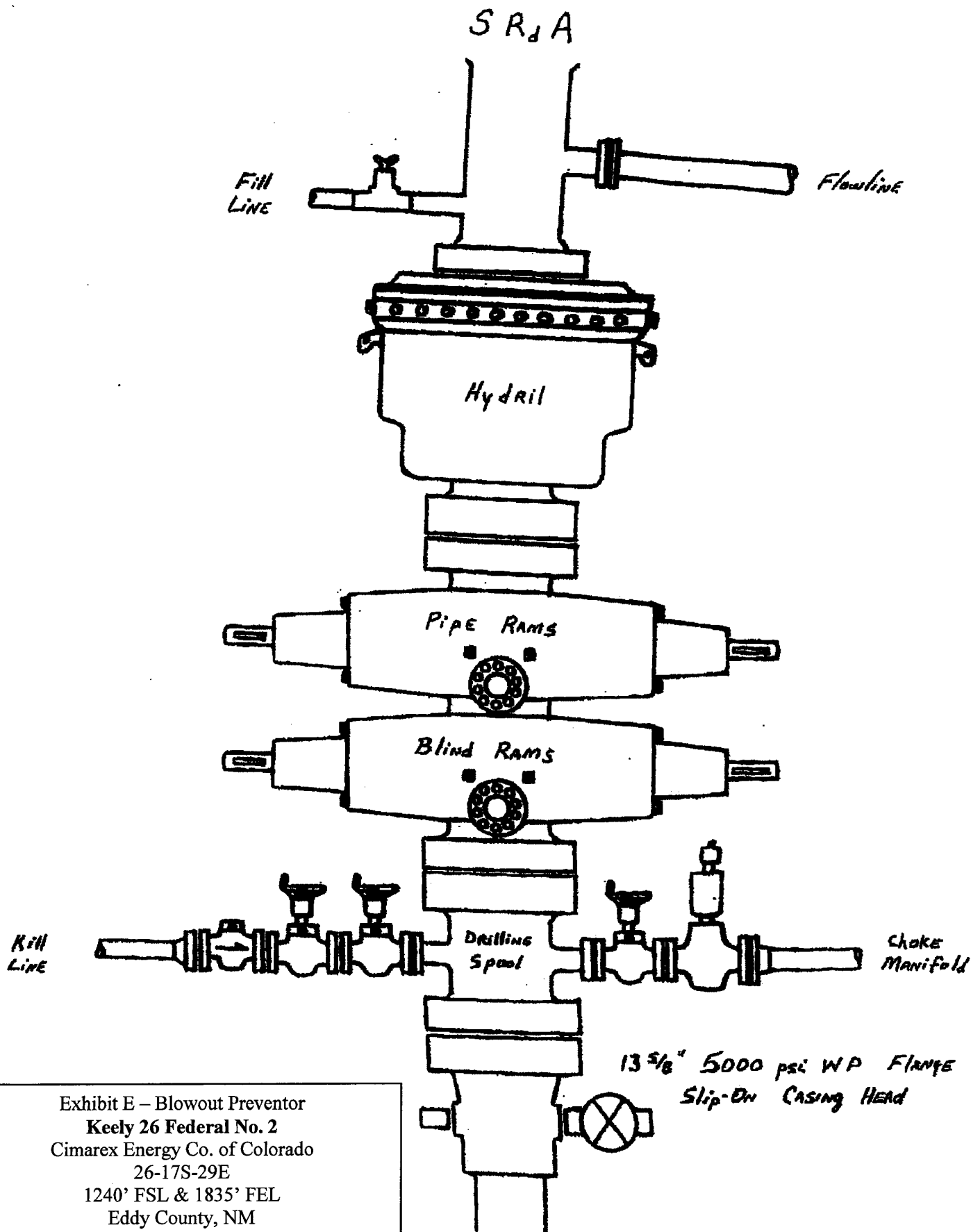


Exhibit E – Blowout Preventor
 Keely 26 Federal No. 2
 Cimarex Energy Co. of Colorado
 26-17S-29E
 1240' FSL & 1835' FEL
 Eddy County, NM

