NM OCD Artesia

ATS-10-771
FA-10-1171

Form 3160-3
(April 2004)

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
SHL NM-34567 BHL LC-063622

6. If Indian, Allotee or Tribe Name

1a. Type of Work: ☒ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.
Pending

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
Penny Pincher Federal Com No. 3H (37988)

2. Name of Operator
Cimarex Energy Co. of Colorado (162683)

9. API Well No.
30-015- 38296

3a. Address
600 N. Marienfeld St., Ste. 600; Midland, TX 79701

3b. Phone No. *(include area code)*
432-571-7800

10. Field and Pool, or Exploratory
HACKBERRY; BONE SPRING
Lusk; Bone Spring, West (29345)

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At Surface Unit B 330 FNL & 2310 FEL

At BHL 330 FSL & 1980 FEL Unit O

At proposed prod. Zone 531 FNL & 2294 FEL

Horizontal Bone Spring test

11. Sec., T. R. M. or Blk. and Survey or Area
21-19S-31E

14. Distance in miles and direction from nearest town or post office*

12. County or Parish
Eddy

13. State
NM

15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line if any) 330'

16. No of acres in lease
NM-33953 - 160 acres
LC-063622 - 1080 acres

17. Spacing Unit dedicated to this well
W2E2 160 acres

18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
N/A

19. Proposed Depth
Pilot Hole 9100'
MD 13473' TVD 8990'

20. BLM/BIA Bond No. on File
NM-2575

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3489' GR

22. Approximate date work will start*
10.15.10

23. Estimated duration
25-30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor
2. A Drilling Plan
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator Certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Zeno Farris | Name *(Printed/Typed)* Zeno Farris | Date 08.26.10

Title
Manager Operations Administration

Approved By *(Signature)* /s/ Don Peterson | Name (Printed/Typed) | Date NOV 24 2010

Title FIELD MANAGER | Office CARLSBAD FIELD OFFICE

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, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.S. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

* *(Instructions on page 2)*

Capitan Controlled Water Basin

SEE ATTACHED FOR CONDITIONS OF APPROVAL

KZ 11/29/10

Approval Subject to General Requirements & Special Stipulations Attached

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, 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 Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 15, 2009

Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	97020	HACKBERRY; BONE SRING, NW (O)

Property Code	Property Name	Well Number
37988	PENNY PINCHER FEDERAL COM	3 H

OGRID No.	Operator Name	Elevation
162683	CIMAREX ENERGY CO. OF COLORADO	3489'

Surface Location

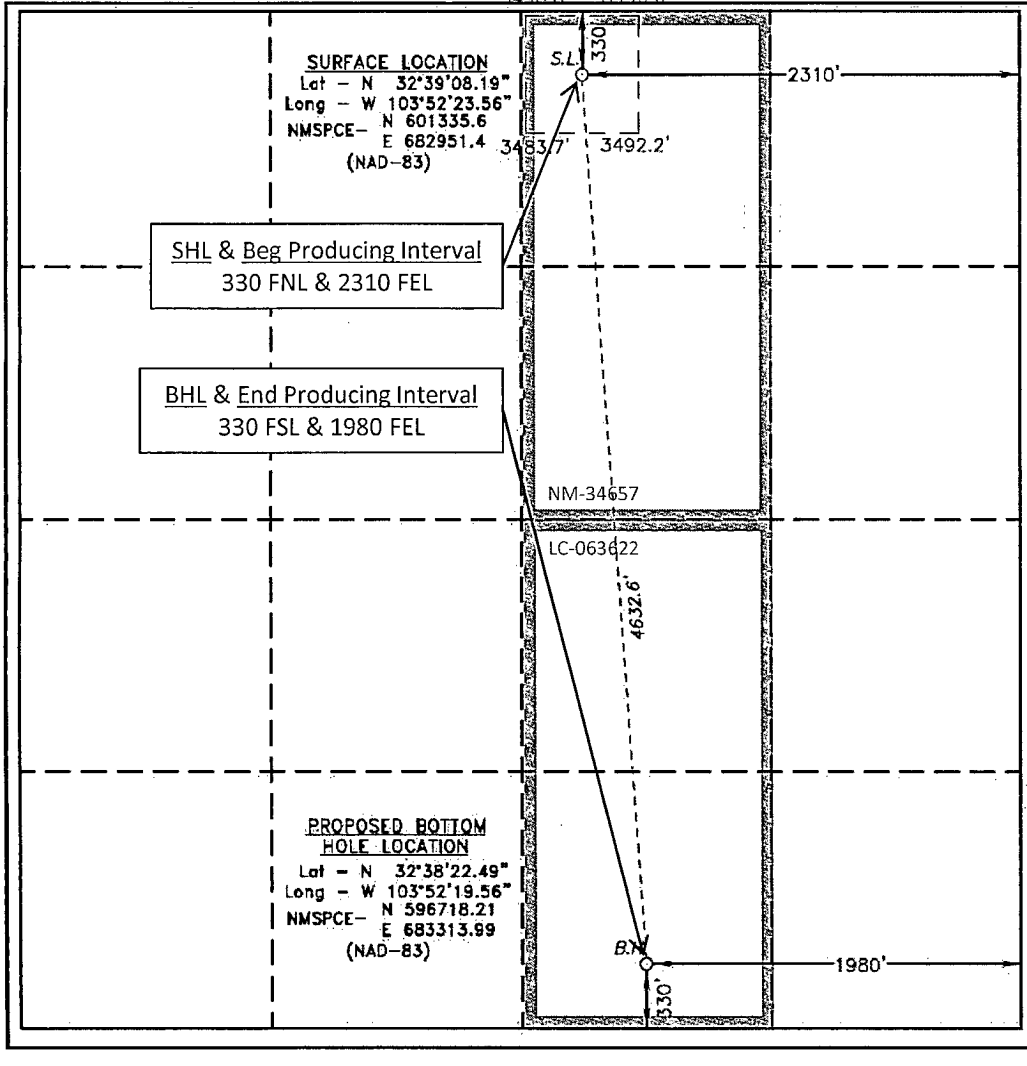
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	21	19 S	31 E		330	NORTH	2310	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	21	19 S	31 E		330	SOUTH	1980	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160		P	

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

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 or has a right to drill this well at this 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.

Zeno Farris 8/26/2010
Signature Date

Zeno Farris
Printed Name

SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

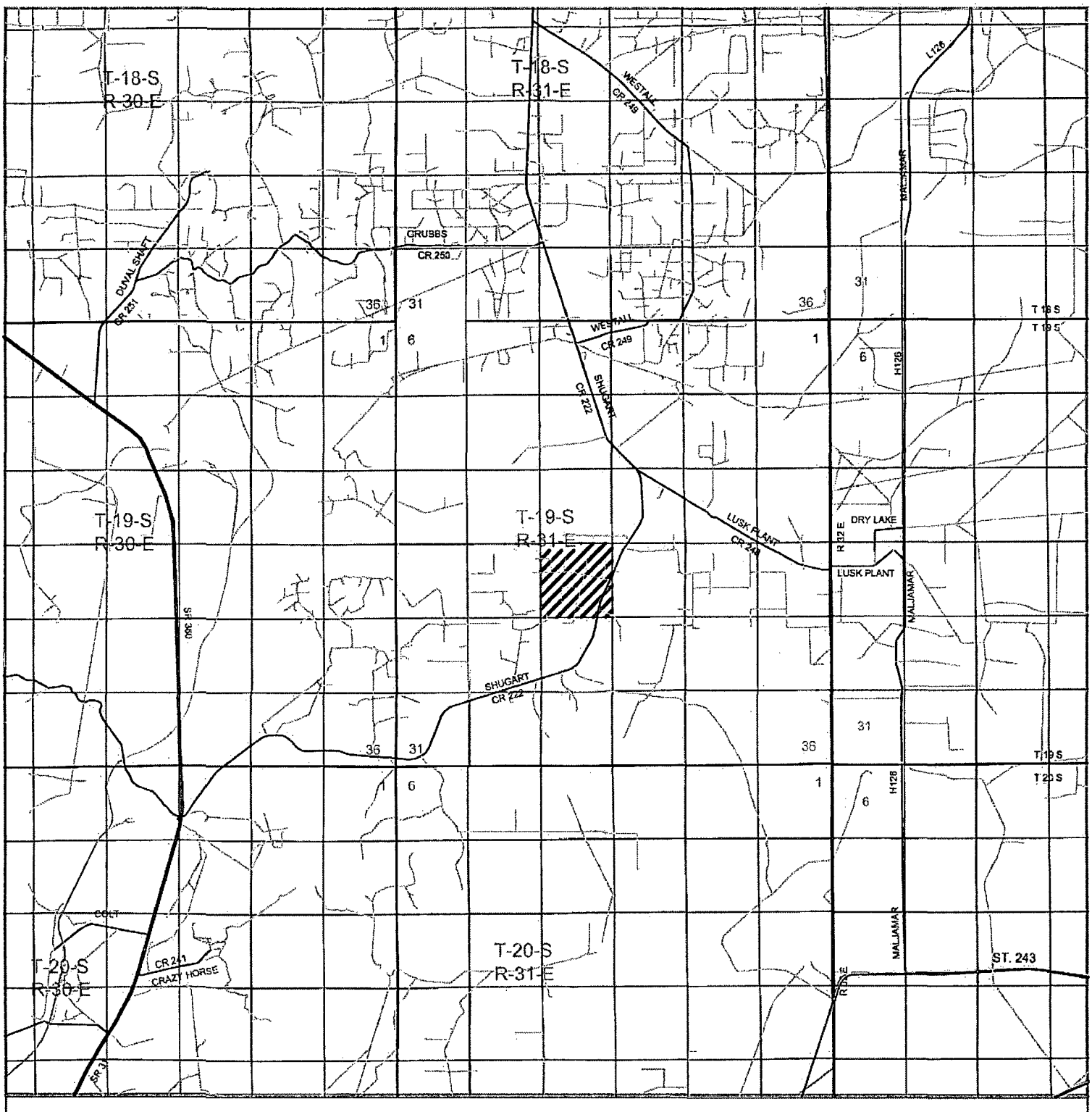
NOVEMBER 26, 2009
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES NEW MEXICO REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. Gary L. Jones 7977

BASIN SURVEYS



PENNY PINCHER FEDERAL COM #3
Located 330' FNL and 2310' FEL
Section 21, Township 19 South, Range 31 East,
N.M.P.M., Eddy County, New Mexico.

