

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

153  
OCD-HOBBS SUBMIT IN TRIPLICATE\*

(Other instructions on  
reverse side)

ATS-07-89

FORM APPROVED  
OMB NO. 1004-0136

Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

1b. TYPE OF WELL

OIL ☒ GAS ☐

WELL ☐

SINGLE ☒ MULTIPLE ☐

OTHER ZONE ZONE

2. NAME OF OPERATOR

Cimarex Energy Co. of Colorado

3. ADDRESS AND TELEPHONE NO

P.O. Box 140907; Irving TX 75014; 972-401-3111

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements \*)

1460' FSL & 590' FWL

Unit L  
CAPTAN CONTROLLED WATER BASIN

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

32 miles West of Hobbs, NM

15. DISTANCE FROM PROPOSED\*  
LOCATION TO NEAREST  
PROPERTY OR LEASE LINE, T.O

(Also to nearest drlg. unit line, if any) 190'

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.)

3731' GR

22. APPROX. DATE WORK WILL START\*

01-15-06

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'          | 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.

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

SIGNED

Zero Famy

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 James A. Amos

TITLE

FIELD MANAGER

DATE

DEC 29 2006

\*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

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<br><b>3D-025-38754</b> | Pool Code<br><b>59470</b>                              | Pool Name<br><b>Tonto; 7 Rivers</b> |
| Property Code<br><b>36242</b>     | Property Name<br><b>SCOUT "17" FEDERAL</b>             | Well Number<br><b>1</b>             |
| OGRID No.<br><b>162683</b>        | Operator Name<br><b>CIMAREX ENERGY CO. OF COLORADO</b> | Elevation<br><b>3731'</b>           |

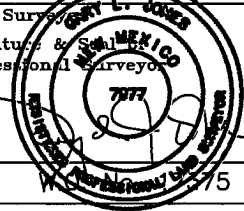
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| L             | 17      | 19 S     | 34 E  |         | 1460          | SOUTH            | 590           | 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<br><b>40</b> | Joint or Infill<br><b>N</b> | Consolidation Code | Order No.<br><b>NSL <del>RENTAL</del> 5583</b> |         |               |                  |               |                |        |

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>Scout 17 Fed #1</p> <p><b>NM-3622</b></p> <p>3730.9' — 3733.3'</p> <p>← 590' →</p> <p>3725.4' — 3728.3'</p> <p>1460'</p> <p>Lat - N32°39'25.1"<br/>Long - W103°35'20.7"<br/>NMSPCE - N 603541.3<br/>E 770391.3<br/>(NAD-83)</p> | <p><b>OPERATOR CERTIFICATION</b></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><u>Zeno Farris</u> 11-17-06<br/>Signature Date</p> <p>Zeno Farris<br/>Printed Name</p> |  |
|  | <p><b>SURVEYOR CERTIFICATION</b></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 09 2006</p> <p>Date Surveyed</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p></p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>   |  |



## 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 – NW/4SW/4 Section 17-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 17 Federal No. 1  
Unit L 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: 1460' FSL & 590' FWL
- 2 Elevation above sea level: GR 3731'
- 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: 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'   | 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 17 Federal No. 1  
Unit L Section 17  
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'       | 8.6 - 8.9   | 29 - 36   | NC         | Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.  |
| 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 17 Federal No. 1  
Unit L Section 17  
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 potential 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 potentialized as an oil well.

# Hydrogen Sulfide Drilling Operations Plan

Cimarex Energy Co. of Colorado  
Scout 17 Federal No. 1  
Unit L 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
  - 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 17 Federal No. 1