DRILLING OPERATIONS
CHOKE MANIFOLD
SM SERVICE

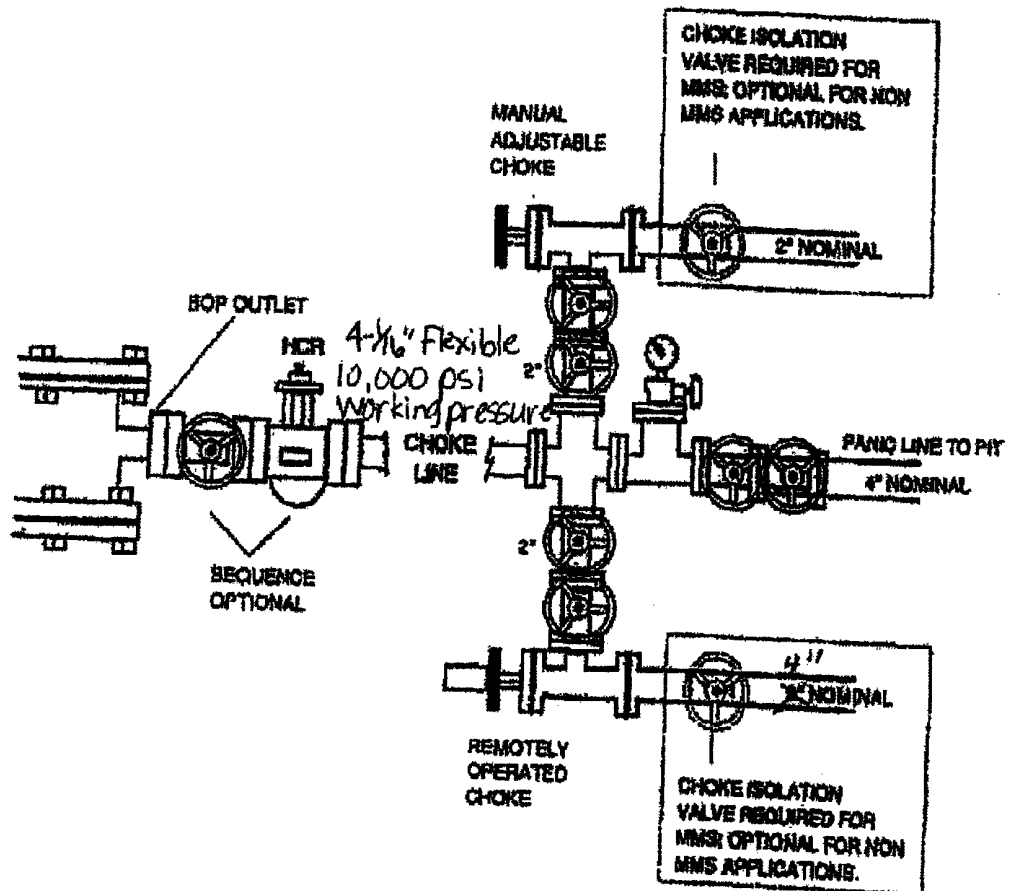


Exhibit E-1 – Choke Manifold Diagram
Keely 26 Federal No. 2
Cimarex Energy Co. of Colorado
26-17S-29E
1240' FSL & 1835' FEL
Eddy County, NM

Hydrogen Sulfide Drilling Operations Plan

Cimarex Energy Co. of Colorado
Keely 26 Federal No. 2
Unit O Section 26
T17S-R29E Eddy County, NM

- 1 All Company and Contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:
 - A. Characteristics of H2S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H2S detectors, warning system and briefing
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
- 2 H2S Detection and Alarm Systems
 - A. H2S detectors and audio alarm system to be located at bell nipple, end of flow line (mud pit) and on derrick floor or doghouse.
- 3 Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
- 4 Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H2S present in dangerous concentration. Only emergency personnel admitted to location.
- 5 Well control equipment
 - A. See exhibit "E"
- 6 Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foremen's trailers or living quarters.
- 7 Drillstem Testing not anticipated.

Hydrogen Sulfide Drilling Operations Plan

Cimarex Energy Co. of Colorado
Keely 26 Federal No. 2
Unit O Section 26
T17S-R29E Eddy County, NM

- 8 Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.

- 9 If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.

Surface Use Plan

Cimarex Energy Co. of Colorado
Keely 26 Federal No. 2
Unit O Section 26
T17S-R29E Eddy County, NM

- 1 Existing Roads: Area maps, Exhibit "B" is a reproduction of Lea Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.