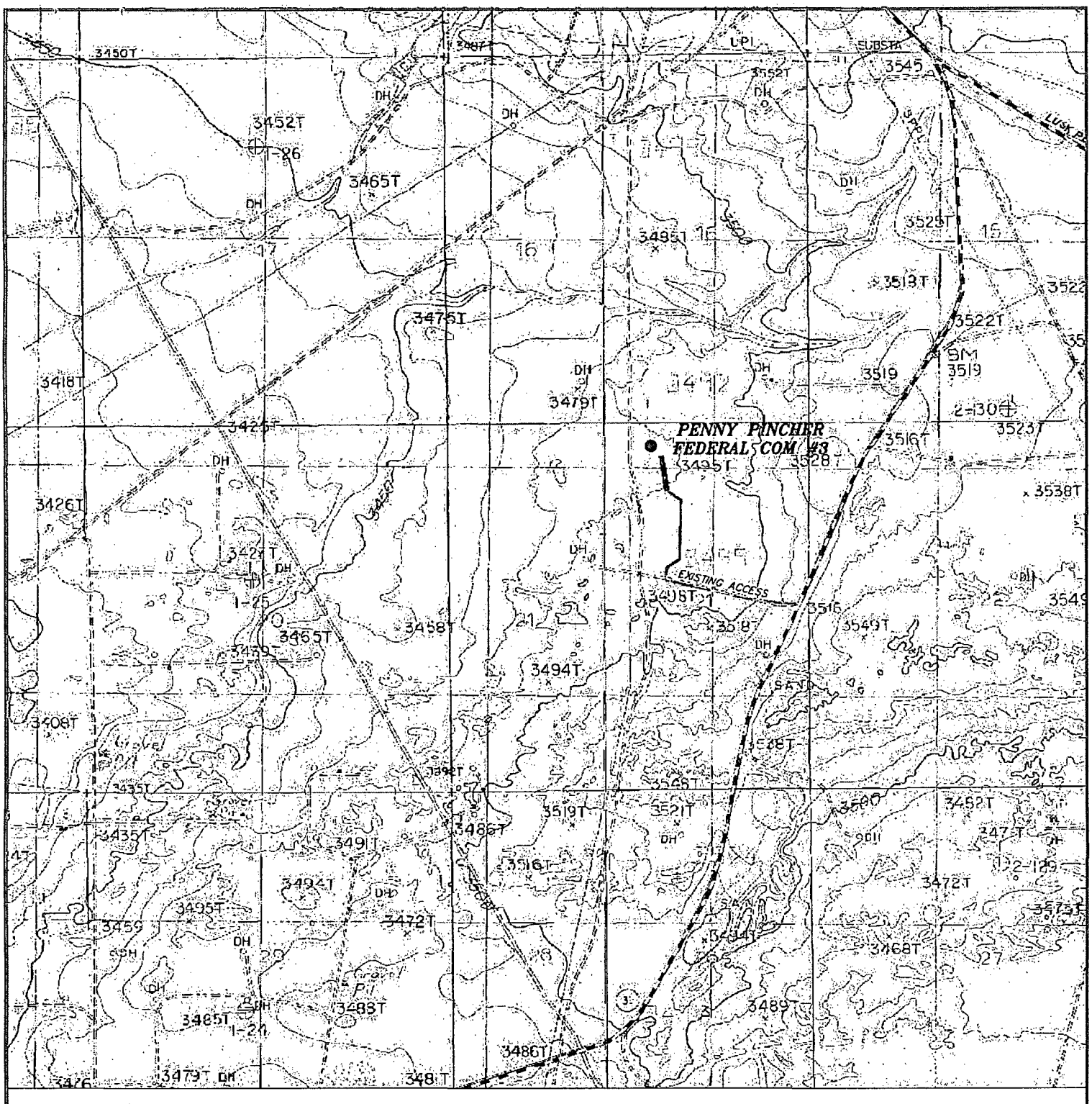
basin surveys
focused on excellence in the oilfield
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number: JMS 21981
Survey Date: 11-20-2009
Scale: 1" = 2 Miles
Date: 11-23-2009

N

CIMAREX ENERGY CO. OF COLORADO

Exhibit B



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P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

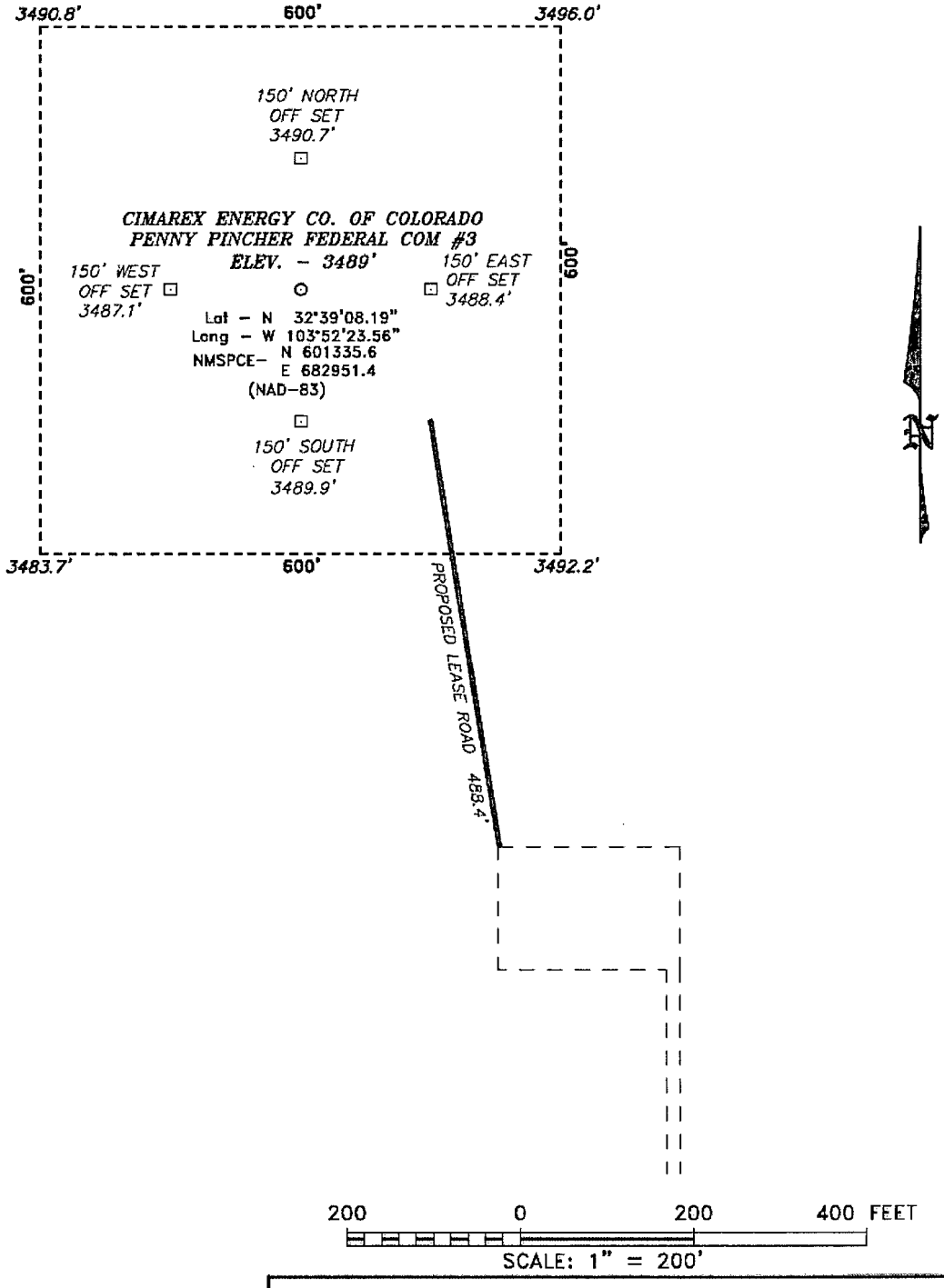
W.O. Number:	JMS 21981
Survey Date:	11-20-2009
Scale:	1" = 2000'
Date:	11-23-2009

N

CIMAREX ENERGY CO. OF COLORADO

Exhibit C

SECTION 21, TOWNSHIP 19 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF LUSK AND SHUGART, GO SOUTH ON SHUGART FOR 1.6 MILES TO LEASE ROAD, ON LEASE ROAD GO WEST 0.4 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTH 0.2 MILES TO PROPOSED LEASE ROAD.

CIMAREX ENERGY CO. OF COLORADO

REF: PENNY PINCHER FEDERAL COM #3 / WELL PAD TOPO

THE PENNY PINCHER FEDERAL COM #3 LOCATED 330' FROM THE NORTH LINE AND 2310' FROM THE EAST LINE OF SECTION 21, TOWNSHIP 19 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 21981	Drawn By: J. SMALL	Survey Date: 11-20-2009	Sheet 1 of 1 Sheets
Date: 11-23-2009	Disk: JMS 21981		