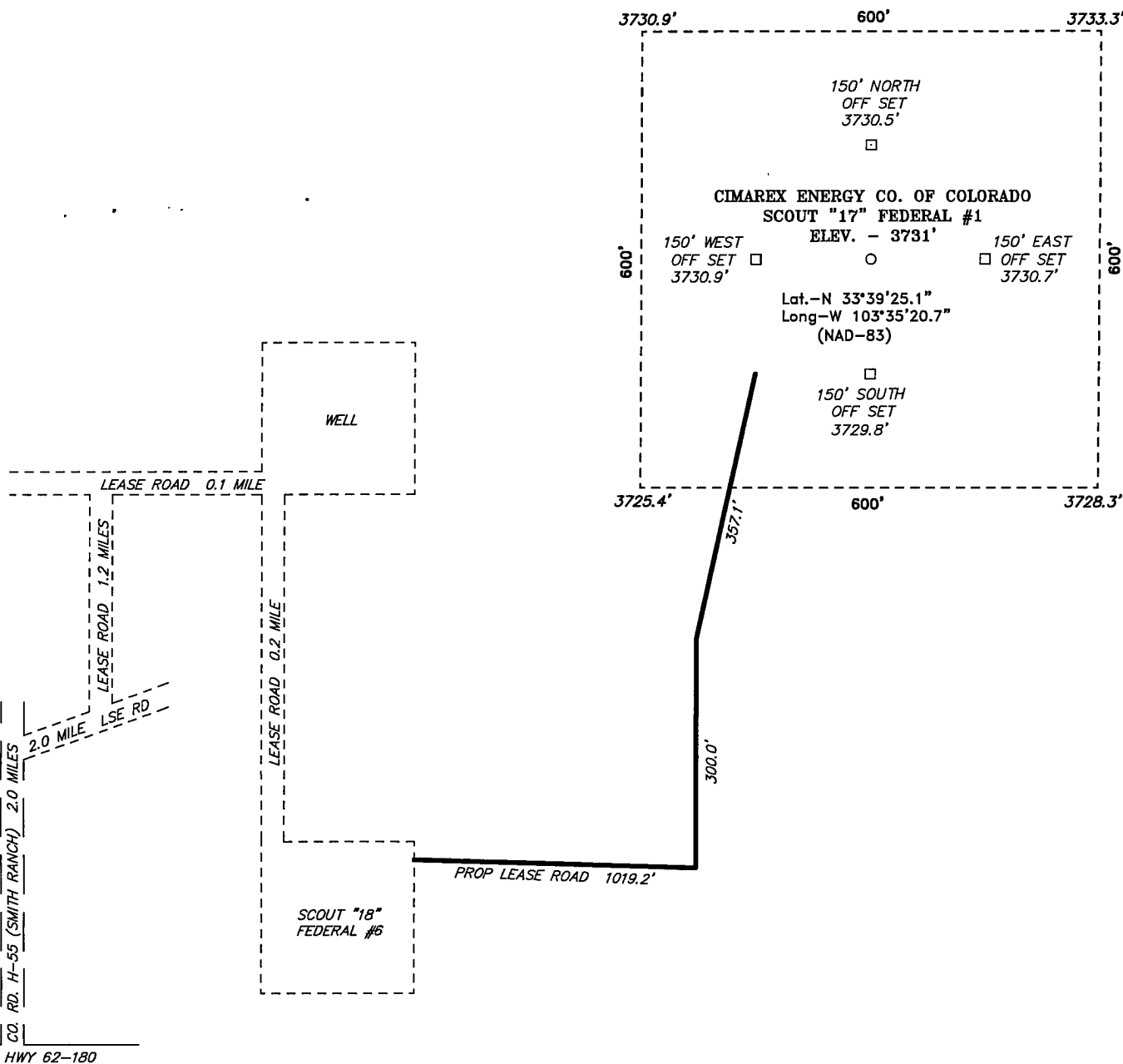
Unit L Section 17

T19S R34E Lea County, NM

- 8 Drilling contractor supervisor will be required to be familiar with the effects H<sub>2</sub>S has on tubular goods and other mechanical equipment.
  
- 9 If H<sub>2</sub>S 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 H<sub>2</sub>S scavengers if necessary.

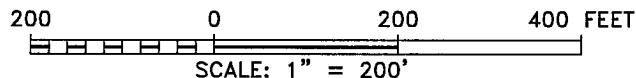


SECTION 17, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.,  
LEA COUNTY,  
NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF US HWY 62-180 AND CO. RD. H-55 (SMITH RANCH), PROCEED NORTH 2.0 MILE TO LEASE ROAD, ON LEASE ROAD PROCEED 2.0 MILES NORTHEAST TO LEASE ROAD, ON LEASE ROAD PROCEED NORTH 1.2 MILES TO LEASE ROAD, ON LEASE ROAD PROCEED EAST 0.1 MILES TO LOCATION, FROM LOCATION PROCEED SOUTH 0.2 MILES TO SCOUT "18" FEDERAL #6 AND PROPOSED LEASE ROAD.



