

ATS-08-230

Form 3160-3
(April 2004)

OLD HOBBS SECRETARY'S POTASH

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

1a. Type of Work <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-100861
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Cimarex Energy Co. of Colorado		7. If Unit or CA Agreement, Name and No.
3a. Address PO Box 140907 Irving, TX 75014	3b. Phone No (include area code) 972-401-3111	8. Lease Name and Well No. <u><36469></u> Esmeralda Federal 24 No. 1
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At Surface 1650' FSL & 1980' FWL Unit R Capitan Controlled Water Basin		9. API Well No. 30-025- 34484
14. Distance in miles and direction from nearest town or post office* 30 miles West of Hobbs		10. Field and Pool, or Exploratory Gem; Strawn, East
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 320	11. Sec, T, R, M or Blk and Survey or Area 24-19S-33E
17. Spacing Unit dedicated to this well NESW 40	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	12. County or Parish Lea
19. Proposed Depth 13,075'	20. BLM/BIA Bond No. on File NM-2575	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3654' GR	22. Approximate date work will start* 1/5/2008	23. Estimated duration 20-25 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 | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operator Certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <u>Zeno Farris</u>	Name (Printed/Typed) Zeno Farris	Date 12.13.07
Title Manager Operations Administration		
Approved By (Signature) <u>/s/ Jesse J. Juen</u>	Name (Printed/Typed) <u>/s/ Jesse J. Juen</u>	Date <u>JAN 28 2008</u>
Title STATE DIRECTOR	Office NM STATE 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.

APPROVAL FOR TWO YEARS

Conditions of approval, if any, are attached

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)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND 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

Form C-102
Revised October 12, 2005

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34484	Pool Code 96244	Pool Name Gem; Strawn, East
Property Code 36969	Property Name ESMERALDA FEDERAL (24)	Well Number 1
GRID No. 162683	Operator Name CIMAREX ENERGY CO. OF COLORADO	Elevation 3654'

Surface Location

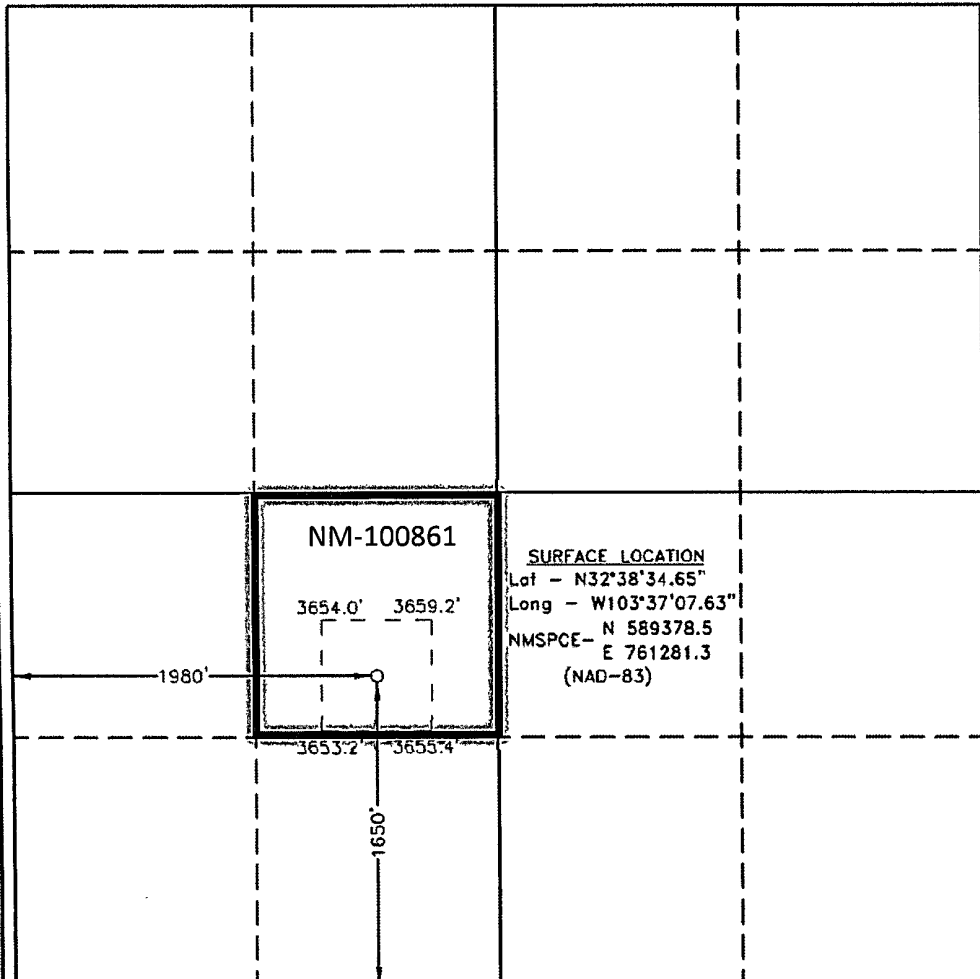
UL or lot No. K	Section 24	Township 19 S	Range 33 E	Lot Idn	Feet from the 1650	North/South line SOUTH	Feet from the 1980	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