Exhibit C-1

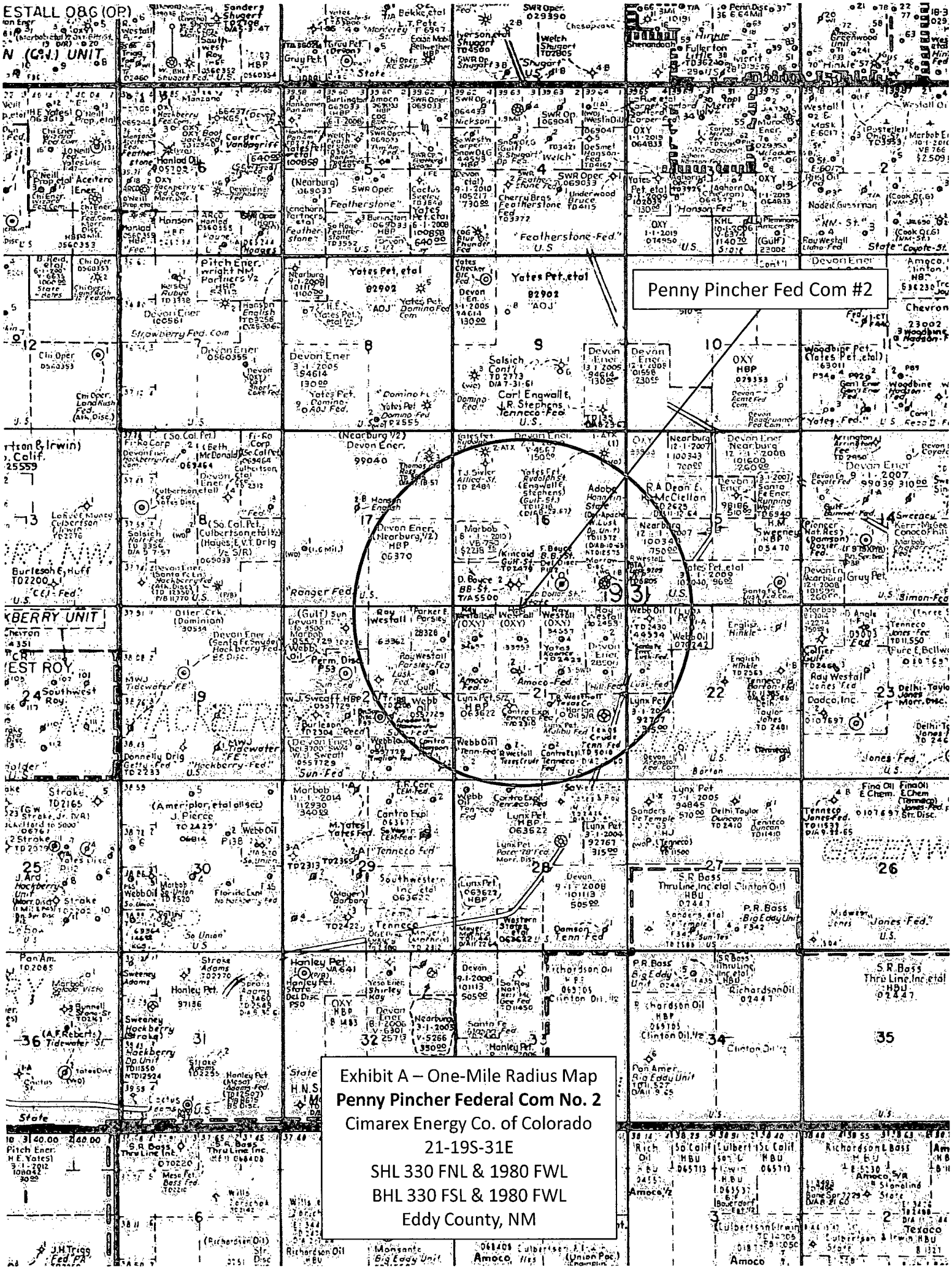


Exhibit A – One-Mile Radius Map
Penny Pincher Federal Com No. 2
Cimarex Energy Co. of Colorado
21-19S-31E
SHL 330 FNL & 1980 FWL
BHL 330 FSL & 1980 FWL
Eddy County, NM

Application to Drill
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, 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: SHL 330 FNL & 2310 FEL
BHL 330 FSL & 1980 FEL

2 Elevation above sea level: 3489' GR

3 Geologic name of surface formation: Quaternery 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: MD 13473' TVD 8990'

6 Estimated tops of geological markers:

Salado	680'	Capitan Dolomite	4188'
Top Salt	930'	Bell Canyon	4290'
Tansill	2335'	Bone Spring	6872'
Yates	2346'	FBSS	7755'
7 Rivers	2590'	SBSS	8640'

7 Possible mineral bearing formation:

Delaware	Oil
Bone Spring	Oil

8 Proposed Mud Circulating System:

Depth			Mud Wt	Visc	Fluid Loss	Type Mud
0'	to	~~540~~ 565'	8.4 - 8.6	28	NC	FW spud mud
~~565~~	to	2600'	10.0	30-32	NC	Brine
2600'	to	4200'	10.0	30-32	NC	Brine
4200'	to	9250'	8.4	30-32	NC	2% KCL
8724'	to	13473'	8.4	28-32	NC	2% KCL

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.

Proposed drilling Plan

Drill 8¾" pilot hole to 9250 and log. Set 7" to 8600 and FG to 9250 and cement. Kick off 8¾" lateral @ 8724 and drill to TD @ 13473. Run 4½" Peak liner from 8624-13473. Request 100' tieback into previous casing string in order to set the pump as deep as possible. 8900

Application to Drill
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, Eddy County, NM

9 Casing & Cementing Program:

String	Hole Size			Depth 530	Casing OD		Weight	Collar	Grade
See COA **Surface 1**	26"	0'	to	~~565'~~	New	20'	94#	BTC	J/K-55
Surface 2	17½"	0'	to	2600'	New	13⅜"	61#	BTC	J-55
Intermediate	12¼"	0'	to	4200'	New	9⅝"	40#	LTC	J/K-55
Production	8¾"	0'	to	8600'	New	7"	26#	LTC	P-110
Fiberglass	8¾"	8600'	to	9250'	New	2⅞"	2.18#	0.00	IJ
Liner	6⅛"	~~8624'~~ 8500 Per zero Fairs	to	13473'	New	4½"	11.6#	LTC	P-110

10 Cementing:

Surface 1 Lead: 1325SKS Halcem C + 2% CaCl 14.8ppg 1.35yield
TOC Surface

Surface 2 Lead: 1365SKS EconoCem + 5% salt + 5 lbm gilsonite 13.5ppg 1.75yield 70% Excess
Tail: 455SKS HalCem + 2% CaCl 14.8ppg 1.35 yield
TOC Surface

Intermediate Lead: 830SKS EconoCem + 5% salt + 5 lbm gilsonite 12.9ppg 1.85yield 70% Excess
Tail: 215SKS HalCem + 1% CaCl 14.8ppg 1.34 yield
TOC Surface

Production Lead: 1250SKS EconoCem - H + 0.5% CFR-3 + 0.1% HR-601 11.9ppg 2.44yield 70% % Excess
Tail: 200SKS Versacem - H + 0.5% Halad(R)-344 + 0.4% CFR-3 + 1 lbm/sk salt + 0.1% HR-601 16.5ppg 1.06 yield
TOC 3800'

Fresh water zones will be protected by setting 20" casing at ~~565~~ 530 and cementing to surface. Hydrocarbon zones will be protected by setting 13⅜" casing at 2600' and cementing to surface, 9⅝" casing at 4200 and cementing to surface, and 7" and FG tbg at 9250 and cementing to 3800.

Collapse Factor	*Burst Factor*	*Tension Factor*
1.125	1.125	1.6

11 Pressure control Equipment:

A 13⅝" 5000 PSI working pressure BOP tested to 3000 psi 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 as needed. 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 nippled up and 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. From the base of the 20" surface pipe, the well will be equipped with a 2M diverter system with rotating head (see exhibit E-1). From the base of the 13⅜" casing through the running of production casing, the well will be equipped with a 5000 psi BOP system tested to 3000 psi.

BOPs will be tested by an independent service company to 250 psi low and 3000 psi high. Hydril will be tested to 250 psi low and 1500 psi high.

Cimarex Energy Co. of Colorado (operator) requests a variance if Cactus 101 (rig name) is used to drill this well to use a co-flex line between the BOP and choke manifold.
Manufacturer: Midwest Hose & Specialty
Serial Number: 59473
Length: 35' Size: 4-1/16" Ends - flanges/clamps
WP rating: 10,000 psi Anchors required by manufacturer – Yes/No

12 Testing, Logging and Coring Program: See COA

A. Mud logging program: 2 man unit from 4200' to TD
B. Electric logging program: CNL / LDT / CAL / GR, DLL / CAL / GR
C. No DSTs or cores are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures are expected. In accordance with Onshore Order 6, Cimarex does not anticipate that there will be enough H_2S from the surface to the Bone Spring formations to meet the BLM's minimum requirements for the submission of an "H_2S Drilling Operation Plan" or "Public Protection Plan" for the drilling and completion of this well. Since we have an H_2S Safety package on all wells, attached is an "H_2S Drilling Operations Plan." Adequate flare lines will be installed off the mud / gas separator where gas may be flared safely. All personnel will be familiar with all aspects of safe operation of equipment being used.

Estimated BHP **3000 psi** Estimated BHT **130°**

14 Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved.
Drilling expected to take 30-35 days
If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15 Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals.
Bone Spring pay will be perforated and stimulated.
The proposed well will be tested and potentialed as **an oil well.**

Cimarex Energy Co.

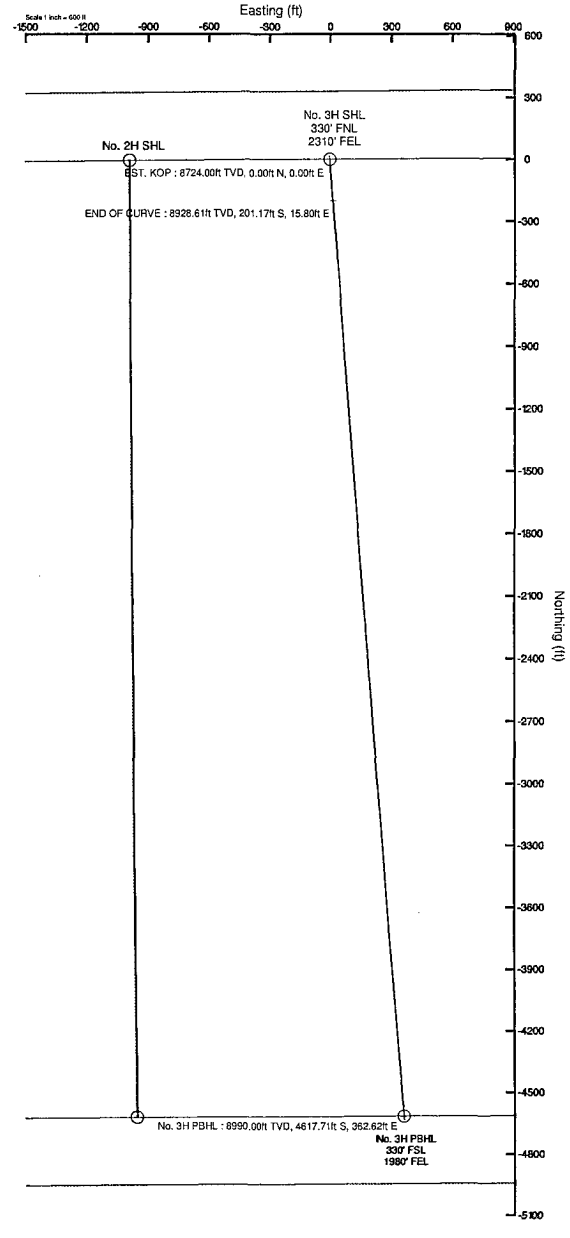
Location: Eddy County, NM
Field: (Penny) Sec 21, T19S, R31E
Facility: Penny Pincher Fed Com No. 3H

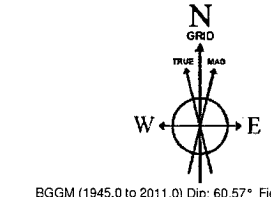
Slot: No. 3H SHL
Well: No. 3H
Wellbore: No. 3H PWB