**CIMAREX ENERGY CO. OF COLORADO**

REF: SCOUT "17" FEDERAL #1 / WELL PAD TOPO

THE SCOUT "17" FEDERAL #1 LOCATED 1460' FROM  
THE SOUTH LINE AND 590' FROM THE WEST LINE OF  
SECTION 17, TOWNSHIP 19 SOUTH, RANGE 34 EAST,  
N.M.P.M., LEA COUNTY, NEW MEXICO.

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

W.O. Number: 17375

Drawn By: J. M. SMALL

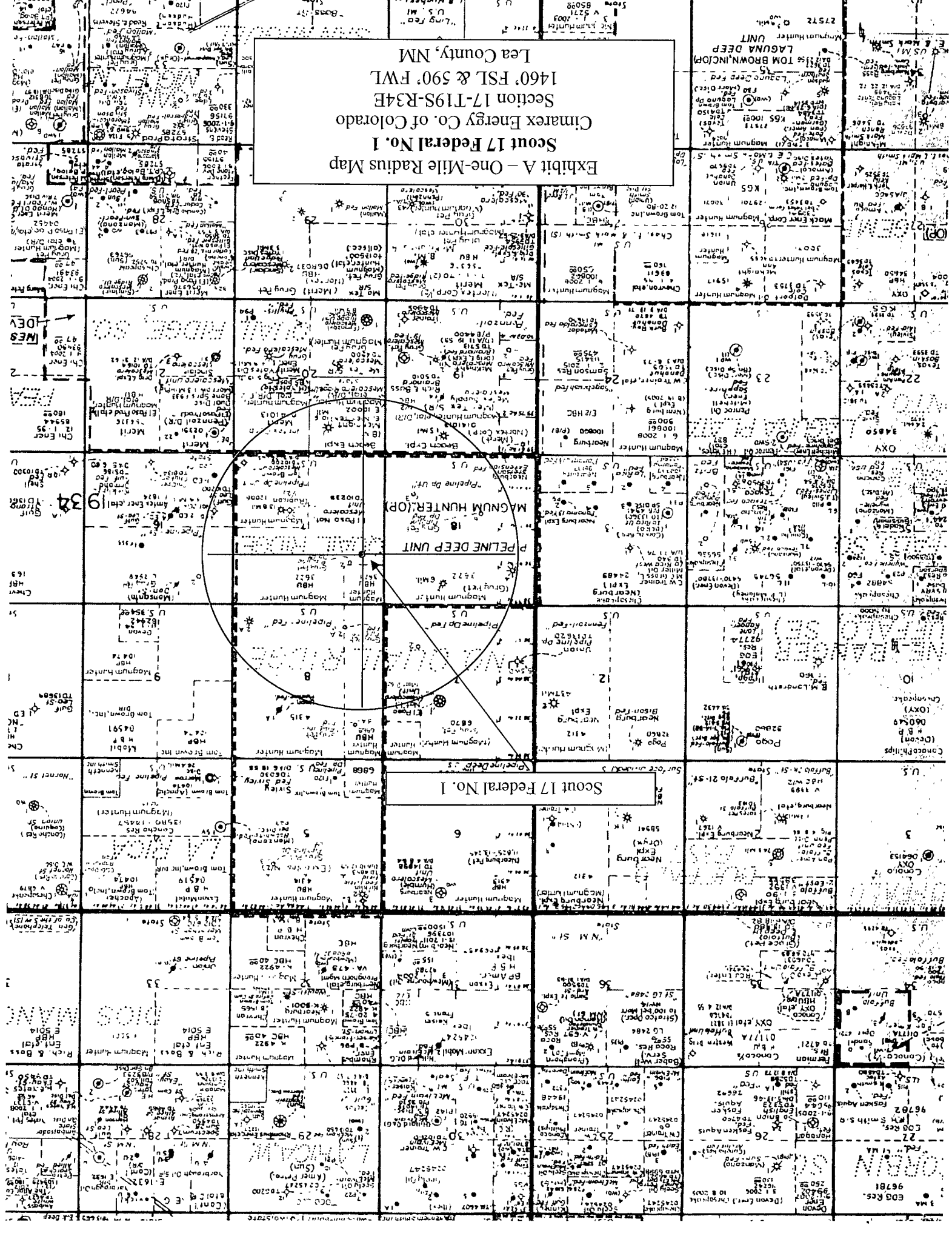
Date: 11-10-2006

