

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMLC029415B	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" 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	
contact: MELANIE PARKER E-Mail: marbob@marbob.com		7. If Unit or CA Agreement, Name and No.	
MARBOB ENERGY CORPORATION P O BOX 227 ARTESIA NM 88211-0227		8. Lease Name and Well No. KNOCKABOUT FEDERAL 1	
3b. Phone No. (include area code) Ph: 505.748.3303 Fx: 505.746.2523		9. API Well No. 30-015-33678	
ccordance with any State requirements.*		10. Field and Pool, or Exploratory UNDESIGNATED	
At surface NESW 1830FSL 1980FWL At proposed prod. zone NESW 1830FSL 1980FWL		11. Sec., T., R., M., or Blk. and Survey or Area Sec 12 T17S R31E Mer NMP	
14. Distance in miles and direction from nearest town or post office*		12. County or Parish EDDY	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		13. State NM	
16. No. of Acres in Lease 1920.00		17. Spacing Unit dedicated to this well	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file	
19. Proposed Depth 12700 MD		21. Elevations (Show whether DF, KB, RT, GL, etc. 3970 GL	
22. Approximate date work will start 08/15/2004		23. Estimated duration 21 DAYS	

24. Attachments

ROSWELL CONTROLLED WATER BASIN

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

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

25. Signature (Electronic Submission)	Name (Printed/Typed) MELANIE PARKER	Date 07/06/2004
Title AUTHORIZED AGENT		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date OCT 20 2004
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. 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.

Additional Operator Remarks (see next page)

Electronic Submission #32688 verified by the BLM Well Information System

For HUDON OIL COPMANY OF TEXAS, sent to the Carlsbad

Committed to AFMSS for processing by ARMANDO LOPEZ on 07/06/2004 (04AL0245AE)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Witness Surface Casing

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

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

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: **Hudson Oil Company of Texas**

Telephone: **505-748-3303**

e-mail address: **marbob@marbob.com**

Address: **PO Box 227, Artesia, NM 88211-0227**

Facility or well name: **Knockabout Federal #1**

API #: **30-015-**

U/L or Qtr/Qtr **NESW** Sec **12** T **17S** R **31E**

County: **Eddy**

Latitude _____

Longitude _____

NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit
Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined ☒ Unlined ☐
Liner type: Synthetic ☒ Thickness **12** mil Clay ☐ Volume _____ bbl

Below-grade tank
Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

RECEIVED

AUG 20 2004

OCD-ARTESIA

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)	0 points
	50 feet or more, but less than 100 feet	(10 points)	
	<input type="checkbox"/> 100 feet or more	(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	(20 points)	0 points
	<input checked="" type="checkbox"/> No	(0 points)	
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)	0 points
	200 feet or more, but less than 1000 feet	(10 points)	
	<input type="checkbox"/> 1000 feet or more	(0 points)	
Ranking Score (Total Points)			0 points

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: **August 19, 2004**

Printed Name/Title: **Melanie J. Parker / Land Department**

Signature _____

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: **AUG 23 2004**

Printed Name/Title _____

Signature _____

State of New Mexico

DISTRICT I

P.O. Box 1888, Hobbs, NM 88241-1888

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

P.O. Drawer 22, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 96663	Pool Name Undes. Fren-Morrow
Property Code	Property Name KNOCKABOUT FEDERAL	Well Number 1
OCRID No. 25111	Operator Name HUDSON OIL COMPANY OF TEXAS	Elevation 3970'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	17-S	31-E		1830'	SOUTH	1980'	WEST	EDDY