BAKER HUGHES

Well Profile Data

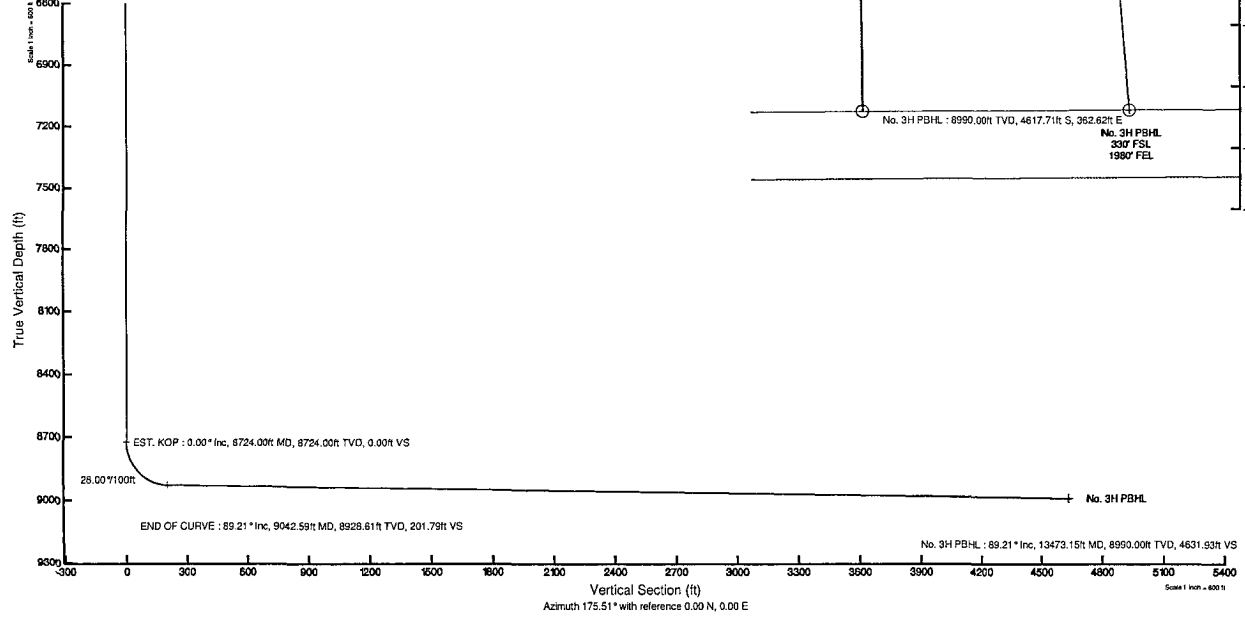
Design Comment	MD (ft)	Inc (°)	Az (°)	TVD (ft)	Local N (ft)	Local E (ft)	DLS (°/100ft)	VS (ft)
Tie On	0.00	0.000	175.510	0.00	0.00	0.00	0.00	0.00
EST. KOP	8724.00	0.000	175.510	8724.00	0.00	0.00	0.00	0.00
END OF CURVE	9042.59	89.206	175.510	8928.61	-201.17	15.80	28.00	201.79
No. 3H PBHL	13473.15	89.206	175.510	8990.00	-4617.71	362.62	0.00	4631.93





BGGM (1945.0 to 2011.0) Dip: 60.57° Field: 49007.7 nT
Magnetic North is 7.92 degrees East of True North (at 6/8/2010)
Grid North is 0.25 degrees East of True North
To correct azimuth from True to Grid subtract 0.25 degrees
To correct azimuth from Magnetic to Grid add 7.67 degrees
For example: if the Magnetic North Azimuth = 90 degs, then the Grid North Azimuth = 90 + 7.67 = 97.67

Plot reference wellpath is Prelim_1	
True vertical depths are referenced to Rig on No. 3H SHL (KB)	Grid System: NAD83 / TM New Mexico State Planes, Eastern Zone (3001), US feet
Measured depths are referenced to Rig on No. 3H SHL (KB)	North Reference: Grid north
Rig on No. 3H SHL (KB) to Mean Sea Level: 3489 feet	Scale: True distance
Mean Sea Level to Mud line (Facility: Penny Pincher Fed Com No. 3H): -3489 feet	Depths are in feet
Coordinates are in feet referenced to SL	Created by: Victor Hernandez on 6/8/2010



Planned Wellpath Report

Prelim_1

REFERENCE WELLPATH IDENTIFICATION			
Operator	**Cimarex Energy Co.**	Slot	**No. 3H SHL**
Area	**Eddy County, NM**	Well	**No. 3H**
Field	**(Penny) Sec 21, T19S, R31E**	Wellbore	**No. 3H PWB**
Facility	**Penny Pincher Fed Com No. 3H**		

REPORT SETUP INFORMATION			
Projection System	**NAD83 / TM New Mexico State Planes, Eastern Zone (3001), US feet**	Software System	**WellArchitect® 2.0**
North Reference	**Grid**	User	**Victor Hernandez**
Scale	**0.999932**	Report Generated	**6/8/2010** at **10:11:19 AM**
Convergence at slot	**0.25° East**	Database/Source file	**WA_Midland/No._3H_PWB.xml**

WELLPATH LOCATION	Local coordinates		Grid coordinates		Geographic coordinates	
	North[ft]	**East[ft]**	**Easting[USft]**	**Northing[USft]**	**Latitude**	**Longitude**
Slot Location	**0.00**	**0.00**	682951.40	601335.60	32°39'08.192"N	103°52'23.562"W
Facility Reference Pt			**682951.40**	**601335.60**	32°39'08.192"N	103°52'23.562"W
Field Reference Pt			**681958.50**	**601329.30**	32°39'08.172"N	103°52'35.176"W

WELLPATH DATUM			
Calculation method	**Minimum curvature**	Rig on No. 3H SHL (KB) to GL	**0.00ft**
Horizontal Reference Pt	**SL**	Rig on No. 3H SHL (KB) to Mean Sea Level	**3489.00ft**
Vertical Reference Pt	**Rig on No. 3H SHL (KB)**	GL to Mud Line (Facility)	**0.00ft**
MD Reference Pt	**Rig on No. 3H SHL (KB)**	Section Origin	**N 0.00, E 0.00 ft**
Field Vertical Reference	**Mean Sea Level**	Section Azimuth	**175.51°**

REFERENCE WELLPATH IDENTIFICATION			
Operator	**Cimarex Energy Co.**	Slot	**No. 3H SHL**
Area	**Eddy County, NM**	Well	**No. 3H**
Field	**(Penny) Sec 21, T19S, R31E**	Wellbore	**No. 3H PWB**
Facility	**Penny Pincher Fed Com No. 3H**		

WELLPATH DATA (51 stations) † = interpolated/extrapolated station

MD [ft]	Inclination [°]	Azimuth [°]	TVD [ft]	Vert Sect [ft]	North [ft]	East [ft]	Grid East [srv ft]	Grid North [srv ft]	Latitude	Longitude	DLS [°/100ft]	Comments
0.00	0.000	175.510	0.00	0.00	0.00	0.00	682951.40	601335.60	32°39'08.192"N	103°52'23.562"W	0.00	Tie On
8724.00	0.000	175.510	8724.00	0.00	0.00	0.00	682951.40	601335.60	32°39'08.192"N	103°52'23.562"W	0.00	EST. KOP
8824.00†	28.000	175.510	8820.07	23.95	-23.88	1.88	682953.27	601311.72	32°39'07.956"N	103°52'23.541"W	28.00	
8924.00†	56.000	175.510	8893.64	90.20	-89.92	7.06	682958.46	601245.68	32°39'07.302"N	103°52'23.484"W	28.00	
9024.00†	84.000	175.510	8927.51	183.24	-182.68	14.35	682965.74	601152.94	32°39'06.384"N	103°52'23.403"W	28.00	
9042.59	89.206	175.510	8928.61	201.79	-201.17	15.80	682967.20	601134.44	32°39'06.201"N	103°52'23.387"W	28.00	END OF CURVE
9124.00†	89.206	175.510	8929.74	283.19	-282.32	22.17	682973.57	601053.30	32°39'05.398"N	103°52'23.317"W	0.00	
9224.00†	89.206	175.510	8931.12	383.18	-382.01	30.00	682981.40	600953.62	32°39'04.411"N	103°52'23.230"W	0.00	
9324.00†	89.206	175.510	8932.51	483.17	-481.69	37.83	682989.22	600853.94	32°39'03.424"N	103°52'23.144"W	0.00	
9424.00†	89.206	175.510	8933.89	583.16	-581.37	45.65	682997.05	600754.27	32°39'02.438"N	103°52'23.057"W	0.00	
9524.00†	89.206	175.510	8935.28	683.15	-681.06	53.48	683004.88	600654.59	32°39'01.451"N	103°52'22.971"W	0.00	
9624.00†	89.206	175.510	8936.66	783.14	-780.74	61.31	683012.70	600554.91	32°39'00.464"N	103°52'22.884"W	0.00	
9724.00†	89.206	175.510	8938.05	883.13	-880.42	69.14	683020.53	600455.24	32°38'59.478"N	103°52'22.798"W	0.00	
9824.00†	89.206	175.510	8939.44	983.12	-980.11	76.96	683028.36	600355.56	32°38'58.491"N	103°52'22.711"W	0.00	
9924.00†	89.206	175.510	8940.82	1083.11	-1079.79	84.79	683036.19	600255.88	32°38'57.504"N	103°52'22.625"W	0.00	
10024.00†	89.206	175.510	8942.21	1183.11	-1179.47	92.62	683044.01	600156.21	32°38'56.518"N	103°52'22.538"W	0.00	
10124.00†	89.206	175.510	8943.59	1283.10	-1279.16	100.45	683051.84	600056.53	32°38'55.531"N	103°52'22.452"W	0.00	
10224.00†	89.206	175.510	8944.98	1383.09	-1378.84	108.28	683059.67	599956.86	32°38'54.545"N	103°52'22.365"W	0.00	
10324.00†	89.206	175.510	8946.36	1483.08	-1478.52	116.10	683067.50	599857.18	32°38'53.558"N	103°52'22.279"W	0.00	
10424.00†	89.206	175.510	8947.75	1583.07	-1578.21	123.93	683075.32	599757.50	32°38'52.571"N	103°52'22.192"W	0.00	
10524.00†	89.206	175.510	8949.14	1683.06	-1677.89	131.76	683083.15	599657.83	32°38'51.585"N	103°52'22.106"W	0.00	
10624.00†	89.206	175.510	8950.52	1783.05	-1777.58	139.59	683090.98	599558.15	32°38'50.598"N	103°52'22.019"W	0.00	
10724.00†	89.206	175.510	8951.91	1883.04	-1877.26	147.42	683098.81	599458.47	32°38'49.611"N	103°52'21.933"W	0.00	
10824.00†	89.206	175.510	8953.29	1983.03	-1976.94	155.24	683106.63	599358.80	32°38'48.625"N	103°52'21.846"W	0.00	
10924.00†	89.206	175.510	8954.68	2083.02	-2076.63	163.07	683114.46	599259.12	32°38'47.638"N	103°52'21.760"W	0.00	
11024.00†	89.206	175.510	8956.06	2183.01	-2176.31	170.90	683122.29	599159.44	32°38'46.651"N	103°52'21.673"W	0.00	
11124.00†	89.206	175.510	8957.45	2283.00	-2275.99	178.73	683130.11	599059.77	32°38'45.665"N	103°52'21.587"W	0.00	
11224.00†	89.206	175.510	8958.83	2382.99	-2375.68	186.55	683137.94	598960.09	32°38'44.678"N	103°52'21.500"W	0.00	
11324.00†	89.206	175.510	8960.22	2482.98	-2475.36	194.38	683145.77	598860.41	32°38'43.691"N	103°52'21.414"W	0.00	
11424.00†	89.206	175.510	8961.61	2582.97	-2575.04	202.21	683153.60	598760.74	32°38'42.705"N	103°52'21.327"W	0.00	