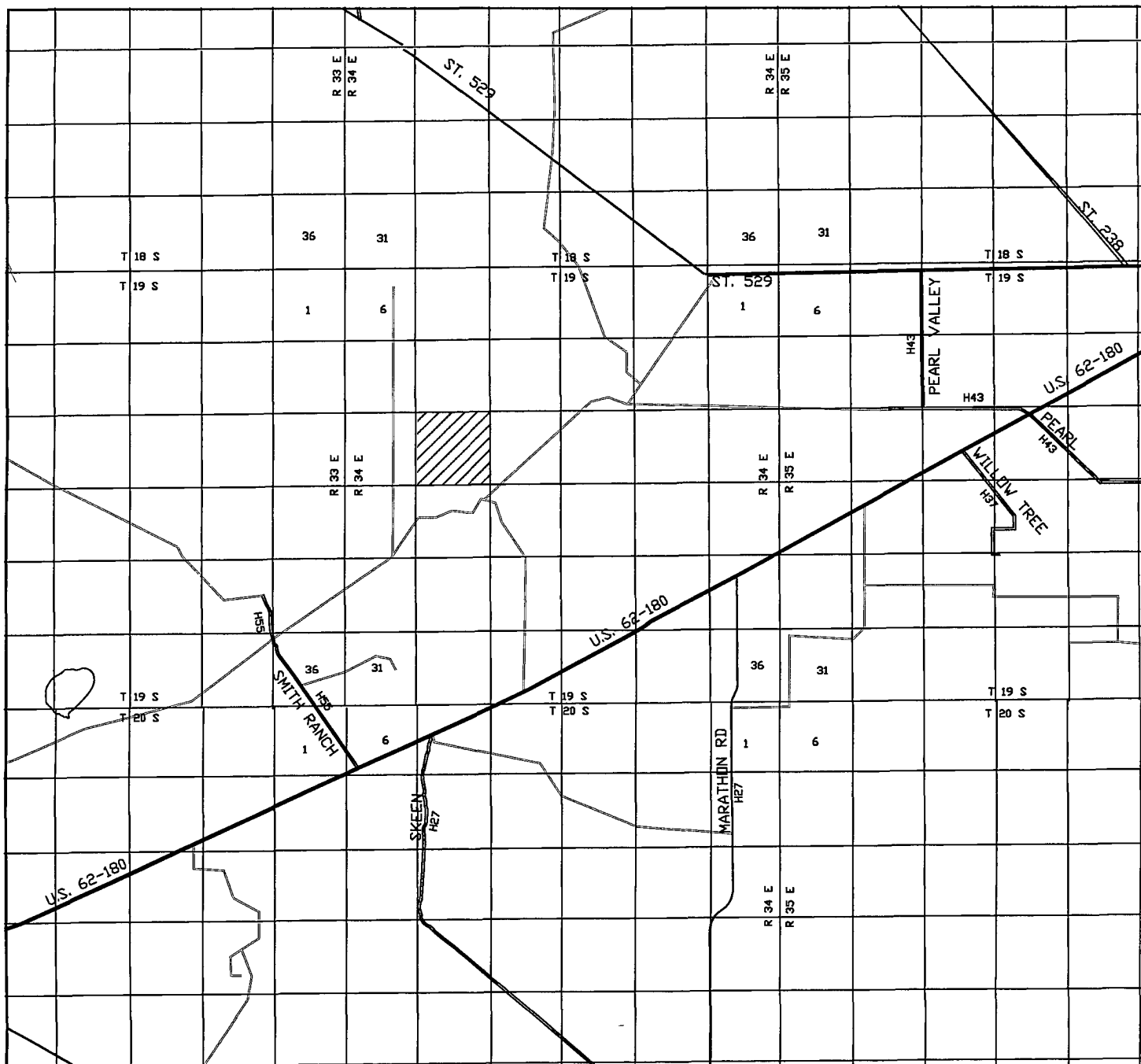
Disk: JMS 17375W

Survey Date: 11-09-2006

Sheet 1 of 1 Sheets

Exhibit A - One-Mile Radius Map  
Scout 17 Federal No. 1  
Cimarex Energy Co. of Colorado  
Section 17-T19S-R34E  
1460' FSL & 590' FWL  
Lea County, NM





SCOUT "17" FEDERAL # 1  
 Located 1460' FSL and 590' FWL  
 Section 17, Township 19 South, Range 34 East,  
 N.M.P.M., Lea County, New Mexico.