Bottom Hole Location If Different From Surface

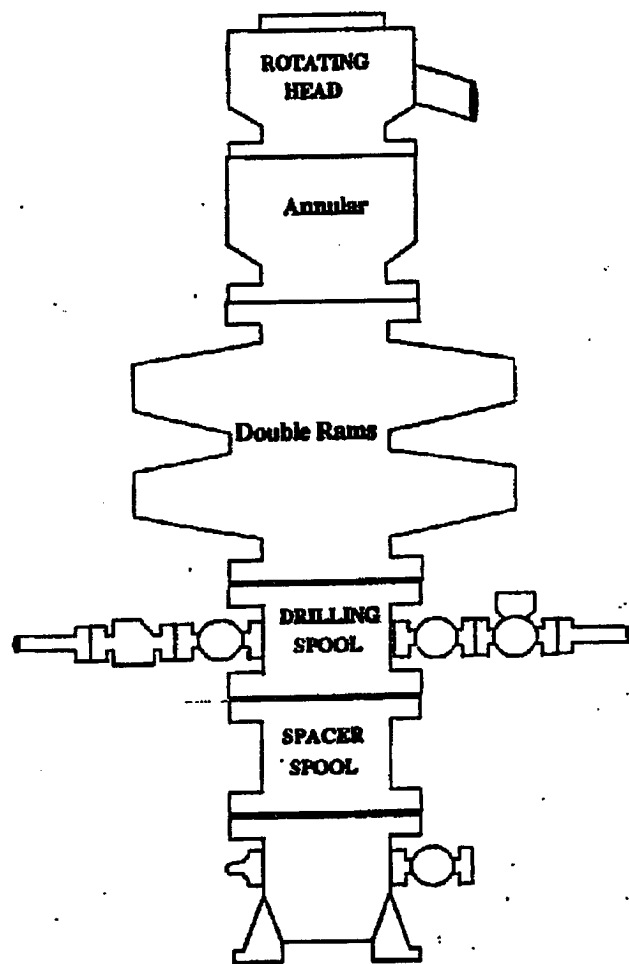
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

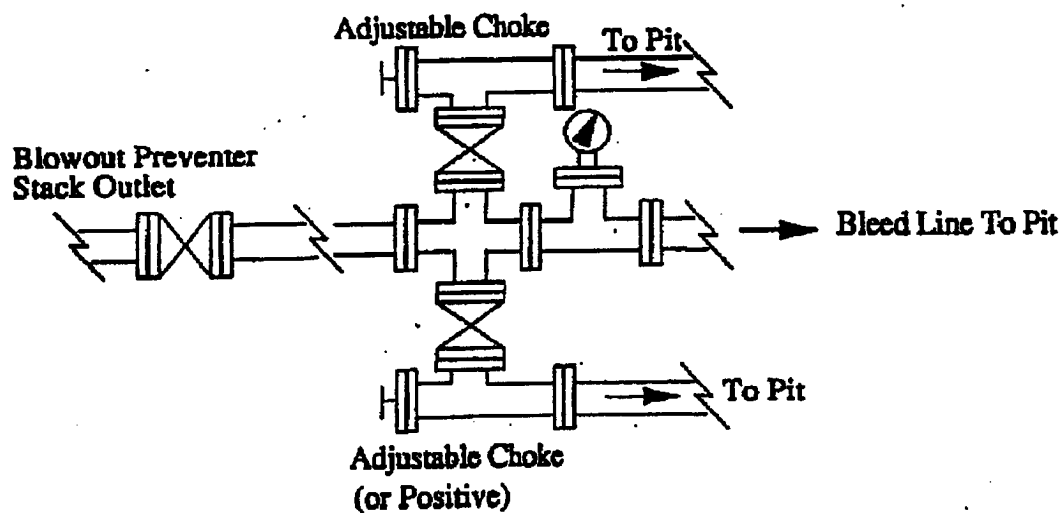
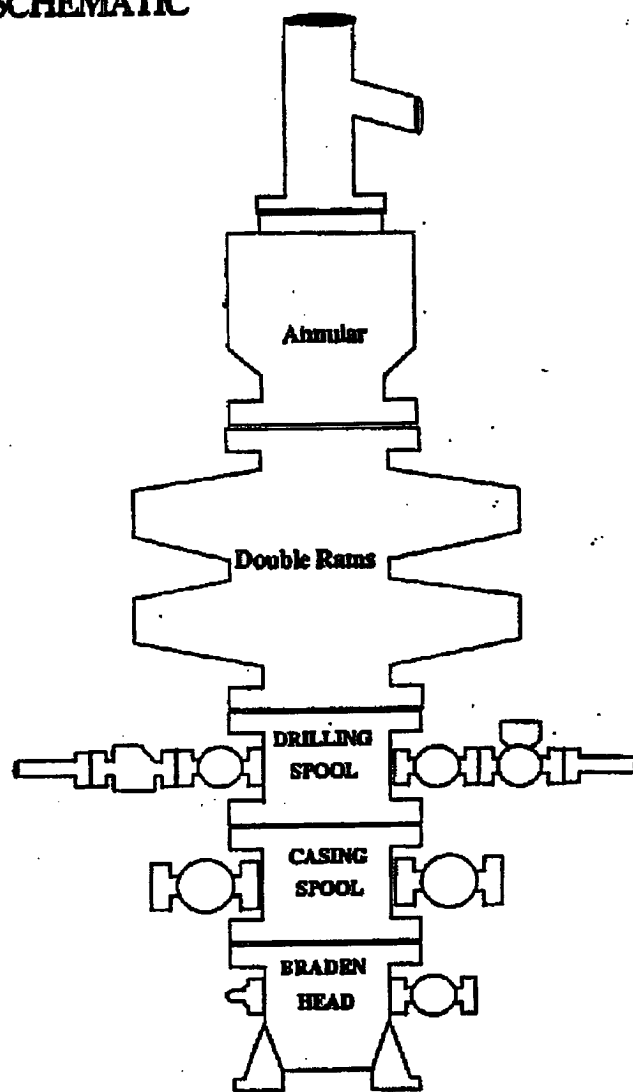
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=672165.9 N X=656190.1 E</p> <p>LAT.=32°50'48.61" N LONG.=103°49'29.13" W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Melanie J. Parker</i> Signature Melanie J. Parker Printed Name Authorized Agent Title 07/01/04 Date</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>JUNE 8, 2004</p> <p>Date Surveyed Signature Professional Surveyor NEW MEXICO GARY E. HIGDON 04-11-0678 Certificate No. GARY HIGDON 12641</p>