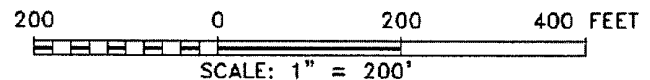
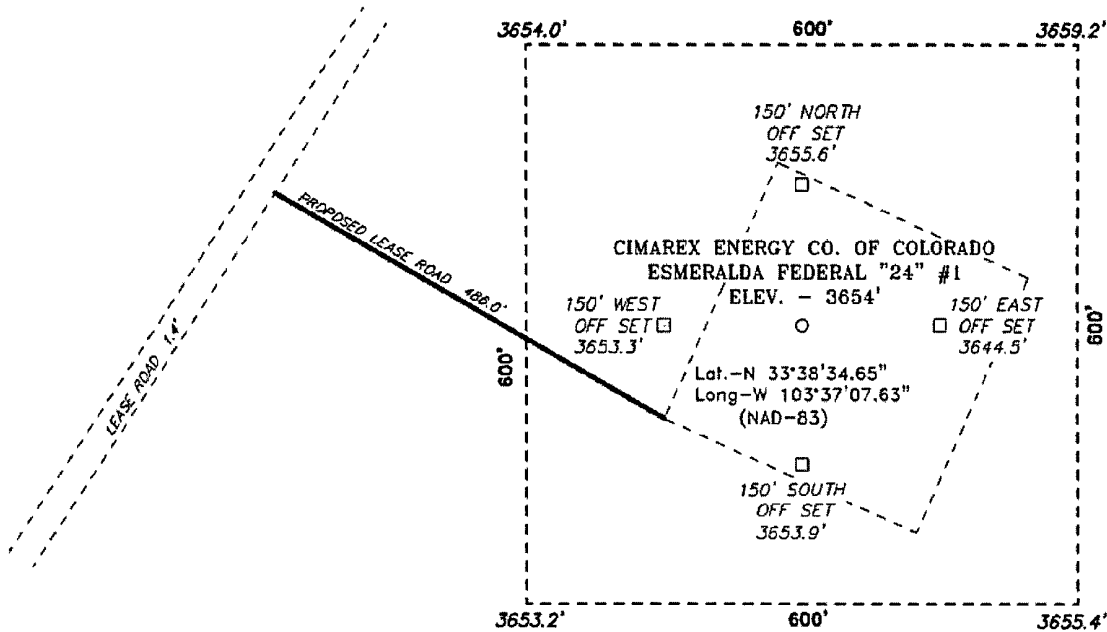
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Zeno Farris</i> 12-13-07 Signature Date</p> <p>Zeno Farris Printed Name</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>NOVEMBER 29 2007 Date Surveyed</p> <p>GARY L. JONES Signature & Seal Professional Surveyor</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

SECTION 24, TOWNSHIP 33 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF HWY 62-180 AND SMITH RANCH ROAD, GO NORTHWEST 2.2 MILES TO LEASE ROAD, ON LEASE ROAD GO WEST THENCE NORTHERLY 1.3 MILES TO LEASE ROAD, ON LEASE ROAD GO EASTERLY 1.4 MILES TO PROPOSED LEASE ROAD.

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

W.O. Number: 18900 Drawn By: J. M. SMALL

Date: 12-03-2007 Disk: JMS 18900W

CIMAREX ENERGY CO. OF COLORADO

REF: ESMERALDA FEDERAL "24" #1 / WELL PAD TOPO

THE ESMERALDA FEDERAL "24" #1 LOCATED 1650' FROM
THE SOUTH LINE AND 1980' FROM THE WEST LINE OF
SECTION 24, TOWNSHIP 19 SOUTH, RANGE 33 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 11-29-2007 Sheet 1 of 1 Sheets

Application to Drill
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E 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: SHL 1650' FSL & 1980' FWL
- 2 Elevation above sea level: 3654' GR
- 3 Geologic name of surface formation: Quaternary Alluvium Deposits
- 4 Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5 Proposed drilling depth: 13,075' (clean out wellbore to top of bottom plug)
- 6 Estimated tops of geological markers:

San Andres	4,540'
Delaware	5,410'
Bone Spring	8,000'
Wolfcamp Shale	10,600'
Wolfcamp Chert Mkr	11,030'
Wolfcamp Lime	11,200'
Strawn	12,130'
Atoka	12,400'
- 7 Possible mineral bearing formation:

Strawn	Oil
Wolfcamp	Oil

8 Proposed Mud Circulating System:

Depth	Mud Wt	Visc	Fluid Loss	Type Mud
4,524' to 8,300'	8.4 - 9.9	28-29	NC	Brine Water. Paper for seepage. Lime for pH (9-9.5).
8,300' to 10,000'	8.45 - 8.9	28-29	NC	Cut brine. Caustic for pH control.
10,000' to 13,075'	8.9 - 9.7	29-45	NC	Cut brine. Caustic for pH control.

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

Application to Drill
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E Lea County, NM

9 Casing & Cementing Program: Surface and intermediate casing already set and cemented.

Hole Size	Depth		Casing OD	Weight	Thread	Collar	Grade
17-1/2"	0	to 437'	New 13-3/8"	48#	8-R	STC	H-40
11"	0	to 4,524'	New 8-5/8"	32#	8-R	LTC	J-55
7-7/8"	0	to 13,075'	New 5-1/2"	17#	8-R	LTC	P-110

10 Cementing & Setting Depth:

13-3/8" **Surface** 437' of 13-3/8" 48# H-40 STC *(previously set)*

Previously Cemented:

Lead: 115 sx Permian Basin Filler (wt 11.4, yld 2.89)

Tail: 200 sx Class C + 2% CaCl₂ (wt 14.8, yld 1.34)

TOC Surface (circulated 30 sx)

8-5/8" **Intermediate** 4,524' of 8-5/8" 32# J-55 LTC *(previously set)*

Previously Cemented:

Lead: 1350 sx Interfill C (wt 11.9, yld 2.47)

Tail: 200 sx Premium Plus (wt 14.7, yld 1.33)

TOC Surface (circulated 187 sx)

5-1/2" **Production** Set 13,075' of 5-1/2" 17# P-110 LTC

Lead: 522 sx Interfill H + 10% D-20 + 0.125# D-130 + 2% D-167 + 2% D-65 + 2% D-13 + 5% D-44 (BWOW) + 2% D-46 (wt 11.9, yld 2.45)

Tail: 175 sx Super H + 0.5% Halad-344 + 0.4% CFR-3 + 1# Salt + 5# Gilsomite + 0.125# Poly-e-flake + 0.35% HR-7 (wt 13.0, yld 1.67)

TOC 4,000'

Hydrocarbon zones will be protected by setting 5-1/2" casing to the top of the bottom plug @ 13075' and cementing to 4000.'