**basin**  
**surveys**  
 focused on excellence  
 in the oilfield

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 17375T

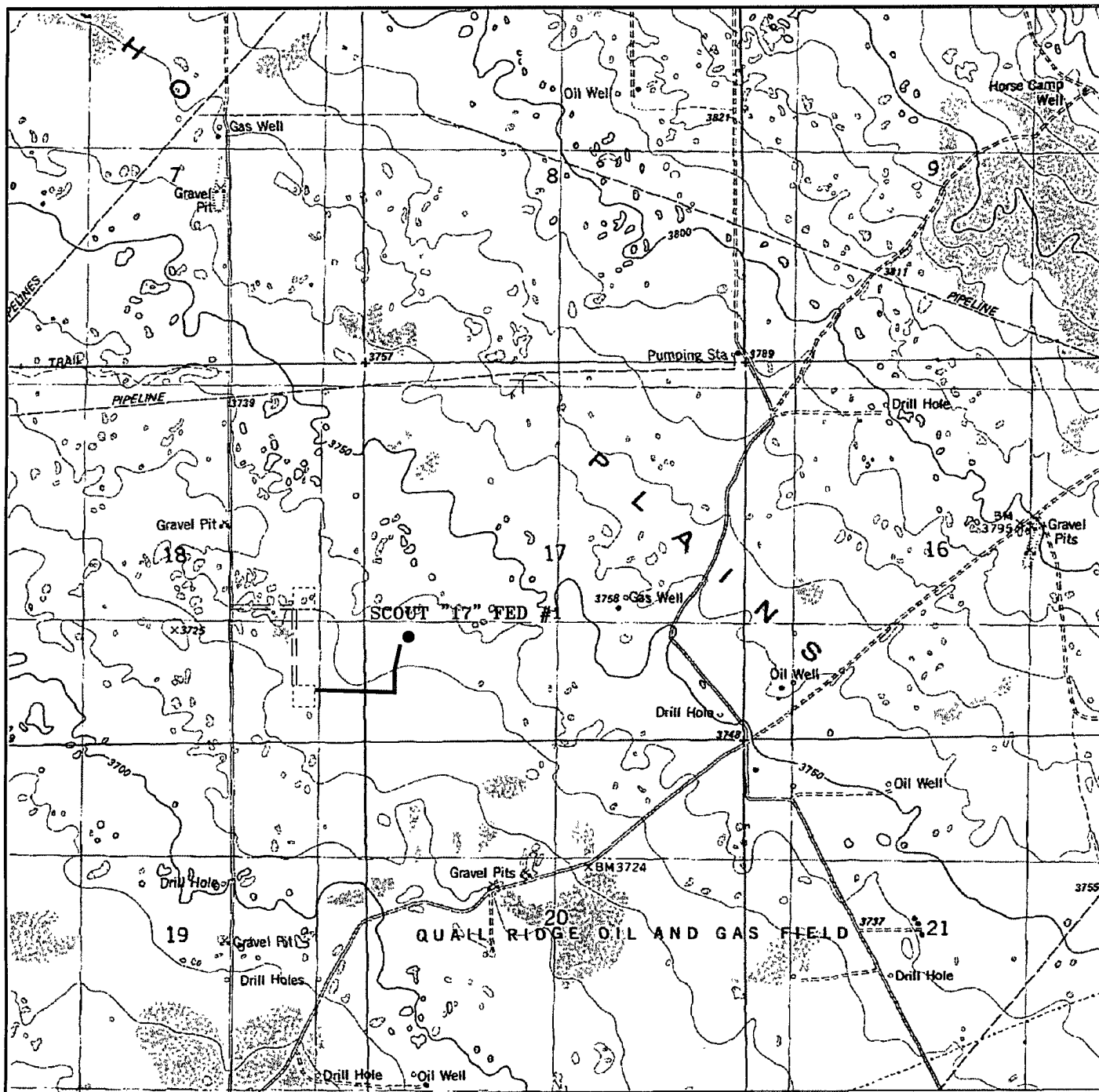
Survey Date: 11-09-2006

Scale: 1" = 2 MILES

Date: 11-10-2006

**CIMAREX**  
**ENERGY CO.**  
**OF COLORADO**

Exhibit B



SCOUT "17" FEDERAL # 1  
 Located 1460' FSL and 590' FWL  