BOPE SCHEMATIC



Choke Manifold



**HUDSON OIL COMPANY OF TEXAS
DRILLING AND OPERATIONS PROGRAM**

**Knockabout Federal #1
1830' FSL & 1980' FWL, Unit K
Section 12, T17S, R31E
Eddy County, New Mexico**

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Hudson Oil Company of Texas submits the following ten items of pertinent information in accordance with BLM requirements.

1. The geological surface formation is Permian.
2. The estimated tops of geologic markers are as follows:

Top of Salt	585'	Cisco	9560'
Base of Salt	1790'	Strawn	10850'
San Andres	3680'	Atoka	11900'
Wolfcamp	8290'	Morrow	12350'

3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Wolfcamp	8290'	Oil
Cisco	9560'	Oil
Strawn	10850'	Gas
Atoka	11900'	Gas
Morrow	12350'	Gas

No other formations are expected to give up oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 13 3/8" casing at 600' and circulating cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across them by inserting a float shoe joint into the 5 1/2" production casing which will be run at TD to sufficiently cover 500' above all known oil and gas horizons.

4. Proposed Casing Program:

Hole Size	Interval	OD Casing	Wt	Grade	
17 1/2"	0 - 600'	13 3/8"	48#	H-40	WITNESS
12 1/4"	0 - 4000'	8 5/8"	32#	Buttress	
7 7/8"	0 - 12700'	5 1/2"	17#	S95/P-110	

Proposed Cement Program:

13 3/8" Surface Casing: Cement w/ 700 sx P+. Circulate to surface.

8 5/8" Intermediate Casing: Cement w/ 1600 sx Class C. Attempt to tie in to 13 3/8" csg.

5 1/2" Production Casing: Cement w/ 850 sx Class C. Will bring TOC to 500' above any oil and/or gas bearing zones.

5. Pressure Control Equipment: See Exhibit 1. Marbob proposes to nipple up on the 13 3/8" casing with a 2M system, testing it to 1000# with rig pumps, then nipple up on the 8 5/8" casing with a 5M system, tested to 5000# before drilling out.

6. Mud Program: The applicable depths and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0 – 600'	Fresh Wtr	8.4 – 9.2	32 – 36	N.C.
600 – 4000'	Brine	9.9 – 10.2	28 – 32	N.C.
4000 – 12700'	Cut Brine	8.7 – 9.5	28 – 34	N.C.

7. Auxiliary Equipment: Kelly Cock; Sub with full opening valve on floor; and drill pipe connections.

8. Testing, Logging and Coring Program:

No drillstem tests are anticipated.

