ATS-07-88

Form 3160-3
(July 1992)

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

UNITED STATES OCD-HOBBS
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM-3622

6. IF INDIAN, ALLOTTES OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

1b. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME, WELL NO. (35708)
Scout 18 Federal No. 10

2. NAME OF OPERATOR
Cimarex Energy Co. of Colorado (162683)

9. API WELL NO.
30-025- 38250

3. ADDRESS AND TELEPHONE NO.
P.O. Box 140907; Irving TX 75014; 972-401-3111

10. FIELD AND POOL, OR WILDCAT
Tonto; 7 Rivers (59470)

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
2210' FNL & 2100' FWL
Unit F

11. SEC. T.,R.,M., BLOCK AND SURVEY OR AREA
18-19S-34E

Received Hobbs OCD 2007

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
33 miles West of Hobbs, NM

12. COUNTY OR PARISH: Lea
13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.0 (Also to nearest drlg. unit line, if any): 430'

16. NO. OF ACRES IN LEASE: 1076.4

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: N/A

19. PROPOSED DEPTH: 5000'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3719' GR

22. APPROX. DATE WORK WILL START*: 01-15-06

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE,SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	J-55 8-5/8" ST&C	24#	~~425~~ 900	400 sx Lite/C circ surf
7-7/8"	J-55 5-1/2" ST&C	15.5#	5000'	2500 sx Lite/C circ surf

The proposed well will be drilled to a depth of 5000' and completed as a Tonto; Seven Rivers producer.

From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000 - psi BOP system.

CAPITAN CONTROLLED WATER BASIN

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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 Farris TITLE Mgr. Ops. Admin DATE 11-17-06

(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 A. Amos TITLE ACTING FIELD MANAGER DATE JAN - 3 2007

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

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.

Cimarex Energy Co. of Colorado
5215 North O'Connor Blvd. • Suite 1500 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6486
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907
A wholly-owned subsidiary of Cimarex Energy Co., a NYSE Listed Company, "XEC"

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
620 E. Greene St.
Carlsbad, New Mexico 88220
Attn: Ms. Linda Denniston

Cimarex Energy Co. of Colorado accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No.: NM-3622 – SE/4NW/4 Section 18-T19S-R34E

County: Lea County, New Mexico

Formation (S): Morrow

Bond Coverage: Statewide BLM Bond

BLM Bond File No.: NM 2575

Authorized Signature: Zeno Farris

Representing Cimarex Energy Co. of Colorado

Name: Zeno Farris

Title: Manager, Operations Administration

Date: November 17, 2006

Application to Drill

Cimarex Energy Co. of Colorado
Scout 18 Federal No. 10
Unit F Section 18
T19S R34E Lea 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: 2210' FNL & 2100' FWL

2 Elevation above sea level: GR 3719'

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: 5000'

6 Estimated tops of geological markers:

Rustler	1575'
Yates	3365'
7 Rivers	3890'
Queen	4395'
Capitan	5000'

7 Possible mineral bearing formation:

7 Rivers	Oil
Queen	Oil

8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
11"	0-~~425'~~ 900	8-5/8"	24#	8-R	ST&C	J-55
7-7/8"	0-5000'	5-1/2"	17#	8-R	LT&C	J-55

Application to Drill

Cimarex Energy Co. of Colorado
Scout 18 Federal No. 10
Unit F Section 18
T19S R34E Lea County, NM

9 Cementing & Setting Depth:

8-5/8"	Intermediate	Set 425' of 8-5/8" J-55 24# ST&C casing. Cement lead with 250 Sx. Of Lite Cement + additives, tail with 150 Sx. Of Class C + additives, circulate cement to surface.
5 1/2"	Production	Set 5000' of 5 1/2" J-55 17# ST&C casing. Cement with lead of 2100 Sx. of Lite Cement + additives and tail of 400 Sx of Class C. Estimated top of cement surface.

10 Pressure control Equipment: Exhibit "E". A series 900 3000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP unit will be hydraulically operated. Exhibit "E-1" is a Choke manifold and closing unit. BOP will be nipped up on the 8 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. Flo sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0-~~425'~~ 900'	8.6 - 8.9	29 - 36	NC	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole. Top of Rustler
425' - 5000'	10 - 10 - 3	29 - 38	NC	~~Fresh water spud mud to the top of the Rustler then switch to brine water add paper as needed to control seepage and add lime to control pH. Use high viscosity sweeps to clean hole.~~

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, 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.