Cimarex uses the following minimum safety factors:

Burst	Collapse	Tension
1.125	1.0	1.80

Application to Drill
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E Lea County, NM

11 Pressure control Equipment:

Exhibit "E" - Production Casing - A 11" 5000 PSI working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 5000# hydril. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 6000'. A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor.

BOP unit will be hydraulically operated. BOP will be 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. The well will be equipped with a 5000 psi BOP system.

The BOPs will be tested by an independent service company. Ram type BOPs to 250 psi low and 5000 psi high. Annular BOP 250 psi low and 3000 psi high.

12 Testing, Logging and Coring Program:

- A. Mud logging program: No mud logging program.
- B. Electric logging program: CNL / LDT / CAL / GR, DLL / CAL / GR
- C. No DSTs are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures are expected. The area has a potential H2S hazard.

Estimated BHP **4000 psi** Estimated BHT **175**

14 Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved.

Drilling expected to take 20-25 days

If production casing is run an additional 30 days will be required to complete and construct surface facilities.

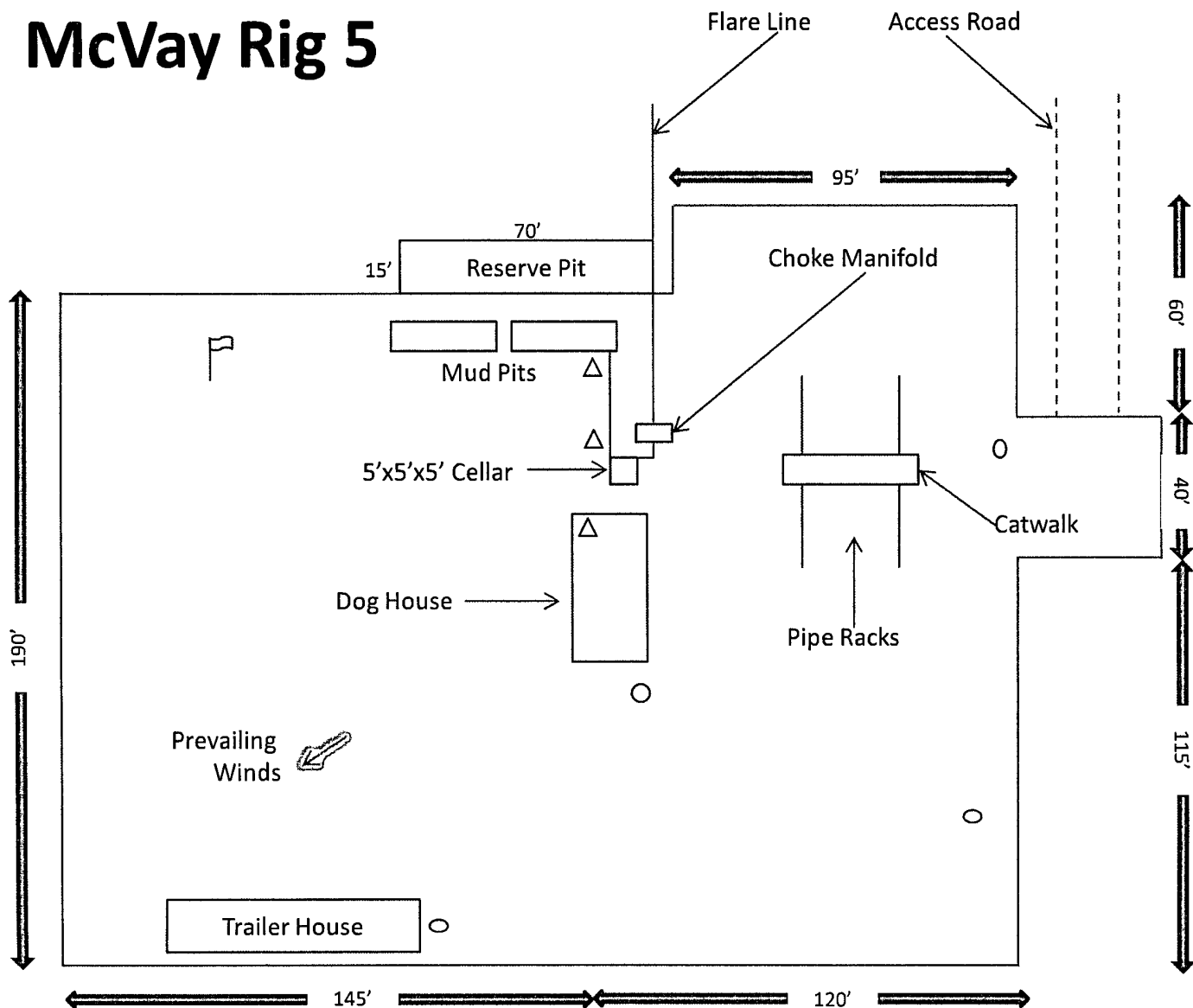
15 Other Facets of Operations:





After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals.

Strawn pay will be perforated and stimulated.

The proposed well will be tested and potentialiaed as **an oil well.**

McVay Rig 5



-  Wind Direction Indicators
(wind sock or streamers)
-  H2S Monitors
(alarms at bell nipple and shale shaker)
-  Briefing Areas
-  Remote BOP Closing Unit

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Exhibit D – Rig Layout
Esmeralda 24 Federal No. 1
 Cimarex Energy Co. of Colorado
 24-19S-33E
 1650' FSL & 1980' FWL
 Lea County, NM

