OCD-HOBBS

ATS-07-444 EA=07-884

Form 3160-3 (April 2004)				OMB N	APPROVED o 1004-0137 farch 31, 2007
UNITED ST	5 Lease Serial No	5 Lease Serial No			
DEPARTMENT OF 7	NM-3622				
BUREAU OF LAND N	6 If Indian, Allotee or	Tribe Name			
APPLICATION FOR PERMIT	TO DRILL OR R	EENTER			
la Type of Work X DRILL RE	la Type of Work X DRILL REENTER				
1b Type of Well XOI Well Gas Well Other	XSu	ngle Zone Multup	le Zone	8 Lease Name and W Scout 17 Federal 9. API Well No	
2 Name of Operator		(I have	2	21	21112
Cimarex Energy Co. of Colorado 3a Address	3b Phone No	(include area code)		30-025- 52 10 Field and Pool, or	Exploratory
PO Box 140907; Irving, TX 75014	972-401-31	· · ·	-	Tonto; 7 Rivers	
A Least an effective of the entropy of and an another day	undle mar Canto mas			11 See T. B. M Blb	and Survey or Area
At Surface 2050 FML & 850' FWL	CAPITAN CO	NTROLLED W	ATER B	ADUN	
At proposed prod Zone 2250' FML & 850' FWL	e.l. b/		4	№ -19S-34E	
14 Distance in miles and direction from nearest town or post of				12 County or Parish	13 State
32 miles West of Hobbs				Lea	NM
15 Distance from proposed*	16 No of acres	s in lease	17 Space	cing Unit dedicated to this w	
location to nearest			}		
property or lease line, ft (Also to nearest drig unit line if				·	
any) 850' 18 Distance from proposed location*	19 Proposed I	1076.4	20 BLN	SWNW 40 : 4/BIA Bond No. on File	acres
to nearest well, drilling, completed,	17 110003001	, optin			
applied for, on this lease, ft		42001		NB (252	
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approxima	4300' te date work will start	*	NM-257	5
	22. Approxime				
3741' GR		3/1/2007		15-30	days
	24. A	Attachments			
The following, completed in accordance with the requirements of the	Onshore Oil and C	Gas Order No 1, shall	be attached	to this form	
1 Well plat certified by a registered surveyor			-	ons unless covered by an ext	sting bond on file (see
 A Drilling Plan A Surface Use Plan (if the location is on National Forest System 	· ·	Item 20 above 5 Operator Cert	ification		
SUPO shall be filed with the appropriate Forest Service Office)	6 Such other sit authorized off	-	iformation and/or plans as m	ay be required by the
25 Signature	Name (P	rinted/Typed)			Date
Ceno tamos	Zeno	Farris			5/8/2007
Title					
Manager Operations Administration					
Approved By (Signature) /S/ James Stovall	Name (P	rinted/Typed) /s/ Jame	es Stov		Date JUN 2 5 2007
FIELD MANAGER	Office	CARLSBAD	FIELD	OFFICE	
Application approval does not warrant or certify that the applicant holds leg conduct operations thereon	gal or equitable title	to those rights in the subj	ect lease which	ch would entitle the applicant to	FOR TWO YEARS
Conduct operations intercont Conditions of approval, if any, are attached	<u></u>			APPHUVAL	
Fits 18 USS Section 1001 and Title 43 USC Section 1212, make it a cr States any false, fictitious, or fraudulent statements or representations as to		•••	make to any	department or agency of the Un	ited
* (Institution on page 2)					
			, A TP		_
SEE ATTACHED FOR				PROVAL SUB	JECT TO
CONDITIONS OF ADDR		GENERAL REOUREMENTS			
CONDITIONS OF APPROVAL			AN	D SPECIAL ST	TPULATIONS
,			AT	TACHED	

AGER Date JUN 2 5 200
al No. 3 200' North.
ths of all pertinent markers and zones rts shall be filed within 30 days a Form 3160-4 shall be filed once en completed, and the operator has
ork and approximate duration thereof
don
X Other Change Locat
Resume) Water Shut-Off Well Integrity
E, REPORT, OR OTHER DATA
11. County or Parish, State Lea County, NM
Tonto; 7 Rivers
30-025- 38 TbL 10 Field and Pool, or Exploratory Area
9 API Well No.
Scout 17 Federal No. 3
8 Well Name and No
7. If Unit or CA/Agreement, Name and/or
NM-3622 6 If Indian, Allottee or Tribe Name
5. Lease Serial No
OMB No 1004-0135 Expires July 31, 1996
do d

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

DISTRICT I 1625 N. French Dr., Bobbs, NM 55240 DISTRICT II 1301 W. Grand Avenue. Artesia. NM 86810

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DISTRICT III 1000 Rio Brazos Rd., Axtec, NM 87410

DISTRICT IV 1220 S. St. Francis Dr., Santa Ye, NN 87506

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised October 12, 2005 Submit to Appropriate District Office