 Section 17, Township 19 South, Range 34 East,  
 N.M.P.M., Lea County, New Mexico.

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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 17375T

Survey Date: 11-09-2006

Scale: 1" = 2000'

Date: 11-10-2006

**CIMAREX**  
**ENERGY CO.**  
**OF COLORADO**

Exhibit C

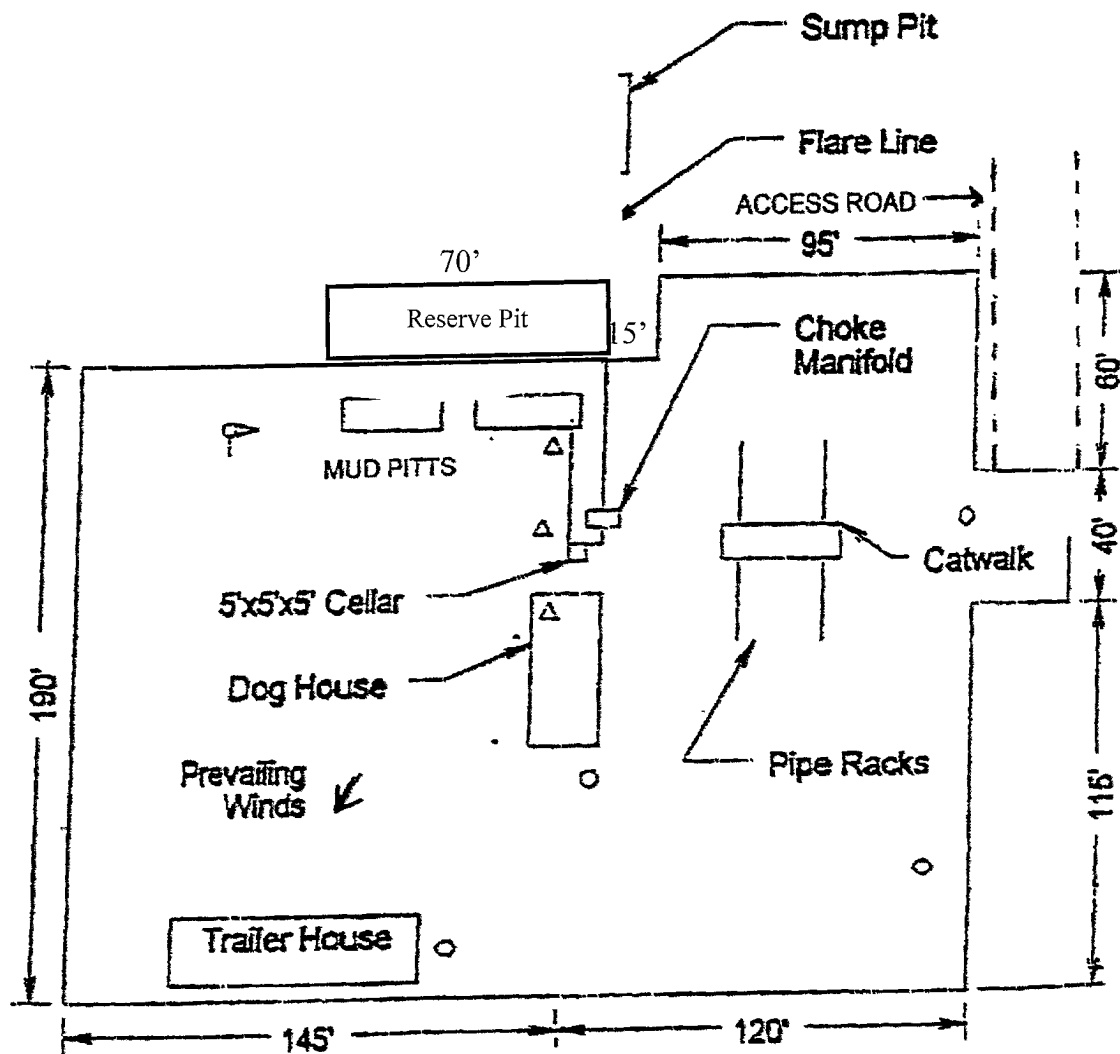
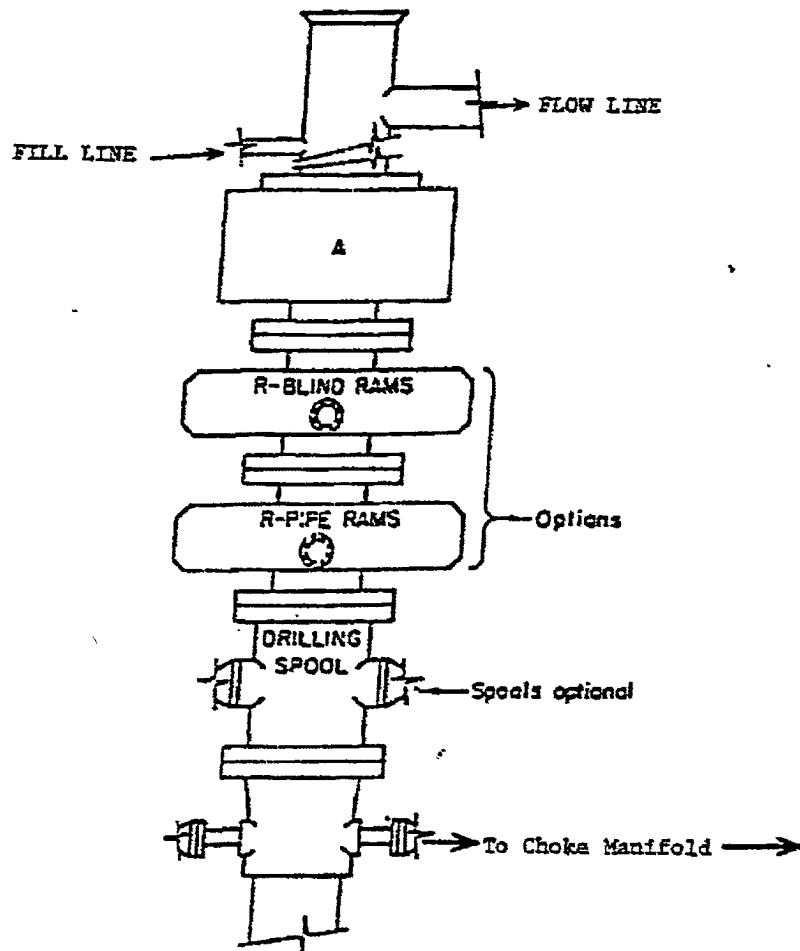