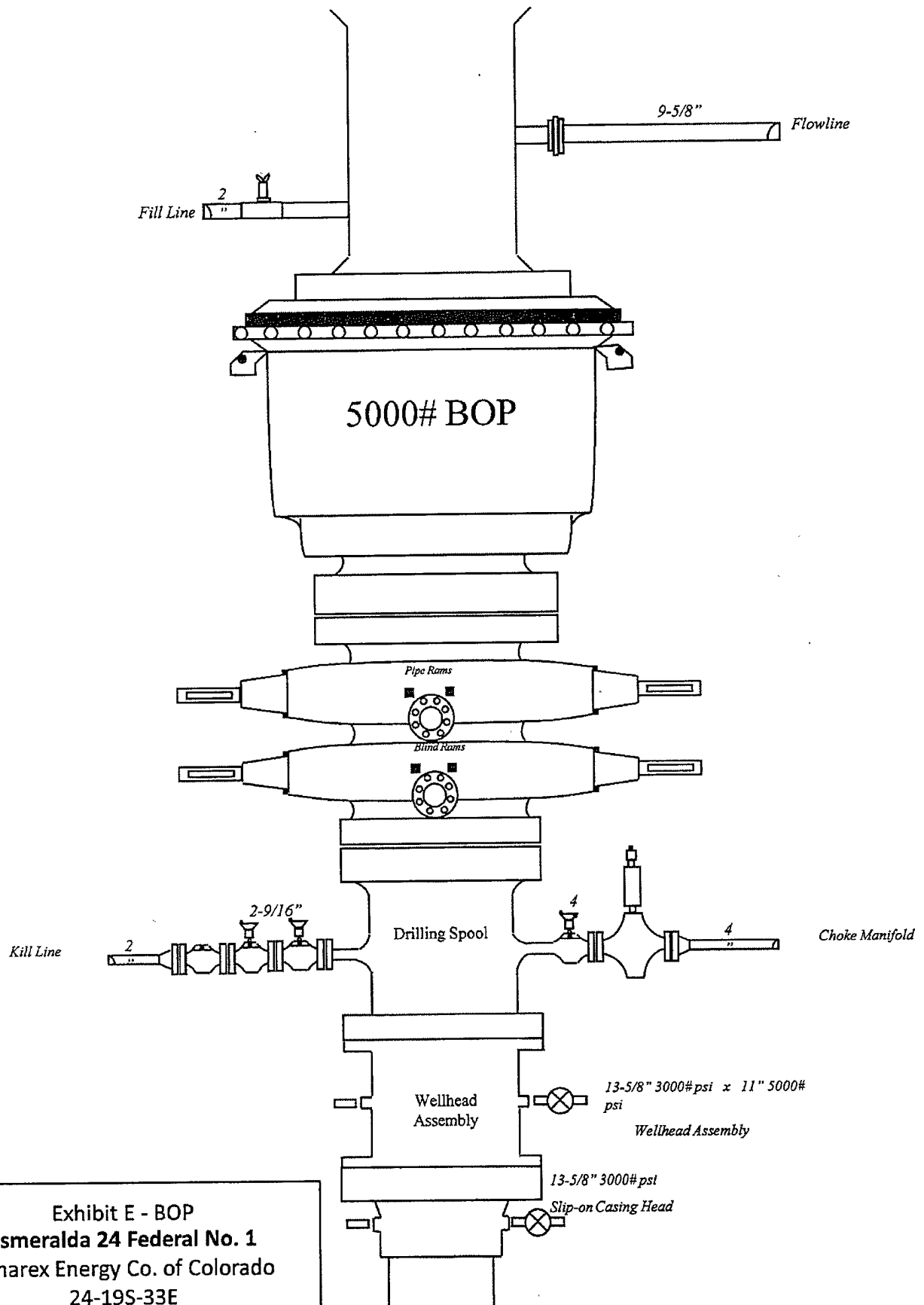


Exhibit E - BOP
Esmeralda 24 Federal No. 1
 Cimarex Energy Co. of Colorado
 24-19S-33E
 1650' FSL & 1980' FWL
 Lea County, NM