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505 State Lease - 4 Copies Fee Lease - 3 Copies

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CI AMENDED REPORT

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WELL LOCATION AND ACREAGE DEDICATION PLAT

API	Number			Pool Code			_	Pool Name		
50.02	0-025-35462			<u>59470</u>		Tonto; 7 Rivers				
Froperty (erty Code				Property Name Well Number			imber		
362	42		SCOUT "17" FEDERAL 3							
OGRID No					-	ator Nam		_	Elevat	
16268	33	L	CIN	IAREX E	NERGY	<u>CO.</u>	OF COLORADO)	374	۷
					Surfa	e Loc	ation			
UL or lot No.	Section	Township	Range	Lot Idn	Feet fro		North/South line	Feet from the	East/West line	County
E	17	19 S	34 E		20)50	NORTH	850	WEST	LEA
		*	Bottom	Hole Loo	cation 1	f Diffe	erent From Sur	face	**************************************	•
UL or lot No.	Section	Township	Range	Lot Idn	Feet fro	m the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint o	r Infill Co	nsolidation	Code Or	der No.					
40 -										
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								contained herei	in is true and compl knowledge and belief.	loto to
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								land including location pursue	the proposed bottom t at to a contract with	an l
						1		or to a volunta	a mineral or working ry pooling agreement	ma
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NINE 2622				<u>+</u>		-+-		$1/7_{-}$	£	
NM-3622	3745 6							Cen	orangs-	<u>31-07</u>
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Lat - N32*39' Long - W103*						i			es plotied from field made by me or	
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Application to Drill

Cimarex Energy Co. of Colorado Scout 17 Federal No. 3 Unit E Section 17 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: 2250' FNL & 850' FW	/L	
2	<u>Elevation above sea level:</u>	<u>3741' GR</u>	
3	Geologic name of surface formation:		Quaternery Alluvium Deposits
4	Drilling tools and associated equipmer	<u>nt:</u>	Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
5	Proposed drilling depth	4300'	
6	Estimated tops of geological markers:		
	Rustler	1629	
	Yates	3415	
	Base Yates Carb	3770 3906	
	Yates Sand Seven Rivers	3906 3984	
	Geven Rivers	5501	
7	Possible mineral bearing formation:		
	7 Rivers	Oil	

8 Casing program:

1

,

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
11"	0-400° 0-17001	8-5/8"	24#	8-R	ST&C	J-55
7-7/8"	0-4300' 60	4-1/2"	11.6#	8-R	LT&C	J-55
	617/07					

Application to Drill

Cimarex Energy Co. of Colorado Scout 17 Federal No. 3 Unit E Section 17 T19S-R34E Lea County, NM

9 Cementing & Setting Depth:

8-5/8"	Surface	Set 400' of 8-5/8" 24# J-55 STC casing. Spacer: 20 bbls FW. <u>Lead:</u> 350 sx Premium w/ 0.25 pps Flocele and 1% CaCl (wt 14.8 lbm/gal, yld 1.34 ft3/sk). <u>Tail:</u> 100 sx Premium Plus w/ 2% CaCl (wt 14.8 lbm/gal, yld 1.34 ft3/sk). Circulate cement to surface.
4-1/2"	Production	Set 4300' 4-1/2" 11.6# J-55 LTC casing. <u>Lead:</u> 1100 sx Interfil C w/ 0.25 pps Flocele (wt 11.9 lbm/gal, yld 2.45 ft3/sk). <u>Tail:</u> 600 sx Premium 50/50 poz w/ 1% CaCl (wt 13.8 lbm/gal, yld 1.42 ft3/sk). Circulate cement to 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 nippled 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
0-400'	8.6 - 8.9	29 - 36	NC	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
400' - 4300'	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 DSTs, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative. This equipment will remain in use until production casing is run and cemented.

Application to Drill

Cimarex Energy Co. of Colorado Scout 17 Federal No. 3 Unit E Section 17 T19S-R34E Lea County, NM

12 Testing, Logging and Coring Program:

- A. Electric logging program: Triple Combo from TD to int csg, GR Neu to surface.
- B. No DSTs or cores 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 2000 PSI, estimated BHT <u>156</u>.

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 <u>15-30</u> 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 <u>7 Rivers</u> pay will be perforated and stimulated. The well will be tested and potentialed as an oil well.