The electric logging program will consist of Dual Laterolog Micro SFL, Spectral Density Dual Spaced Neutron Csg Log, and Depth Control Log.

No conventional coring is anticipated.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated starting date: As soon as possible after approval.

HUDSON OIL COMPANY OF TEXAS
MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Knockabout Federal #1
1830' FSL & 1980' FWL, Unit K
Section 12, T17S, R31E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit 2 is a portion of a topo map showing the well and roads in the vicinity of the proposed location. The proposed wellsite and the access route to the location are indicated in red on Exhibit 2.

DIRECTIONS:

On US Hwy 82 at mile marker 140.5, turn northwest on caliche road (at Wiser Oil Co. sign) and go 0.3 miles to good caliche road on right, turn right (north) and follow meandering main caliche road approximately 1.5 miles to a caliche road on right. Turn right (east) and go 0.4 miles to where the road turns north with a proposed road survey stake on the right. Follow road survey approximately 2600' to location.

2. PLANNED ACCESS ROAD:

A new access road of 2611' will be necessary. The new road will be constructed as follows:

- A. The maximum width of the running surface will be 10'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low-water crossings, or fence cuts are necessary.

- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM-approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.
- F. The proposed access road as shown in Exhibit 2 has been centerline flagged by John West Engineering.

3. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Hudson Oil Company of Texas proposes a collection facility, if well is productive, to be located on Knockabout Federal #1 well pad.

4. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the lined pit.
- B. Drilling fluids will be allowed to evaporate in the lined pit until the pit is dry.
- C. Water produced during completion may be disposed into the lined reserve pit.
- D. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations. All waste material will be contained to prevent scattering by the wind.

5. WELLSITE LAYOUT:

- A. Exhibit 3 shows the relative location and dimensions of the well pad, the pit.
- B. The reserve pit will be lined with high quality plastic sheeting.

6. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Reserve pit will be fenced until they have dried and been leveled.
- C. All rehabilitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

7. SURFACE OWNERSHIP:

The well site and lease are located on Federal surface

- A. The area around the well site is grassland and the top soil is sandy. The vegetation is native scrub grasses with abundant oakbrush, sagebrush, yucca, and prickly pear.
- B. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

8. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.

9. OPERATOR'S REPRESENTATIVE:

- | | |
|--|--|
| A. Through A.P.D. Approval: | B. Through Drilling Operations |
| Dean Chumbley, Authorized Agent
Hudson Oil Company of Texas
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5988 | Sheryl Baker, Drilling Supervisor
Hudson Oil Company of Texas
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5489 |

10. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Hudson Oil Company of Texas and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date

Dean Chumbley
Authorized Agent

**Knockabout Federal #1
1830' FSL & 1980' FWL, Unit K
Section 12, T17S, R31E
Eddy County, New Mexico**

**HUDSON OIL COMPANY OF TEXAS
HYDROGEN SULFIDE DRILLING OPERATIONS PLAN**

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

- A. The hazards and characteristics of hydrogen sulfide (H₂S).
- B. The proper use and maintenance of personal protective equipment and life support systems.
- C. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
- D. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

- A. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
- B. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
- C. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPMENT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

A. Well Control Equipment:

Flare line.

Choke manifold.

Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.

B. Protective equipment for essential personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas.

C. H₂S detection and monitoring equipment:

2 - portable H₂S monitor positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 20 ppm are reached.

D. Visual warning systems:

Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

E. Mud Program:

The mud program has been designed to minimize the volume of H₂S circulated to the surface.

A mud-gas separator will be utilized.

F. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.

G. Communication:

Company vehicles equipped with cellular telephone and 2-way radio.