DRILLING OPERATIONS
CHOKE MANIFOLD
5M SERVICE

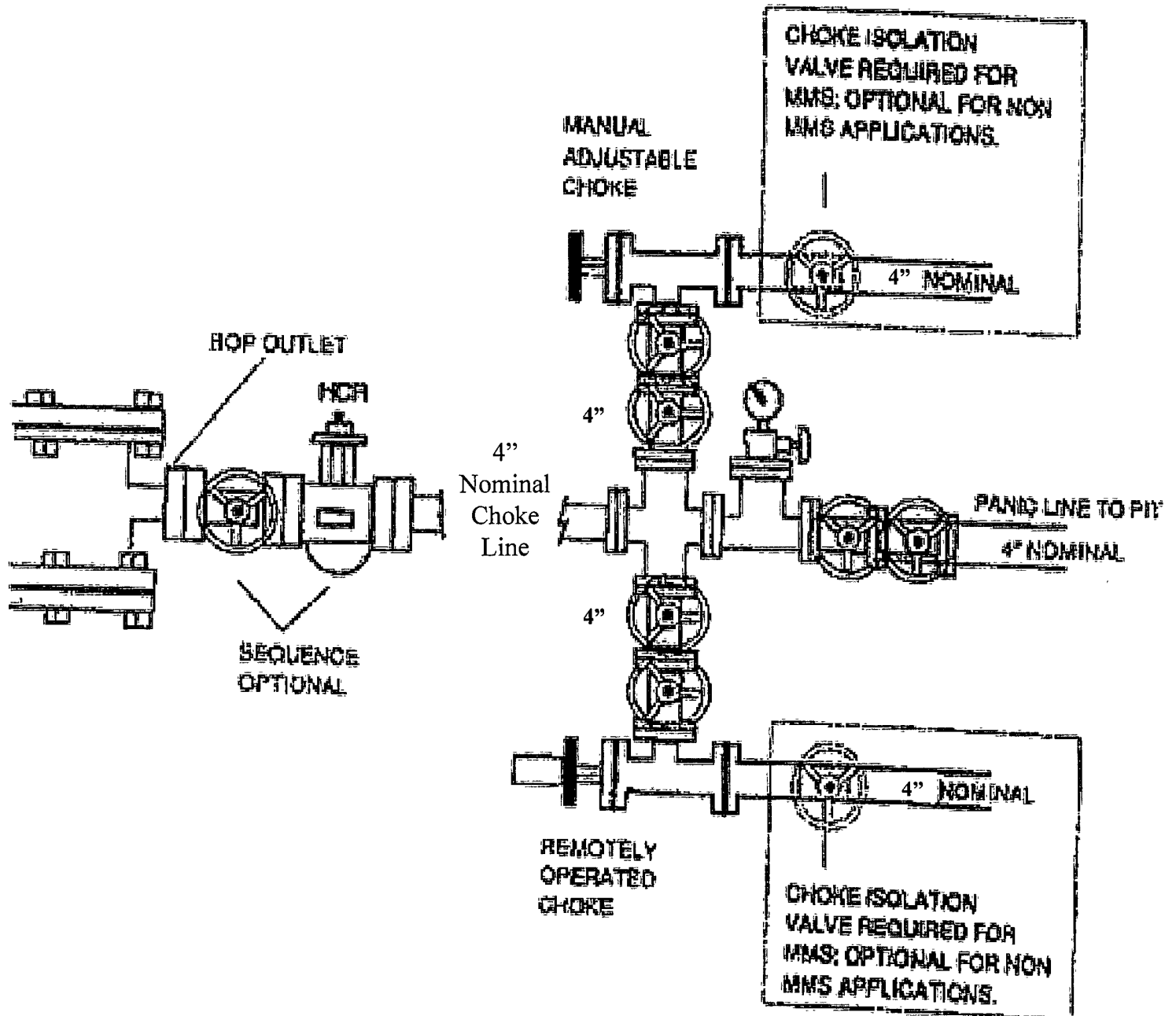


Exhibit E1 – Choke Manifold
Esmeralda 24 Federal No. 1
Cimarex Energy Co. of Colorado
24-19S-33E
1650' FSL & 1980' FWL
Lea County, NM

BEFORE

CIMAREX ENERGY

QUAIL RIDGE (MORROW)

Esmeralda Federal "24" #1

SPUDED 8/18/1998

PLUGGED 9/29/1998

API 30-025-34484

CURRENT CONDITION

J. Piwetz ~~5~~ 10/12/2006

KB: 3677'

CH: -

GL: 3657"

1650' FAL & 1980' FWL

Sec 24, T-19-S, R-33-E

Unit Letter K

Lea County, New Mexico

Plug #7: 35 sx "H" in top of csg.

Casing Strings:

? Conductor

Plug #6: 35 sx "H" 377-487'

13-3/8" (17-1/2" hole), 48#, H-40

@ 487' w/ 315 sx cmt

TOC @ surface - circ

Plug #5: 40 sx "H" 4474-4574'

8-5/8" (11" hole), 32#, J-55

@ 4524' w/ 1550 sx cmt

TOC @ surface - circ

Mud laden fluid between plugs

Plug #4: 35 sx "H" 7000-6900'

Plug #3: 35 sx "H" 9000-8900'

Plug #2: 35 sx "H" 11,000-10,900'

Plug #1: 180 sx "H" 13,650-13,075'

TD = 13,650'

Proposed Strawn Re-entry

Cimarex Energy Co. of Colorado

Esmeralda Federal 24 No. 1

Spudded 08-18-98
Proposed Gem; Strawn, East
30-025-34484

CURRENT CONDITION

N. Krueger 3/4 01-08-08

KB: 3677'

CH:

SL: 3657'

1650' FWL & 1980' FWL

24-19S-33E

Unit Letter K

Lea County, New Mexico

Casing Strings:

13-3/8" (17-1/2" hole), 48# H-40
@ 487' w/ 315 sx cmt
TOC @ surface - circ

8-5/8" (11" hole), 32# J-55
@ 4524' w/ 1550 sx cmt
TOC @ surface - circ

2-7/8" tubing to 12000'

5-1/2" (8-3/4" hole) 17# P-110
@ 13075' w/ 697 sx cmt
TOC @ 4000'

San Andres 4540'

Delaware 5410'

Bone Spring 8000'

Wolfcamp 10600'

Strawn 12130'

Perf Strawn 12160'-12188'

Atoka 12400'

Plug #1: 180 sx Sup H 13650'-13075'

TD = 13650'

PBTD = 13075' (where last plug was set in 09-98)

Hydrogen Sulfide Drilling Operations Plan

Cimarex Energy Co. of Colorado

Esmeralda Federal 24 No. 1

Unit K Section 24

T19S R33E 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:

No DSTs are planned at this time.
- 8 Drilling contractor supervisor will be required to be familiar with the effects H2S has on tubular goods and other mechanical equipment.
- 9 If H2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H2S scavengers if necessary.

Surface Use Plan
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E Lea County, NM

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

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

B. From the junction of US Hwy 62-180 and Smith Ranch Road, go Northwest 2.2 miles to lease road. On lease road, go West, thence Northerly 1.3 miles to lease road. On lease road, go Easterly 1.4 miles to proposed lease road.

- 2 Planned Access Roads: 486' of access road will be constructed on-lease.

- 3 Location of Existing Wells in a One-Mile Radius - Exhibit A

A. Water wells - None known

B. Disposal wells - None known

C. Drilling wells - None known

D. Producing wells - As shown on Exhibit "A"

E. Abandoned wells - As shown on Exhibit "A"

Surface Use Plan
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E Lea County, NM

- 4 If on completion this well is a producer, Cimarex Energy Co. of Colorado will furnish maps and/or plats showing on site facilities or off site facilities if needed. This 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 or piped in flexible lines laid on top of the ground.
- 6 Source of Construction Material:
If possible, construction will be obtained from the excavation of drill site. If additional material is needed, it will be purchased from a local source and transported over the access route as shown on Exhibit "C".
- 7 Methods of Handling Waste Material:
 - A. Drill cuttings will be separated by a series of solids removal equipment and hauled to the cuttings drying area and then disposed of in the cuttings burial cell.
 - 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. 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.