Application to Drill

Cimarex Energy Co. of Colorado
Scout 18 Federal No. 10
Unit F Section 18
T19S R34E Lea County, NM

12 Testing, Logging and Coring Program:

A. Open hole logs: Dual Laterolog, Side Wall Neutron, Density Gamma Ray Caliper from TD to 975'

B. Run Gamma Ray, Neutron from 475' to surface.

C. No DSTs, cores or Mud Logger are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures are expected. The area has a potiential H2S hazard. An H2S drilling plan is attached. 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 4000 PSI, estimated BHT 175 .

14 Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 15-30 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. The 7 Rivers pay will be perforated and stimulated. The well will be tested and potentialed as an oil well.

Hydrogen Sulfide Drilling Operations Plan

Cimarex Energy Co. of Colorado
Scout 18 Federal No. 10
Unit F Section 18
T19S R34E Lea 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
Scout 18 Federal No. 10
Unit F Section 18
T19S R34E Lea 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 seperator will be brought into service along with H2S scavengers if necessary.

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 12, 2005

Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-38250	59470	Tonto; 7 Rivers

Property Code	Property Name	Well Number
35708	SCOUT "18" FEDERAL	10

OGRID No.	Operator Name	Elevation
162683	CIMAREX ENERGY CO. OF COLORADO	3719'

Surface Location

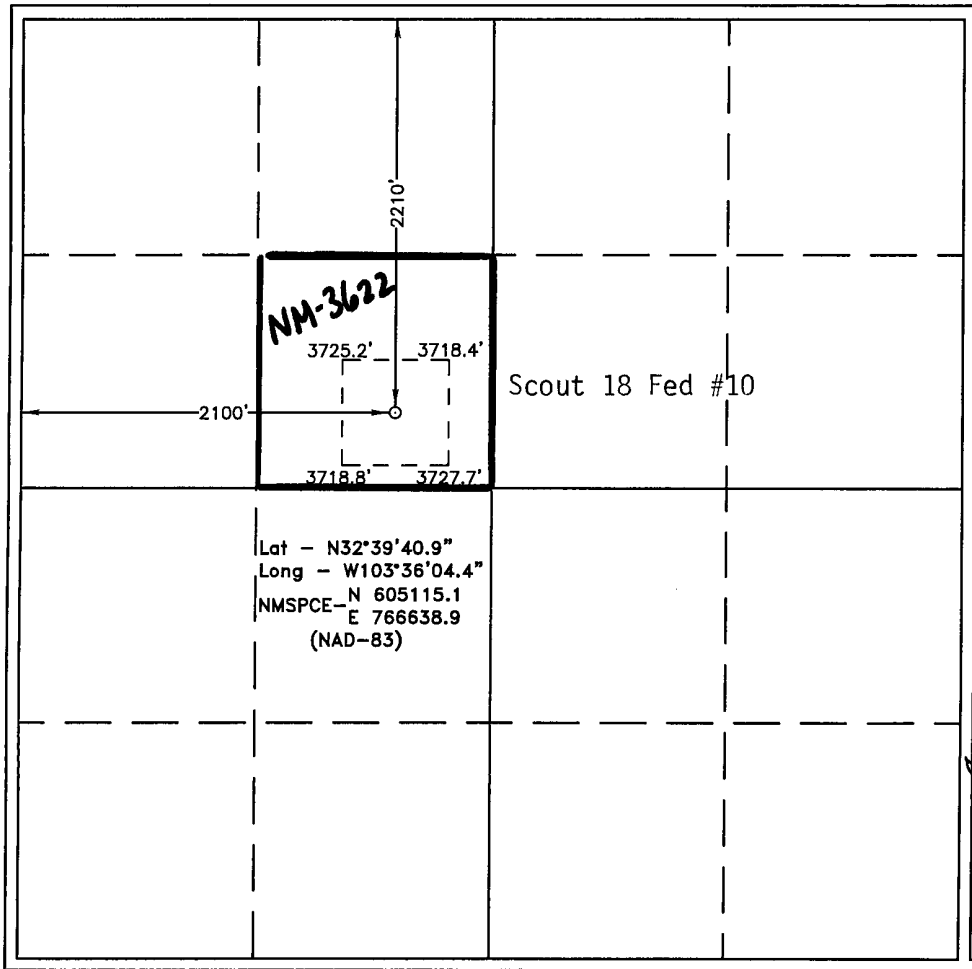
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	18	19 S	34 E		2210	NORTH	2100	WEST	LEA

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40	N		

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 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 11-17-06
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.