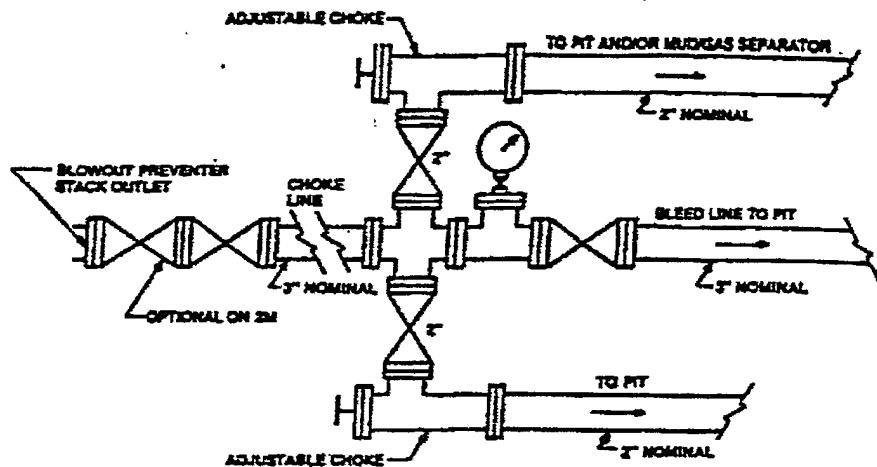
Exhibit D – Rig Layout Plan  
 Scout 17 Federal No. 1  
 Cimarex Energy Co. of Colorado  
 Section 17-T19S-R34E  
 1460' FSL & 590' FWL  
 Lea County, NM