Surface Use Plan
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E Lea County, NM

9 Well Site Layout:

- A. Exhibit "D" shows location and rig layout.
- B. This exhibit indicates proposed location of the 100' X 100' cuttings drying area.
- C. Mud pits in the closed circulating system will be steel pits and the cuttings drying area will be surrounded by a 2' X 2' ring levee and a 2' earthen berm. A 12 mil liner will cover the cuttings drying area and extend a minimum of 2' over the earthen berm where it will be anchored down. A pump off system will pump any accumulated fluids in the ring levee to the rig holding tanks to be cleaned and reused.
- D. After drying cuttings will be disposed of in a 50' X 50' cuttings burial cell. The bottom will be lined with a 12 mil liner. Drill cuttings will be hauled from the cuttings drying area and encapsulated in a 12 mil liner. The 12 mil liner will be folded over the cuttings and capped with a 20 mil membrane cap. The cell will be filled with 3' to 4' of top soil and leveled and contoured to conform to the original surrounding area.
- E. If the well is a producer, the cuttings burial area and 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 and cuttings burial cell 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.

However, in either event, the drill cuttings will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The cuttings burial area will then be leveled and contoured to conform to the original and surrounding area. 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, the previously noted procedures will apply to those areas which are not required for production facilities.

Surface Use Plan
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1
Unit K Section 24
T19S R33E Lea County, NM

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. An Archaeological survey will be conducted on the location and proposed roads, and this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. There are no know dwellings within 1 1/2 miles of this location.

**Operator Certification Statement
Cimarex Energy Co. of Colorado
Esmeralda Federal 24 No. 1**

Unit K Section 24
T19S R33E Lea County, NM

Operator's Representative

Cimarex Energy Co. of Colorado
P.O. Box 140907
Irving, TX 75014
Office Phone: (972) 443-6489
Zeno Farris

CERTIFICATION: I hereby certify that the statements and plans made in this APD are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Cimarex Energy Co. of Colorado and/or its contractors/subcontractors and is in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