REFERENCE WELLPATH IDENTIFICATION			
Operator	**Cimarex Energy Co.**	Slot	**No. 3H SHL**
Area	**Eddy County, NM**	Well	**No. 3H**
Field	**(Penny) Sec 21, T19S, R31E**	Wellbore	**No. 3H PWB**
Facility	**Penny Pincher Fed Com No. 3H**		

WELLPATH DATA (51 stations) † = interpolated/extrapolated station

MD [ft]	Inclination [°]	Azimuth [°]	TVD [ft]	Vert Sect [ft]	North [ft]	East [ft]	Grid East [srv ft]	Grid North [srv ft]	Latitude	Longitude	DLS [°/100ft]	Comments
11524.00†	89.206	175.510	8962.99	2682.96	-2674.73	210.04	683161.42	598661.06	32°38'41.718"N	103°52'21.241"W	0.00	
11624.00†	89.206	175.510	8964.38	2782.95	-2774.41	217.87	683169.25	598561.38	32°38'40.731"N	103°52'21.154"W	0.00	
11724.00†	89.206	175.510	8965.76	2882.94	-2874.09	225.69	683177.08	598461.71	32°38'39.745"N	103°52'21.068"W	0.00	
11824.00†	89.206	175.510	8967.15	2982.93	-2973.78	233.52	683184.91	598362.03	32°38'38.758"N	103°52'20.982"W	0.00	
11924.00†	89.206	175.510	8968.53	3082.92	-3073.46	241.35	683192.73	598262.35	32°38'37.772"N	103°52'20.895"W	0.00	
12024.00†	89.206	175.510	8969.92	3182.91	-3173.14	249.18	683200.56	598162.68	32°38'36.785"N	103°52'20.809"W	0.00	
12124.00†	89.206	175.510	8971.31	3282.90	-3272.83	257.01	683208.39	598063.00	32°38'35.798"N	103°52'20.722"W	0.00	
12224.00†	89.206	175.510	8972.69	3382.89	-3372.51	264.83	683216.21	597963.32	32°38'34.812"N	103°52'20.636"W	0.00	
12324.00†	89.206	175.510	8974.08	3482.88	-3472.20	272.66	683224.04	597863.65	32°38'33.825"N	103°52'20.549"W	0.00	
12424.00†	89.206	175.510	8975.46	3582.87	-3571.88	280.49	683231.87	597763.97	32°38'32.838"N	103°52'20.463"W	0.00	
12524.00†	89.206	175.510	8976.85	3682.87	-3671.56	288.32	683239.70	597664.29	32°38'31.852"N	103°52'20.376"W	0.00	
12624.00†	89.206	175.510	8978.23	3782.86	-3771.25	296.14	683247.52	597564.62	32°38'30.865"N	103°52'20.290"W	0.00	
12724.00†	89.206	175.510	8979.62	3882.85	-3870.93	303.97	683255.35	597464.94	32°38'29.878"N	103°52'20.203"W	0.00	
12824.00†	89.206	175.510	8981.01	3982.84	-3970.61	311.80	683263.18	597365.26	32°38'28.892"N	103°52'20.117"W	0.00	
12924.00†	89.206	175.510	8982.39	4082.83	-4070.30	319.63	683271.01	597265.59	32°38'27.905"N	103°52'20.030"W	0.00	
13024.00†	89.206	175.510	8983.78	4182.82	-4169.98	327.46	683278.83	597165.91	32°38'26.918"N	103°52'19.944"W	0.00	
13124.00†	89.206	175.510	8985.16	4282.81	-4269.66	335.28	683286.66	597066.24	32°38'25.932"N	103°52'19.857"W	0.00	
13224.00†	89.206	175.510	8986.55	4382.80	-4369.35	343.11	683294.49	596966.56	32°38'24.945"N	103°52'19.771"W	0.00	
13324.00†	89.206	175.510	8987.93	4482.79	-4469.03	350.94	683302.32	596866.88	32°38'23.959"N	103°52'19.684"W	0.00	
13424.00†	89.206	175.510	8989.32	4582.78	-4568.71	358.77	683310.14	596767.21	32°38'22.972"N	103°52'19.598"W	0.00	
13473.15	89.206	175.510	8990.00[1]	4631.93	-4617.71	362.62	683313.99	596718.21	32°38'22.487"N	103°52'19.555"W	0.00	No. 3H PBHL

Planned Wellpath Report

Prelim_1

REFERENCE WELLPATH IDENTIFICATION			
Operator	**Cimarex Energy Co.**	Slot	**No. 3H SHL**
Area	**Eddy County, NM**	Well	**No. 3H**
Field	**(Penny) Sec 21, T19S, R31E**	Wellbore	**No. 3H PWB**
Facility	**Penny Pincher Fed Com No. 3H**		

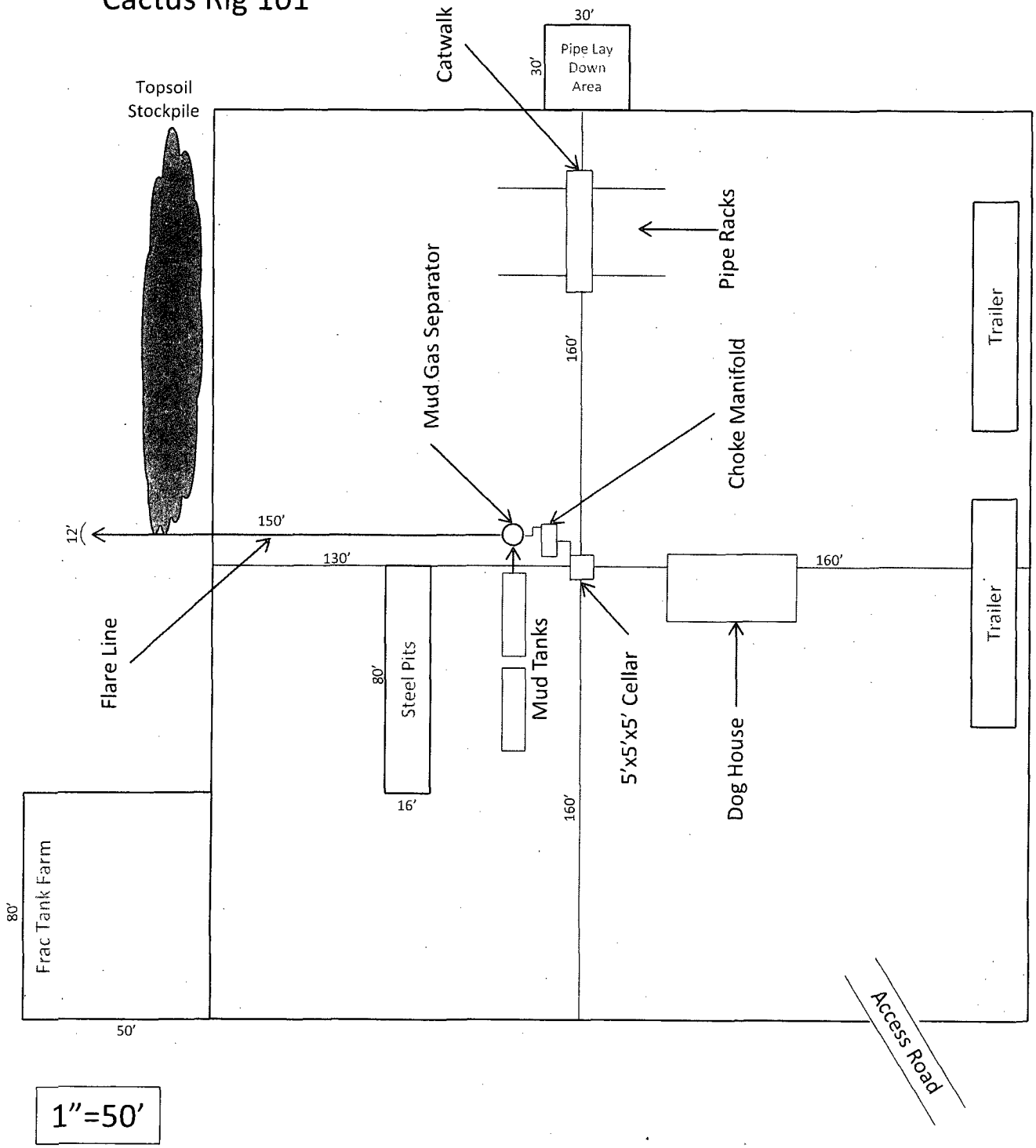
TARGETS

Name	MD [ft]	TVD [ft]	North [ft]	East [ft]	Grid East [srv ft]	Grid North [srv ft]	Latitude	Longitude	Shape
1) No. 3H PBHL	13473.15	8990.00	-4617.71	362.62	**683313.99**	**596718.21**	32°38'22.487"N	103°52'19.555"W	point

SURVEY PROGRAM Ref Wellbore: No. 3H PWB Ref Wellpath: Prelim_1

Start MD [ft]	End MD [ft]	Positional Uncertainty Model	Log Name/Comment	Wellbore
0.00	13473.15	NaviTrak (Standard)		No. 3H PWB

Cactus Rig 101



1"=50'

N

Exhibit D – Rig Diagram
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
21-19S-31E
SHL 330 FNL & 2310 FEL
BHL 330 FSL & 1980 FEL
Eddy County, NM