**ARRANGEMENT SBRA**

900 Series  
3000 PSI WP

Exhibit E – Blowout Preventor  
**Scout 17 Federal No. 1**  
 Cimarex Energy Co. of Colorado  
 Section 17-T19S-R34E  
 1460' FSL & 590' FWL  
 Lea County, NM



Typical choke manifold assembly for 3M WP system

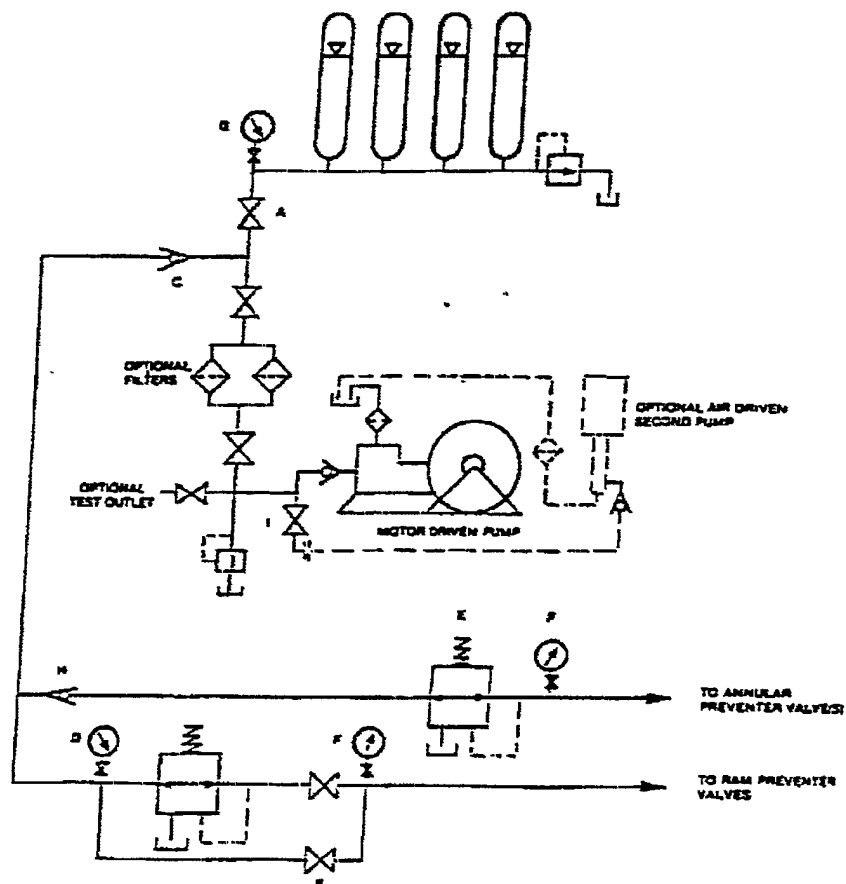


Exhibit E1 – Choke Manifold  
**Scout 17 Federal No. 1**  
 Cimarex Energy Co. of Colorado  
 Section 17-T19S-R34E  
 1460' FSL & 590' FWL  
 Lea County, NM

## CONDITIONS OF APPROVAL - DRILLING

Well Name & No. Scout 17 Federal # 1  
Operator's Name: Cimarex Energy Co.  
Location: 1460' FSL, 590' FWL, SEC17, T19S, R34E, Lea County, NM  
Lease: NM-03622

### 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) 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: 8.625 inch 5.5 inch
  - C. BOP tests
2. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
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 8.625 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.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall CIRCULATE TO THE SURFACE.
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.



### **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 **8.625** 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) is 2000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
  - A variance to test the \_\_\_\_\_ to the reduced pressure of \_\_\_\_\_ psi with the rig pumps is approved.
  - 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.

### **IV. MUD**

1. There is potential for the Shallow Red Beds to hydrate.

**Engineers can be reached at 505-706-2779 for any variances that might be necessary.**

F Wright 12/12/06