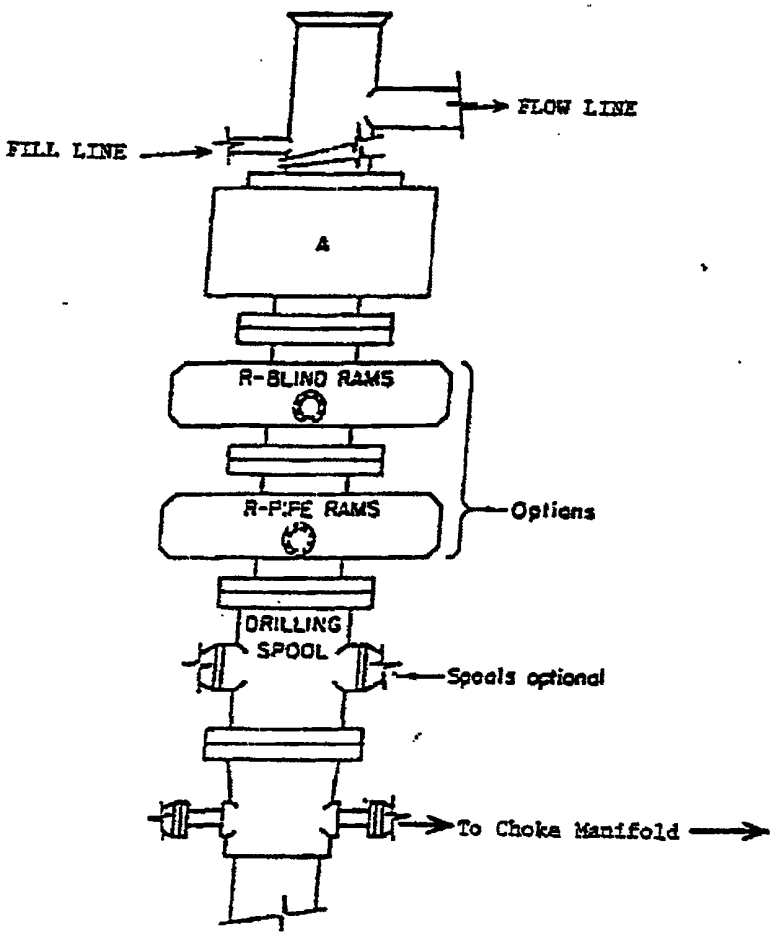
NOVEMBER 10, 2006
Date Surveyed

Signature & Seal of Professional Surveyor

7372

Certificate No. Gary L. Jones 7977

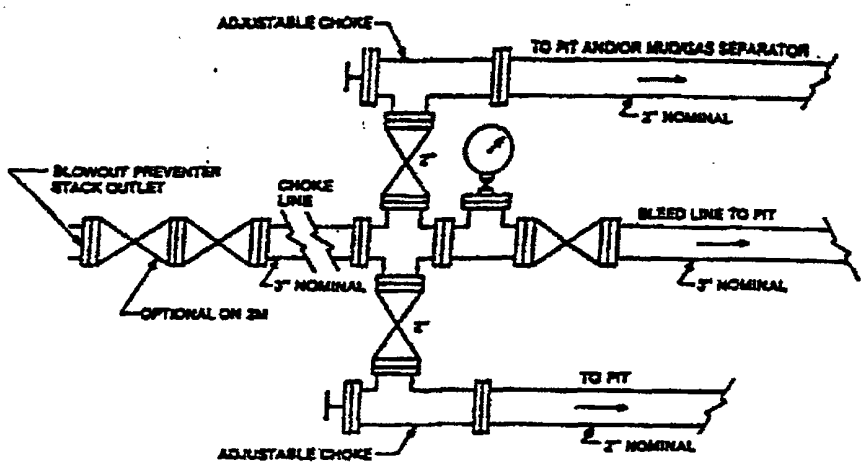
BASIN SURVEYS



ARRANGEMENT SRRA

900 Series
3000 PSI WP

Exhibit E – Blowout Preventor
Scout 18 Federal No. 10
Cimarex Energy Co. of Colorado
Section 18-T19S-R34E
2210' FNL & 2100' FWL
Lea County, NM