SR & A

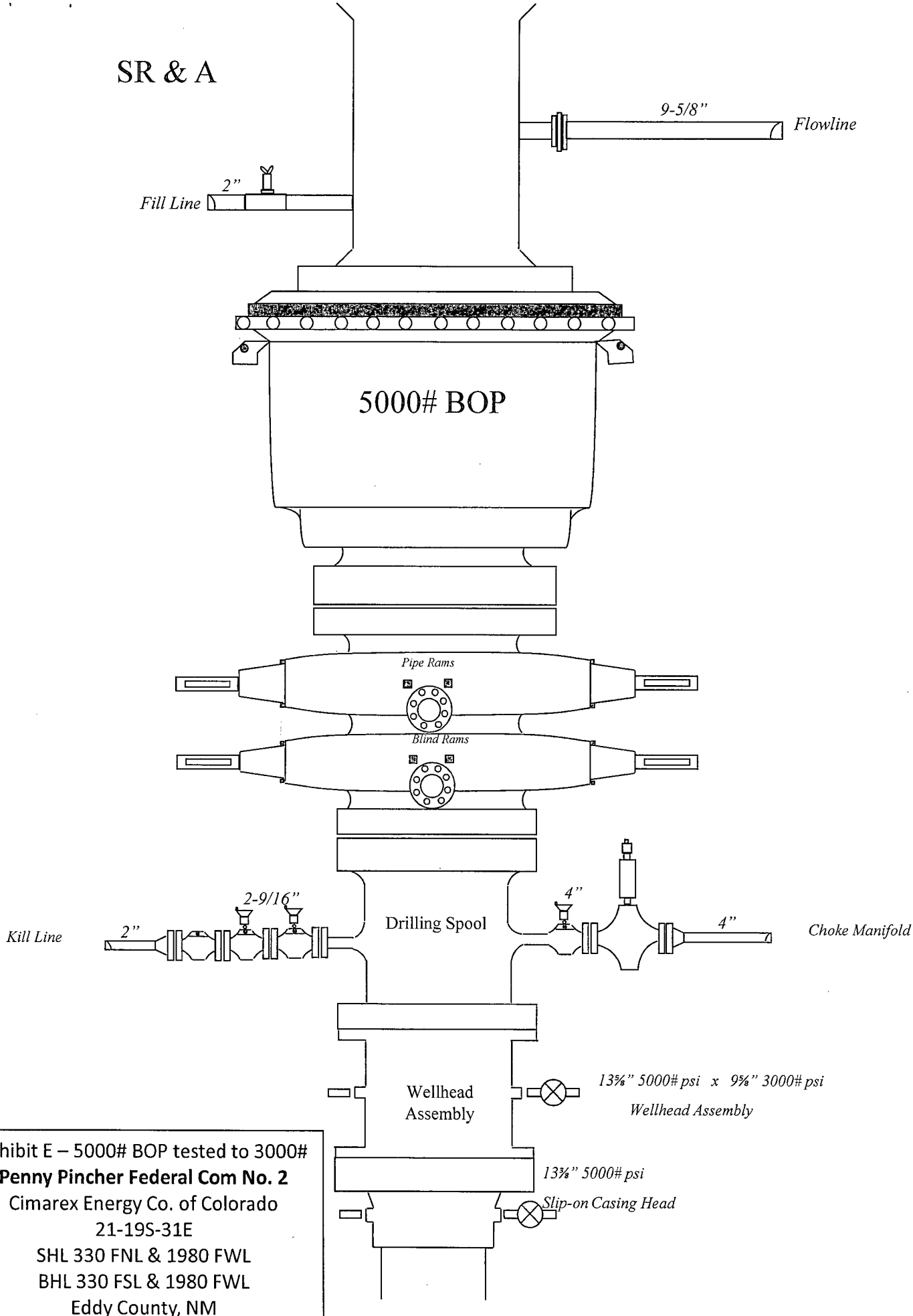
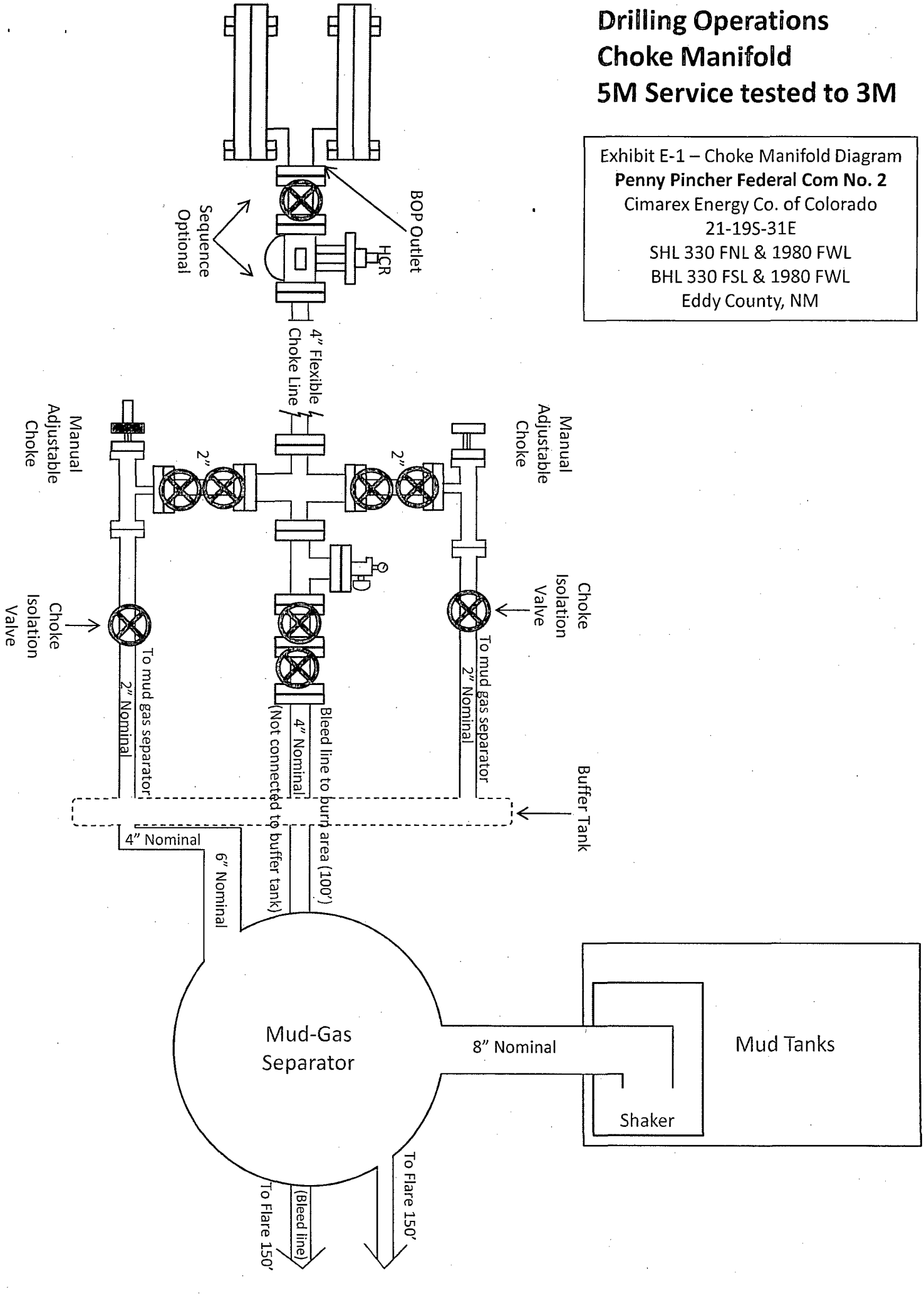
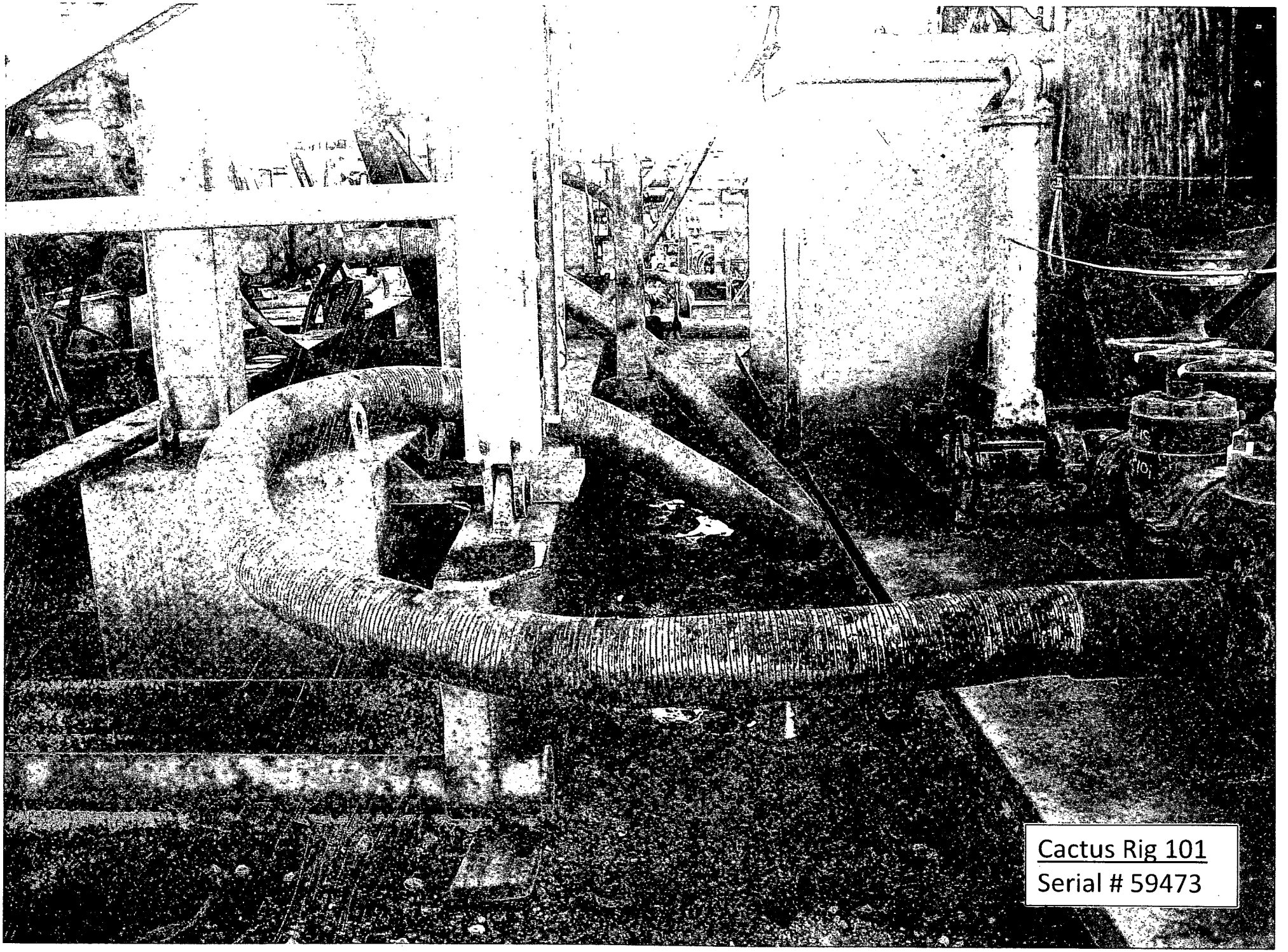


Exhibit E – 5000# BOP tested to 3000#
Penny Pincher Federal Com No. 2
Cimarex Energy Co. of Colorado
21-19S-31E
SHL 330 FNL & 1980 FWL
BHL 330 FSL & 1980 FWL
Eddy County, NM

Drilling Operations
Choke Manifold
5M Service tested to 3M

Exhibit E-1 – Choke Manifold Diagram
Penny Pincher Federal Com No. 2
Cimarex Energy Co. of Colorado
21-19S-31E
SHL 330 FNL & 1980 FWL
BHL 330 FSL & 1980 FWL
Eddy County, NM




Cactus Rig 101
Serial # 59473

MIDWEST

HOSE AND SPECIALTY INC.