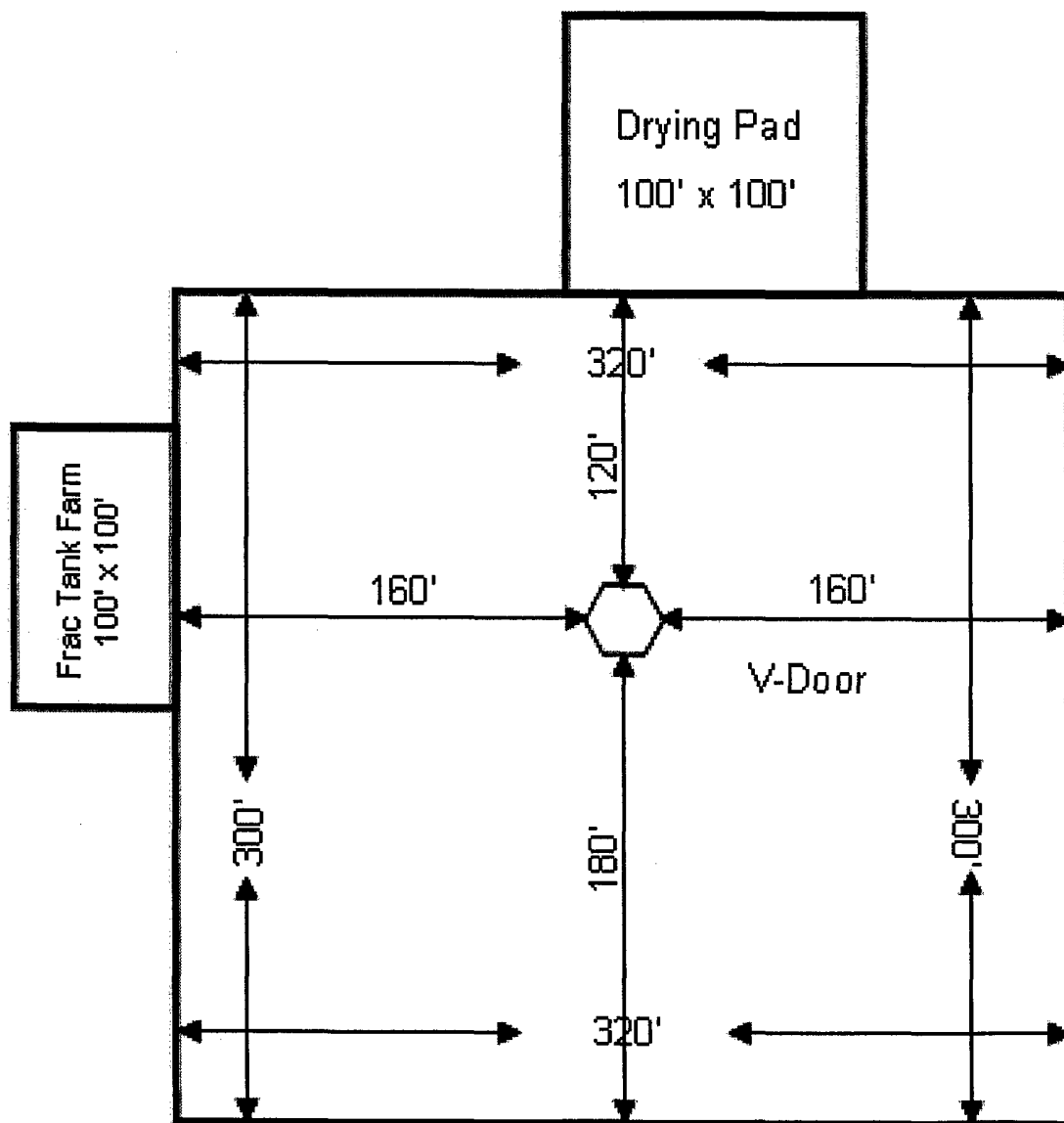
- A. Exhibit "A" shows the proposed well site as staked.

- B. From Mile Marker 128 of US Hwy 82, go West 0.6 miles to the junction of US Hwy 82 and Co Rd 213. Go South on Co Rd 213 for 0.7 miles to lease road. On lease road, go East 0.3 miles around Marbob #127 location to lease road. On lease road, go South 0.8 miles to lease road. On lease road, go East 0.5 miles to lease road. On lease road, go North 0.1 miles to proposed location.

- 2 PLANNED ACCESS ROADS: No new lease road will be constructed.

- 3 LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A"

A. Water wells -	None known
B. Disposal wells -	None known
C. Drilling wells -	None known
D. Producing wells -	As shown on Exhibit "A"
E. Abandoned wells -	As shown on Exhibit "A"



Rig 122

Cimarex Energy Co.
of Colorado

Exhibit D – Rig Layout

Keely 26 Federal No. 2

Cimarex Energy Co. of Colorado

26-17S-29E

1240' FSL & 1835' FEL

Eddy County, NM

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Cimarex Energy Co
Well Name & No. Keely 26 Federal # 2
Location: 1150'FSL, 1835'FEL, SEC26, T17S, R29E, Eddy County, NM
Lease: LC-028784B

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I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance, at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

1. Spudding
2. Cementing casing: 13.375 inch 9.625 inch 5.5 inch
3. BOP tests

B. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the Grayburg formation. A copy of the plan shall be posted at the drilling site.

C. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

D. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute. (R-111-P area only)

E. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The 13.375 inch surface casing shall be set above the salt, at least 25 feet into the Rustler Anhydrite @ approximately 500 feet and cement circulated to the surface.

1. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on Cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 9.625 inch intermediate casing is circulate cement to the surface. If cement does not circulate see A.1 thru 4.

C. The minimum required fill of cement behind the 5.5 inch production casing is cement shall extend upward a minimum of 200 feet above the base of the intermediate casing string.

D. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. and in API RP53.

B. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the intermediate casing well bore shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9.625 inch casing shall be 5000 psi.

C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of the independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if the test is done with a test plug and 30 minutes without a test plug.
5. BOP/BOPE must be tested by an independent service within 500 feet of the top of the **Wolfcamp** Formation. This test does not exclude the test prior to drilling out the casing shoe as per onshore order No. 2.
6. A variance to test the _____ to the reduced pressure of _____psi with the rig pumps is approved the BOP/BOPE must be tested by an independent service company.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

V. Hazards:

1. Our geologist has indicated that there is potential for flows in the Artesia and Salado groups.
2. Our geologist has indicated that there is potential for lost circulation in the Grayburg and San Andres formations.

Engineering may be contacted at 505-706-2779 for variances if necessary.

FWright 2/23/07