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Cimarex Energy Co. of Colorado

5215 N. O'Connor Blvd. ♦ Suite 1500 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6486
A subsidiary of Cimarex Energy Co. • A NYSE Listed Company • "XEC"

January 22, 2009

EMNRD-Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
Attn: Mr. Mark E. Fesmire

Re: Application of Fasken Oil and Ranch, LTD, For a
Compliance Order Requiring Cimarex Energy Co. of Colorado to
Comply with the Division's Oil Proration Rules for the
Apache Ridge Bone Spring Pool, Lea County New Mexico.
Case No. 14145, Order No. R-13040

Dear Mr. Fesmire:

The referenced Order No. dated November 5, 2008 required Cimarex Energy Co. of Colorado to make-up overproduction in the below mentioned Apache Ridge Bone Spring wells and to submit the correct producing interval for the Pennzoil 36 State No. 1 well.

In this regard we are attaching spreadsheet tabulations of State-reported production indicating overproduction has been made up in the Mescalero 30 Federal No. 1, Pennzoil 36 State No. 1, Pennzoil B 36 State No. 2, and Pennzoil B 36 State No. 7.

The Mescalero 30 Federal No. 1 and the Pennzoil 36 State No. 1 wells were overproduced in 2005 and 1998 respectively prior to Cimarex acquiring the properties. With the production decline rate for these wells, overproduction was made up in the same year. In addition, as shown on the spreadsheet using March 08 production, or any other month during the year, the wells have been made up.

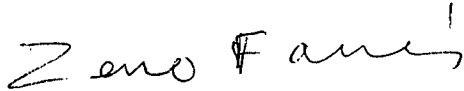
The Pennzoil B 36 State No. 2 and Pennzoil B 36 State No. 7 were overproduced after completion and during the testing and evaluation phase in 2008. We had begun cutting these wells back prior to our June 26, 2008 hearing for an increase of the allowable and limiting gas-oil ratio for the Apache Ridge Bone Spring pool. As a result of this, the overproduction tabulated by Fasken Oil and Ranch for the Pennzoil B 36 State No. 2 and Pennzoil B 36 State No. 7 wells was made up in October and September of 2008 respectively.

We are also enclosing for your reference a copy of a letter dated December 8, 2008 with attached C-103 to Ms. Donna Mull at the Hobbs District OCD office indicating the correct producing interval in the Pennzoil 36 State No. 1 well.

In accordance with Order No. 13040 Cimarex Energy Co. of Colorado will now revert to the depth bracket allowable of 275 barrels of oil per day with a limiting gas-oil ratio of 2000 cubic feet of gas per barrel of oil for each of the above mentioned wells.

If you have any questions or require additional information regarding this issue, please feel free to call the undersigned at 972-443-6489.

Sincerely,

A handwritten signature in black ink that reads "Zeno Farris". The signature is written in a cursive, slightly slanted style.

Zeno Farris
Manager, Operations Administration

C.C. NMOCD Santa Fe Office, Attn: Mr. Richard Ezeanyim
Fasken Oil and Ranch, LTD.

Summary of Overproduction Status for Case # 14145, Order R-13040, Issued November 5th, 2008

<u>Well</u>	<u>Comments</u>
Mescalero 30 Federal 1	Overproduction of 5891 barrels oil in February 2008 made up in March 2008
Pennzoil 36 State #1	Overproduction of 5692 barrels oil in February 2008 made up in March 2008
Pennzoil B 36 State #2	Overproduction of 19440 barrels oil in February 2008 made up in October 2008
Pennzoil B 36 State #7	Overproduction of 13317 barrels oil in April 2008 made up in September 2008

Well Name:	MESCALERO 30 FEDERAL # 001			
Location:	P-30-19.05-34E 510 FSL 990 FEL			
Lat:	32.6253377			-103.5942688
Operator Name:	CIMAREX ENERGY CO. OF COLORADO			
Land Type:	Federal			
Spud Date:	3/4/1986 1			
Elevation GL:	3668	APC Status:		
Year:	2008			
Pool Name:	APACHE RIDGE;BONE SPRING			
Month	Oil(BBLS)	Days Produced	Days in Month	Daily Avg (bopd)
January	2147	31	31	61
February	1569	29	29	50
March	1901	31	31	43
April	1495	30	30	37
May	1318	31	31	35
June	1107	30	30	21
July	1070	31	31	35
August	643	31	31	27
September	983	28	30	23
October	846	31	31	
November	703	30	30	
December	0	0	31	
				Oil Over/(Under) Production @ 275 bopd allowable
				Cum Overproduction
				5891
				(733)
				(7488)
				(14695)
				(21838)
				(29293)
				(37175)
				(44442)
				(52121)
				(59668)
				(68193)

Well_Name: PENNZOIL B 36 STATE # 002
 Location: J-36-19.05-33E 2310 FSL 1980 FEL
 Lat: 32.61575428 -103.6147547
 Operator Name: CIMAREX ENERGY CO. OF COLORADO
 Land Type: State
 Spud Date: 5/27/2007
 Elevation GL: 3605
 APC Status:

Year:	2008					
Pool Name:	APACHE RIDGE;BONE SPRING					
Month	Oil(BBLs)	Days Produced	Days in Month	Daily Avg (bopd)	Oil Over/(Under) Production @ 275 bopd allowable	Cum Overproduction
January	8342	30	31			19440
February	8717	28	29	321	1434.00	20874
March	9959	31	31	281	187.00	21061
April	8437	30	30	263	(379.00)	20682
May	8146	31	31	225	(1496.00)	19186
June	6754	30	30	118	(4874.00)	14312
July	3651	31	31	129	(5170.00)	9142
August	3355	26	31	119	(5518.00)	3624
September	2732	23	30	81	(6008.00)	(2384)
October	2517	31	31	65	(6943.00)	(9327)
November	1307	20	30			(9327)
December	0	0	31		0.00	(9327)

Well_Name: PENNZOIL B 36 STATE # 007
 Location: A-36-19.05-33E 930 FNL 660 FEL
 Lat: 32.62134623 -103.6104283
 Operator Name: CIMAREX ENERGY CO. OF COLORADO
 Land Type: State
 Spud Date: 1/20/2008
 Elevation GL: 3617
 APC Status:

Year:	2008					
Pool Name:	APACHE RIDGE;BONE SPRING					
Month	Oil(BBLs)	Days Produced	Days In Month	Daily Avg (bopd)	Oil Over/(Under) Production @ 275 bopd allowable	Cum Overproduction
January	0	0	31			13317
February	0	0	29			13830
March	4740	29	31			11988
April	20090	28	30			7460
May	9038	31	31	292	513.00	4106
June	6408	29	30	221	(1842.00)	(315)
July	3997	24	31	167	(4528.00)	(4860)
August	5171	24	31	215	(3354.00)	(11168)
September	3829	23	30	166	(4421.00)	(1168)
October	3980	31	31	128	(4545.00)	(1168)
November	1942	20	30		(6308.00)	(1168)
December	0	0	31		0.00	

5215 N. O'Connor Blvd
Suite 1500
Irving, TX 75039
972-401-3111 (phone)
972-443-6486 (fax)

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Cimarex Energy Co. of Colorado

December 8, 2008

New Mexico Oil Conservation Division
1625 N. French Drive
Hobbs, New Mexico 88240
Attn: Ms. Donna Mull

RE: Pennzoil 36 State No. 1
30-025-29918

OCD Order No. R-13040 – Order to Submit Correct Producing Intervals

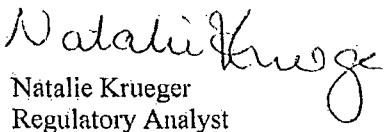
Dear Ms. Mull,

In November 2008, the OCD completed Case No. 14145, Order No. R-13040, in which Cimarex was ordered to "submit the correct producing intervals in the Pennzoil 36 State No. 1 well on or before January 10, 2009."

In October 1997, Mallon Oil Company added Bone Spring perms @ 9516'-9554' in the Pennzoil 36 State Com No. 1 well. However, Mallon never submitted a C-103 Notice of Intent or a C-103 Subsequent Report for those activities. Since Mallon turned the well over to Cimarex (then Gruy) in 2001, Cimarex must notify the OCD of the missing producing interval. Our attached Sundry Notice should accomplish that.

If you need any further information, please give me a call at 469-420-2723. Thanks and have a wonderful day!

Sincerely,


Natalie Krueger
Regulatory Analyst

C.C. NMOCD Santa Fe Office, Attn: Mark Fesmire

nkrueger@cimarex.com

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Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

30-025-29918

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

Pennzoil 36 State

8. Well Number

001

9. OGRID Number

162683

10. Pool name or Wildcat

Apache Ridge; Bone Spring

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐

2. Name of Operator

Cimarex Energy Co. of Colorado

3. Address of Operator

PO Box 140907; Irving, TX 75014-0907

4. Well Location

Unit Letter I : 1980 feet from the South line and 660 feet from the East line

Section 36 Township 19S Range 33E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

3598' GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐

PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐

CHANGE PLANS ☐

PULL OR ALTER CASING ☐

MULTIPLE COMPL ☐

OTHER: ☐

REMEDIAL WORK ☐

COMMENCE DRILLING OPNS ☐

CASING/CEMENT JOB ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

ALTERING CASING ☐

P AND A ☐

Add Bone Spring Perfs ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

In October 1997, Mallon Oil Company added Bone Spring perfs (9516'-9554') to this well but no Sundry Notice was filed reflecting those activities. Cimarex Energy Co. of Colorado succeeded Mallon Oil Company as operator in 09-01-01.

In October 1997, the well was producing from Bone Spring perfs @ 10020-036' and 10590-600.' A CIBP and 2 sx cmt covered Atoka perfs @ 12427-437' and 12505-513.' Another CIBP and 2 sx cmt covered Morrow perfs @ 13145-147,' 13169-173,' 13182-188,' 13193-222,' 13244-254,' 13262-264,' 13268-278' and 13318-333.'

On behalf of Mallon Oil Company, Cimarex hereby gives notice that Bone Spring perfs were added in October 1997.

10-17-97 Set RBP @ 9950.'

10-19-97 POOH w/ packer. Perf Bone Spring 9516-54' w/ 4 jspf.

10-21-97 Acidized 9516-54' w/ 4000 gal 7 1/2% acid.

10-29-97 Connected to flowline and turned to sales as Apache Ridge; Bone Spring oil well with perfs @ 9516-54.'

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Natalie Krueger TITLE Regulatory Analyst DATE December 8, 2008

Type or print name Natalie Krueger email address: nkrueger@cimarex.com Telephone No. 469-420-2723

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____