INTERNAL HYDROSTATIC TEST REPORT		
Customer: CACTUS		P.O. Number: Rig#101
HOSE SPECIFICATIONS		Asset#M5358
Type: CHOKE LINE		Length: 35'
I.D. 4" *INCHES*	O.D. 8" *INCHES*	
WORKING PRESSURE 10,000 *PSI*	TEST PRESSURE 15,000 *PSI*	BURST PRESSURE *PSI*
COUPLINGS		
Type of End Fitting 4 1/16 10K FLANGE		
Type of Coupling: SWEDGED	MANUFACTURED BY MIDWEST HOSE & SPECIALTY	
PROCEDURE		
Hose assembly pressure tested with water at ambient temperature.		
TIME HELD AT TEST PRESSURE 15 *MIN.*	ACTUAL BURST PRESSURE: 0 *PSI*	
COMMENTS: s/n#59473 Asset#M5358 Hose is covered with stainless steel armour cover and wraped with fire resistant vermiculite coated fiberglass insulation rated for 1500 degrees complete with lifting eyes		
Date: 5/19/2010	Tested By: BOBBY FINK	Approved: MENDI JACKSON

Midwest Hose
& Specialty, Inc.

To Whom It May Concern:

Although Midwest Hose & Specialty, Inc. is not aware of any published requirements for anchoring flexible choke & kill lines, we feel there is no difference in the service performance of the product whether it is anchored or not anchored.

Thank You,

W. Harvey Sparkman

W. Harvey Sparkman
President, Owner
Midwest Hose & Specialty Inc.

P.O. Box 96558 – 1421 S.E. 29th St. Oklahoma City, OK 73143 * (405) 670-6718 * Fax: (405) 670-6816

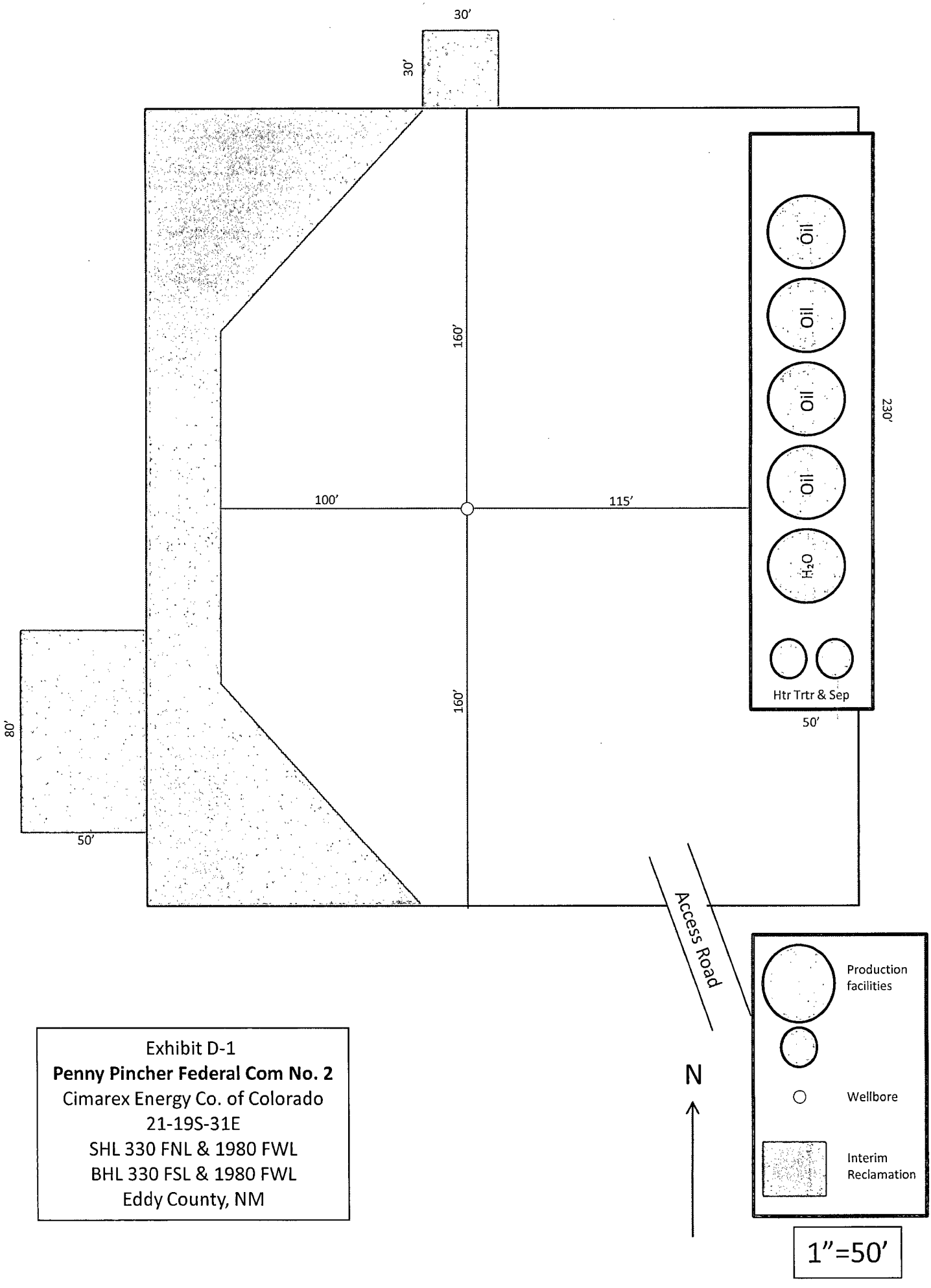


Exhibit D-1
Penny Pincher Federal Com No. 2
Cimarex Energy Co. of Colorado
21-19S-31E
SHL 330 FNL & 1980 FWL
BHL 330 FSL & 1980 FWL
Eddy County, NM

Hydrogen Sulfide Drilling Operations Plan
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, Eddy County, NM

1 All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:
   A. Characteristics of H_2S
   B. Physical effects and hazards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2 H_2S Detection and Alarm Systems:
   A. H_2S 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 indicates normal safe condition. Yellow flag indicates potential pressure and danger. Red flag indicates danger (H_2S 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 foreman's trailer or living quarters.

7 Drillstem Testing:
No DSTs or cores are planned at this time.

8 Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.

9 If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.

H_2S Contingency Plan
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, Eddy County, NM

Emergency Procedures

In the event of a release of gas containing H_2S, the first responder(s) must:

- ★ Isolate the area and prevent entry by other persons into the 100 ppm ROE.
- ★ Evacuate any public places encompassed by the 100 ppm ROE.
- ★ Be equipped with H_2S monitors and air packs in order to control the release.
- ★ Use the "buddy system" to ensure no injuries occur during the response.
- ★ Take precautions to avoid personal injury during this operation.
- ★ Contact operator and/or local officials to aid in operation. See list of phone numbers attached.
- ★ Have received training in the:
  - ♦ Detection of H_2S, and
  - ♦ Measures for protection against the gas,
  - ♦ Equipment used for protection and emergency response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally, the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas.

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	1.189 Air=1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	2.21 Air=1	2 ppm	N/A	1000 ppm

Contacting Authorities

Cimarex Energy Co. of Colorado's personnel must liaise with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. Cimarex Energy Co. of Colorado's response must be in coordination with the State of New Mexico's "Hazardous Materials Emergency Response Plan" (HMER).

H_2S Contingency Plan Emergency Contacts
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, Eddy County, NM

Company Office		
Cimarex Energy Co. of Colorado	800-969-4789	
Co. Office and After-Hours Menu		

Key Personnel

Name	Title	Office	Mobile
Doug Park	Drilling Manager	432-620-1934	972-333-1407
Dee Smith	Drilling Super	432-620-1933	972-882-1010
Jim Evans	Drilling Super	432-620-1929	972-465-0564
Roy Shirley	Field Super		432-634-2136

Artesia	
Ambulance	911
State Police	575-746-2703
City Police	575-746-2703
Sheriff's Office	575-746-9888
Fire Department	**575-746-2701**
Local Emergency Planning Committee	575-746-2122
New Mexico Oil Conservation Division	575-748-1283

Carlsbad	
Ambulance	911
State Police	575-885-3137
City Police	575-885-2111
Sheriff's Office	575-887-7551
Fire Department	**575-887-3798**
Local Emergency Planning Committee	575-887-6544
US Bureau of Land Management	575-887-6544

Santa Fe	
New Mexico Emergency Response Commission (Santa Fe)	505-476-9600
New Mexico Emergency Response Commission (Santa Fe) 24 Hrs	505-827-9126
New Mexico State Emergency Operations Center	505-476-9635

National	
National Emergency Response Center (Washington, D.C.)	800-424-8802

Medical	
Flight for Life - 4000 24th St.; Lubbock, TX	806-743-9911
Aerocare - R3, Box 49F; Lubbock, TX	806-747-8923
Med Flight Air Amb - 2301 Yale Blvd S.E., #D3; Albuquerque, NM	505-842-4433
SB Air Med Service - 2505 Clark Carr Loop S.E.; Albuquerque, NM	505-842-4949

Other			
Boots & Coots IWC	800-256-9688	or	281-931-8884
Cudd Pressure Control	432-699-0139	or	432-563-3356
Halliburton	575-746-2757		
B.J. Services	575-746-3569		

Surface Use Plan
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, Eddy County, NM

1. Existing Roads: Area maps, Exhibit "A" shows the proposed well site as staked. Exhibit "B" is a reproduction of Eddy Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, and Exhibit "C-1" is a well site layout map, showing proposed road to location and existing road.
   A. The maximum width of the driving surface will be 15.' The road will be crowned and ditched with a 2% slope from the tip of the crown to the edge of the driving surface. The ditches will be 1' deep with 3:1 slopes. The driving surface will be made of 6" rolled and compacted caliche.
   B. From the junction of Lusk and Shugart, go South on Shugart for 1.6 miles to lease road. On lease road, go West 0.4 miles to lease road. On lease road, go North 0.2 miles to proposed lease road.

2. Planned Access Roads: 488.4' of on-lease access road is proposed.

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 Exhibits "A" and "A-1"
   E. Abandoned wells - As shown on Exhibits "A" and "A-1"

4. Location of Proposed Production Facilities:
   If on completion this well is a producer, a tank battery will be used and the necessary production equipment will be installed at the wellsite. See production facilities layout diagram. Any changes to the facilities or off-site facilities will be accompanied by a Sundry Notice.

5. Location and Type of Water Supply:
   Water will be purchased locally from a commercial source and trucked over the access roads.

6. Source of Construction Material:
   If possible, native caliche will be obtained from the excavation of drill site. Topsoil will be pushed back from the drill site and existing caliche will be ripped and compacted. Then topsoil will be stockpiled on location as depicted on Exhibit "D" (rig layout). If additional material is needed, it will be purchased from a BLM-approved pit as near as possible to the well

7. Methods of Handling Waste Material:
   A. Drill cuttings will be seperated by a series of solids removal equipment and stored in steel containment pits and then hauled to a state-approved disposal facility.
   B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary land fill.
   C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
   D. Sewage from living quarters will drain into holding tanks and be cleaned out periodically and hauled to a waste disposal facility. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
   E. Drilling fluids will be contained in steel pits in a closed circulating system. Fluids will be cleaned and reused. Water produced during testing will be contained in the steel pits and disposed of at a state approved disposal facility. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. Ancillary Facilities:
   A. No camps or airstrips to be constructed.