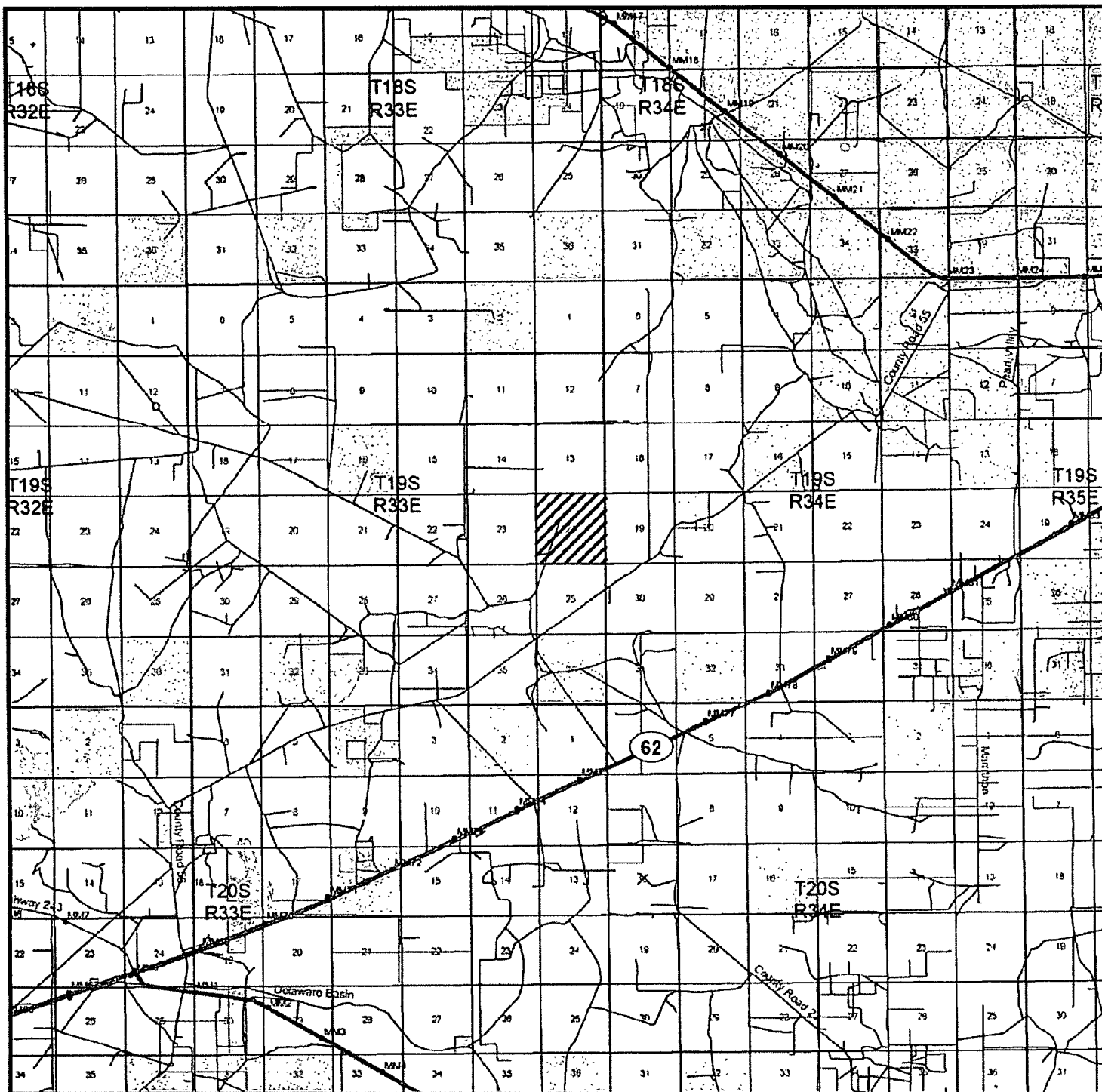
NAME: Zeno Farris
Zeno Farris

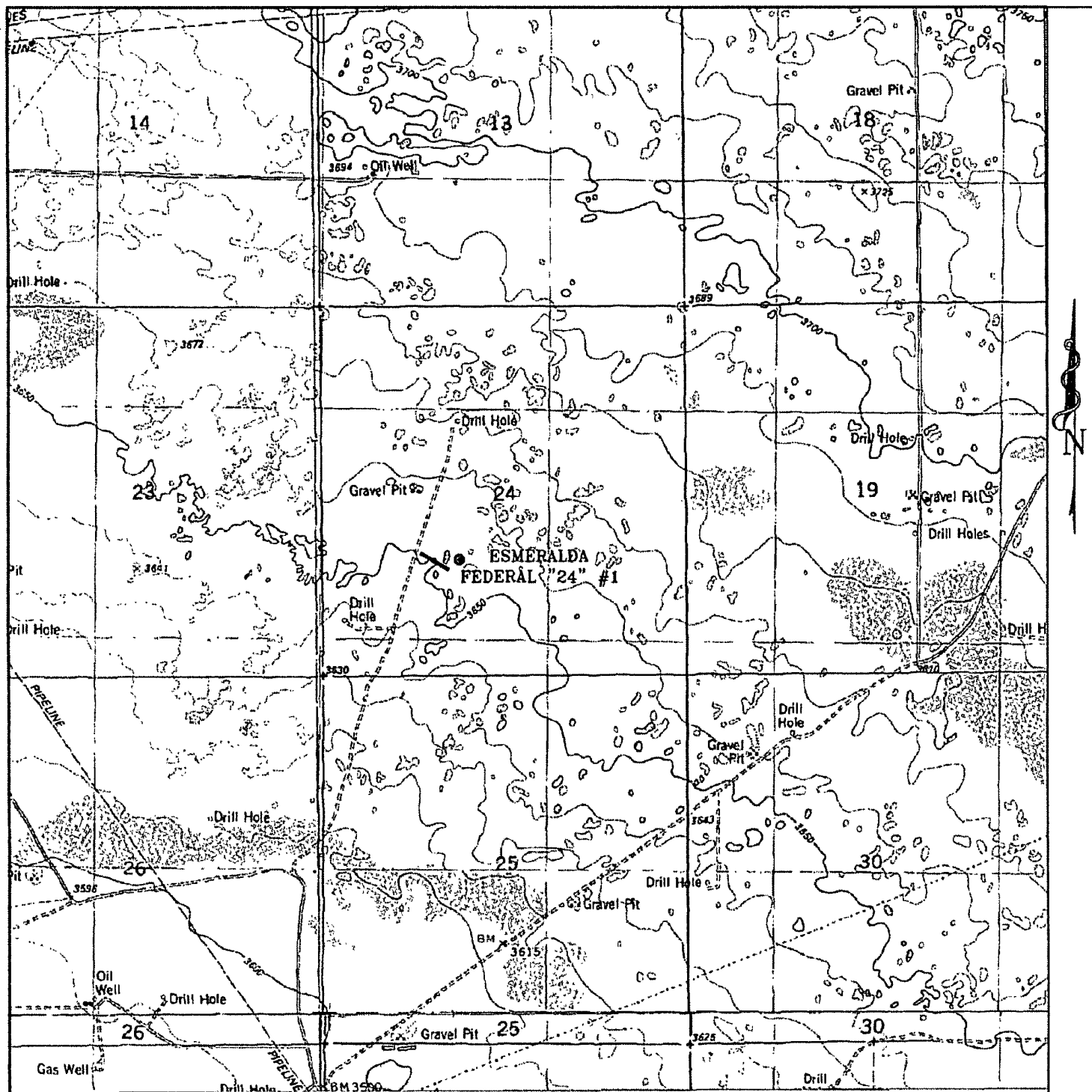
DATE: December 13, 2007

TITLE: Manager Operations Administration

Esmeralda Federal 24 No. 1

Exhibit A – One-Mile Radius Map
Esmeralda 24 Federal No. 1
Cimarex Energy Co. of Colorado
24-19S-33E
1650' FSL & 1980' FWL
Lea County, NM





ESMERALDA FEDERAL "24" #1

Located 1650' FNL and 1980' FWL

Section 24, Township 19 South, Range 33 East,
N.M.P.M., Lea County, New Mexico.



P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number: JMS 18900T

Survey Date: 11-29-2007

Scale: 1" = 2000'

Date: 12-03-2007

**CIMAREX
ENERGY CO.
OF COLORADO**

Exhibit C

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Cimarex Energy Co of Colorado
LEASE NO.:	NM-100861
WELL NAME & NO.:	1-Esmeralda Federal 24
SURFACE HOLE FOOTAGE:	1650' FSL & 1980' FWL
BOTTOM HOLE FOOTAGE	
LOCATION:	Section 24, T. 19 S., R 33 E., NMPM
COUNTY:	Lea 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.

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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)

Lesser Prairie-Chicken

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 15 through June 15 annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and 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 ft. from the source of the noise.

Sand Dune Lizard

Construction of the well pad will be restricted to existing disturbance on the south and southwest side of the location to avoid new disturbance in existing sand dunes.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Hobbs Field Station at (505) 393-3612 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. TOPSOIL

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

C. RESERVE PITS

No additional pit requirements are necessary. A closed mud system with a cutting drying area and cuttings burial cell will be utilized. See APD and Surface Use Plan for additional information.

The cuttings burial cell shall be constructed and closed in accordance with the NMOCD rules.

The cuttings burial cell shall be constructed, so that upon completion of drilling operations, the dried cuttings shall be buried a minimum depth of three feet below ground level. Should the burial cell content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 234-5972.