Typical choke manifold assembly for 3M WP system

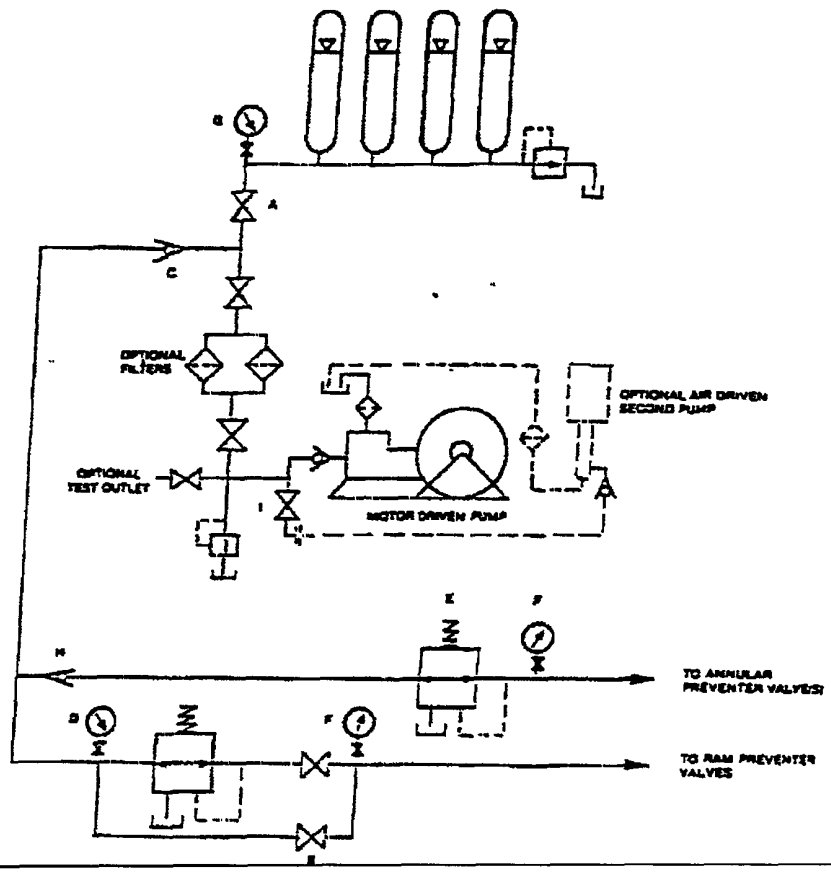


Exhibit E1 – Choke Manifold
Scout 18 Federal No. 10
Cimarex Energy Co. of Colorado
Section 18-T19S-R34E
2210' FNL & 2100' FWL
Lea County, NM

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 10-Scout 18 Federal
Operator's Name: Cimarex Energy Co. of Colorado
Location: 2210FNL, 2100FWL, Section 18, T-19-S, R-34-E
Lease: NM-3622

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5972 or (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:

A. Spudding

B. Cementing casing: 8-5/8 inch 5-1/2 inch

C. BOP tests

2. **H2S has been reported in Sections 4, 6, and 7 ranging from 200-600 ppm in the gas streams of the La Rica and Quail Ridge fields.** A Hydrogen Sulfide (H2S) Drilling Plan is attached to the APD.

3 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.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. 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.

7. 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.

II. CASING:

1. The 8-5/8 inch surface casing shall be set **approximately 900 feet**, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

Fresh water mud to be used to the top of the Rustler Anhydrite approximately 1620 feet.

Possible lost circulation in the Redbeds, Grayburg and Bone Spring formations.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall circulate to surface.**

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the **8-5/8** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the **8-5/8** inch casing shall be **3M** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

Engineer on call phone: 505-706-2779

WWI 121206

District I
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1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Cimarex Energy Co. of Colorado Telephone: 972-443-6489 e-mail address: zfarris@cimarex.com
Address: P.O. Box 140907, Irving, Tx 75014-0907
Facility or well name: Scout 18 Federal No. 10 API #: 30-025- 38250 U/L or Qtr/Qtr F Sec 18 T 19S R 34E
County: Lea Latitude 323940.9 N Longitude 1033604.4 W NAD: 1927 ☐ 1983 ☒ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume 12000 bbl	Volume: ____bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not. _____	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet (100 feet or more)	(20 points) (10 points) (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (No)	(20 points) (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet (1000 feet or more)	(20 points) (10 points) (0 points)
	Ranking Score (Total Points)	0

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface_____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described 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 ☐.**
Date: 11-17-06
Printed Name/Title Zeno Farris Manager Operations Administration Signature Zeno Farris

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Date: 1/9/07
Printed Name/Title CHRIS WILLIAMS / DIST. SUPV Signature Chris Williams