9. Well Site Layout:
   A. Exhibit "D" shows location and rig layout.
   C. Mud pits in the closed circulating system will be steel pits and the cuttings will be stored in steel containment pits.
   D. Cuttings will be stored in steel pits until they are hauled to a state-approved disposal facility.
   E. If the well is a producer, those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. Plans for Restoration of Surface:
Rehabilitation of the location will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, those areas of the location not essential toproduction facilities and operations will be reclaimed and seeded per BLM requirements. Please see Production Facilities Layout Diagram, exhibit D-1.

11 Other Information
   A. Topography consists of a sloping plane with loose tan sands. Vegetation is mainly yucca, mesquite and shin oak.
   B. The wellsite is on surface owned by Department of the Interior, Bureau of Land Management. The land is used mainly for farming, cattle ranching, recreational use, and oil and gas production.
   C. In lieu of an archaeological survey report, Cimarex will be submitting an MOA application for this well pad and access road since they are within the MOA boundary.
   D. There are no know dwellings within 1½ miles of this location.

Operator Certification Statement
Penny Pincher Federal Com No. 3
Cimarex Energy Co. of Colorado
Unit B, Section 21
T19S-R31E, Eddy County, NM

Operator's Representative
Cimarex Energy Co. of Colorado
600 N. Marienfeld St., Ste. 600
Midland, TX 79701
Office Phone: (432) 571-7800
Zeno Farris

CERTIFICATION: I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 26th day of August, 2010

NAME: Zeno Farris
Zeno Farris

TITLE: Manager Operations Administration

ADDRESS: 600 N. Marienfeld St., Ste. 600
Midland, TX 79701

TELEPHONE: (432) 620-1938

EMAIL: zfarris@cimarex.com

Field Representative: Same as above

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Cimarex Energy Co of Colo
LEASE NO.:	LC063622
WELL NAME & NO.:	3 Penny Pincher Federal Com
SURFACE HOLE FOOTAGE:	330' FNL & 2310' FEL
BOTTOM HOLE FOOTAGE	531' FNL & 2294' FEL
LOCATION:	Section 21, T. 19 S., R 31 E., NMPM
COUNTY:	Eddy County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:
Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

Communitization Agreement
A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. V-DOOR DIRECTION: not stipulated

C. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 6 inches in depth. The topsoil will be used for interim and final reclamation.

D. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

E. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call theCarlsbad Field Office at (575) 234-5972.

F. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

G. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing
Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

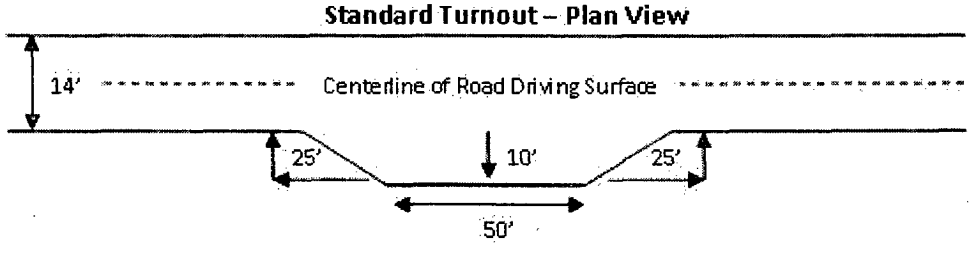
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

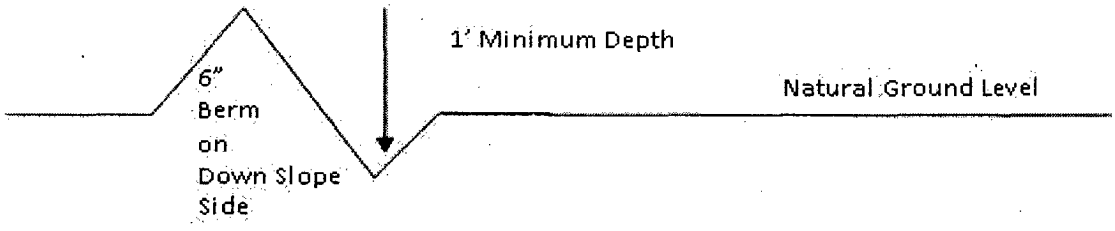
Turnouts
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



Drainage
Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$\text{400 foot road with 4\% road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installations
Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards
An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

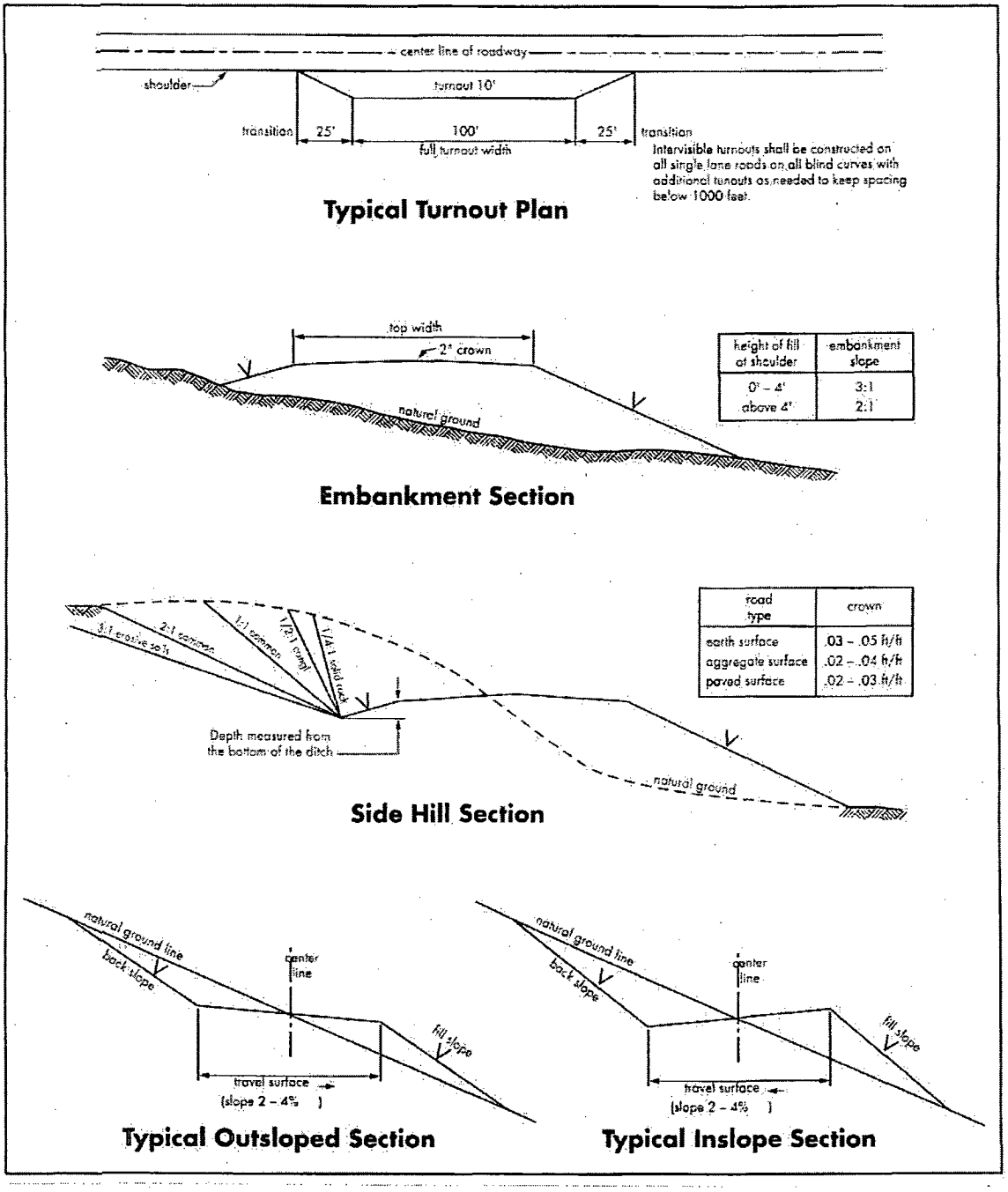
A gate shall be constructed and fastened securely to H-braces.

Fence Requirement
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings
c. BOPE tests

☒ **Eddy County**
Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Yates** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**

2. 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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a "Major" violation.**

3. Floor controls are required for 3M or Greater systems. These 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.

4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time prior to drilling out for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possible water/brine flows in the Artesia and Salado Groups.
Possible water flows in the Capitan Reef.
Possible lost circulation in the Artesia Group and Capitan Reef.

1. The **20** inch surface casing shall be set at **approximately 530 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.

    a. 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 surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

    d. If cement falls back, remedial cementing will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **13-3/8** inch intermediate casing is:

    ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.
    Set within the Seven Rivers, above the Capitan Reef. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to the Capitan Reef.

3. The minimum required fill of cement behind the **9-5/8** inch 2nd intermediate casing is:

   ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office. **Set within the base of the Capitan Reef. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to the Capitan Reef.**

4. The minimum required fill of cement behind the **7** inch production casing is:

   ☒ Cement should tie-back at least 400 feet into previous casing string. Operator shall provide method of verification.

5. The minimum required fill of cement behind the **4-1/2** inch production liner is:

   ☒ No cement required. Peak completion assembly being used. **100 foot liner overlap approved.**

6. 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.

C. PRESSURE CONTROL

1. 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 API RP 53 Sec. 17.

2. **A variance will be granted for the use of a diverter on the 20" surface casing.**

3. **Variance approved to use flex line with Serial #59473 from BOP to choke manifold. Check condition of 4-1/16" flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. Anchor requirements to be onsite for review.**

4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **13-3/8** inch intermediate casing shoe shall be **5000 (5M)** psi. **Operator is using a 5M system and testing as a 3M**

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

    a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips or where the float does not hold, the minimum wait time before cut-off is eight hours after bumping the plug or when the cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. BOP/BOPE testing can begin after the above conditions are satisfied.

    b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) prior to initiating the test.

    c. The results of the test shall be reported to the appropriate BLM office.

    d. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

    e. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

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VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities
Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures
The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement
All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

B. PIPELINES (not applied for in APD)

C. ELECTRIC LINES (not applied for in APD)

IX. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

Seed Mixture for LPC Sand/Shinnery Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species	lb/acre
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A
**Four-winged Saltbush	5lbs/A

* This can be used around well pads and other areas where caliche cannot be removed.

*Pounds of pure live seed:

Pounds of seed **x** percent purity **x** percent germination = pounds pure live seed