Arrangement SRRA 900 Series 3000 PSI WP

Exhibit E – BOP Scout 17 Federal No. 3 Cimarex Energy Co. of Colorado 17-19S-34E 2250' FNL & 850' FWL Lea County, NM



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 subsidiary of Cimarex Energy Co • A NYSE Listed Company • "XEC"

May 8, 2007

Oil Conservation Division District I Office 1625 N. French Dr. Hobbs, New Mexico 88240 Attn: Ms. Donna Mull

Re: Statewide Rule 118 Hydrogen Sulfide Gas Contingency Plan Proposed Scout 17 Federal No. 3 Well

Dear Ms. Mull:

In accordance with NMAC 19.15.3.118 C. (1) governing the determination of the hydrogen sulfide concentration in gaseous mixtures in each of its operations, Cimarex Energy Co. of Colorado does not anticipate that there will be enough H2S from the surface to the 7 Rivers formation to meet the OCD's minimum requirements for the submission of a contingency plan for the drilling and completion of the following test(s):

Scout 17 Federal No. 3 17-19S-34E 2050' ^{2250'} FNL & 850' FWL Lea County, NM

If anything further is needed regarding this issue, or if you have any questions, please feel free to contact the undersigned at 972-443-6489.

Yours truly,

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Zeno Famis

Zeno Farris Manager, Operations Administration

Hydrogen Sulfide Drilling Operations Plan

Cimarex Energy Co. of Colorado Scout 17 Federal No. 3 Unit E Section 17 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 areas.
 - 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 indicates normal safe condition. Yellow flag indicates potential pressure and danger. Red flag indicates 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 foreman's trailer or living quarters.
- 7 Drillstem Testing not anticipated.

Hydrogen Sulfide Drilling Operations Plan

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Cimarex Energy Co. of Colorado Scout 17 Federal No. 3 Unit E Section 17 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 Road, Aztec, NM 87410 District IV 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

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. <u>Cimarex Energy Co. of Colorado</u> Telephone	972-401-3111 e-mail address	zfarris@cimarex com
Address PO Box 140907, Irving, TX 75014-0907		
Address PO Box 140907, Irving, TX 75014-0907 Facility or well name. Scout 17 Federal No. 3 API #	5- 204 U/L or Qtr/Qtr <u>E</u> Sec <u>17</u>	Γ <u>19S</u> <u>R</u> <u>34E</u>
County Lea Latitude	<u>323940 7 N</u> Longitude <u>1033517 7 Y</u>	W NAD 1927 🗌 1983 🛛
Surface Owner Federal 🛛 State 🗋 Private 🗌 Indian 🗌		
Pit	Below-grade tank	
Type Drilling 🖾 Production 🗌 Disposal 🗍	Volume [.] bbl Type of fluid [.]	
Workover 🔲 Emergency 🗋	Construction material	
Lined 🛛 Unlined 🗌	Double-walled, with leak detection? Yes 🗌 If not, e	explain why not.
Liner type Synthetic 🛛 Thickness <u>12</u> mil Clay 🗌		
Pit Volumebbl closed system, cuttings buried		
Depth to ground water (vertical distance from bottom of pit to seasonal	Less than 50 feet	(20 points)
high water elevation of ground water.) 244'	50 feet or more, but less than 100 feet	(10 points)
nigh water elevation of glound water.) 244	100 feet or more	(0 points)
	Yes	(20 points)
Wellhead protection area: (Less than 200 feet from a private domestic	(No)	(0 points)
water source, or less than 1000 feet from all other water sources)		
Distance to surface water (horizontal distance to all wetlands, playas,		(20 points)
irrigation canals, ditches, and perennial and ephemeral watercourses)		(10 points)
ingation canals, undies, and performant and optionional watercourses y	1000 feet or more	(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 (check the onsite box if your are burying in place) onsite in offsite in the facility in the offsite, name of facility (3) Attach a general description of remedial action taken including remediation start date and end date (4) Groundwater encountered No in Yes in If yes, show depth below ground surface fit. and attach sample results.

(5) Attach soil sample results and a diagram of sample locations and excavations

Additional Comments:

l 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 05.08.07 Printed Name/Title_Zeno Farris - Manager Operations Administration_Signature_Zemo Foury
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 Printed Name/Title CHRIS WILLIAMS / DIST. SUN Signature China William Date: 6/28/DT

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Well Name & No. Location: Lease:

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I. DRILLING OPERATIONS REQUIREMENTS:

- **A.** The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:
 - 1. Spudding well
 - 2. Setting and/or Cementing of all casing strings
 - 3. BOPE tests
 - Lea County call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612
- **B.** 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.

II. CASING:

- A. The <u>8-5/8</u> inch surface casing shall be set at <u>1700</u> feet and cemented to the surface.
 - 1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - 2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
 - 3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 - 4. If cement falls back, remedial action will be done prior to drilling out that string.
- **B.** The minimum required fill of cement behind the <u>4-1/2</u> inch production casing is <u>cement shall tie</u> <u>back 200 feet into the 8-5/8 inch casing</u>.
- **C.** 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 I joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and Chap. 17 - API RP 53.

- **B.** Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be <u>2000 (2M)</u> PSI.
- **C.** The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - 1. The tests shall be done by an independent service company.
 - 2. The results of the test shall be reported to the appropriate BLM office.
 - **3.** All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
 - 4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

LBabyak 6/7/07