E. 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.

F. 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.

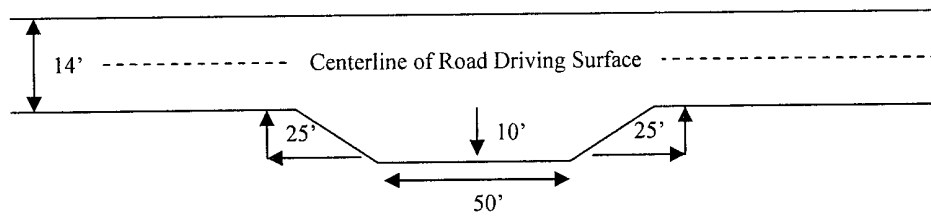
Ditching

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:

Standard Turnout – Plan View

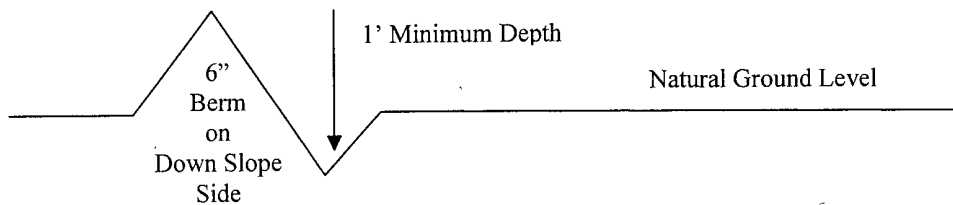


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing 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:

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

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

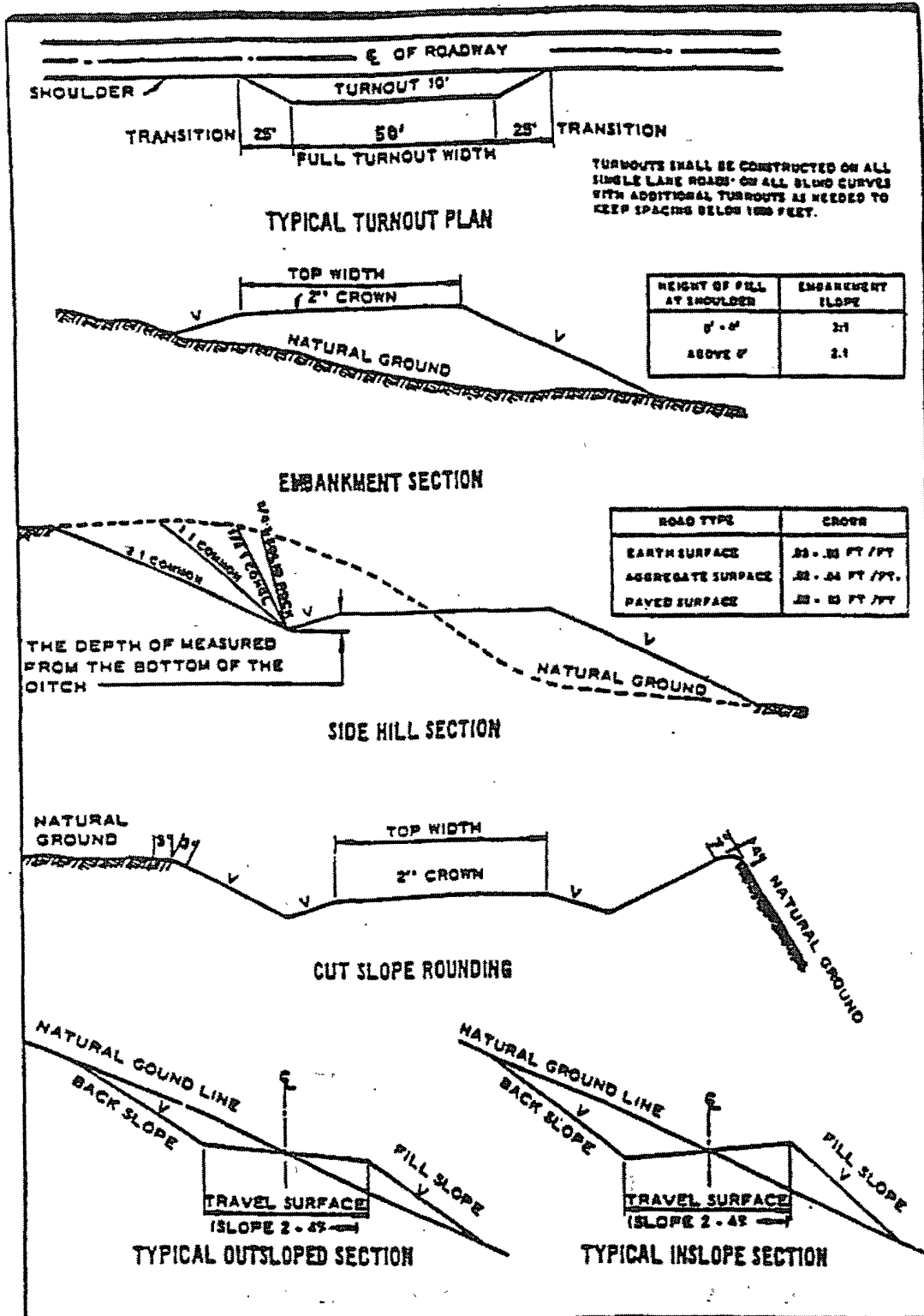
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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 – RE-ENTRY

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

☒ **Lea County**

Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the **Bone Spring** formation. **Hydrogen Sulfide has been measured at 150 ppm in the gas stream and 100 ppm in the Bone Spring formation.**
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.
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.

B. CASING

1. **The 13-3/8" casing exists at 437' and cemented to surface.**
2. **The 8-5/8" casing exists at 4524' and cemented to surface.**

Casing test required prior to drilling out plug at 4474'.

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

☒ Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification. **Please provide WOC times to inspector for cement slurries. Additional cement required.**

4. 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. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. **Tests to be performed after drilling through top two plugs.**
 - 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.
 - f. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation **if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days**. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

D. DRILLING MUD

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

E. DRILL STEM TEST

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

Engineer on call phone (after hours): **Carlsbad: (575) 706-2779**
WWI 011608

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

IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting 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.

Operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions 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 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.

B. RESERVE PIT CLOSURE

The cuttings burial cell, when closed, shall be recontoured, all trash removed, and reseeded as follows:

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:

<u>Species</u>	<u>lb/acre</u>
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

FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.