W A R N I N G

**YOU ARE ENTERING AN H₂S AREA
AUTHORIZED PERSONNEL ONLY**

- 1. BEARDS OR CONTACT LENSES NOT ALLOWED**
- 2. HARD HATS REQUIRED**
- 3. SMOKING IN DESIGNATED AREAS ONLY**
- 4. BE WIND CONSCIOUS AT ALL TIMES**
- 5. CK WITH MARBOB FOREMAN AT MAIN OFFICE**

HUDSON OIL COMPANY OF TEXAS

1-505-748-3303

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Date: July 1, 2004

Lease #: _____
Knockabout Federal

Legal Description: _____ Sec. 12-T17S-R31E
Eddy County, New Mexico

Formation(s): Morrow

Bond Coverage: Statewide

BLM Bond File #: 585716

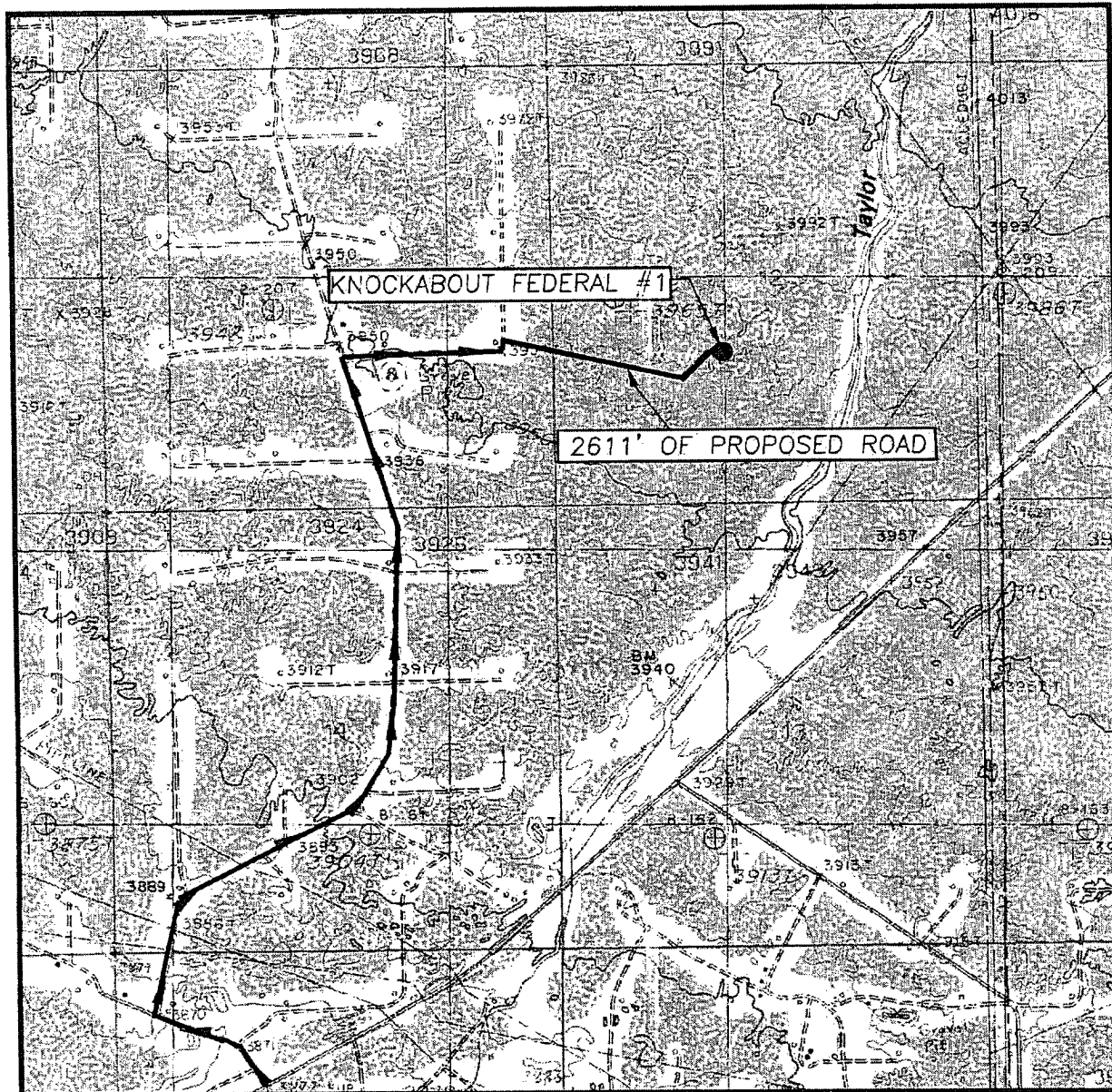
HUDSON OIL COMPANY OF TEXAS

By: _____

Printed Name: _____

Title: _____

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALJAMAR, N.M. - 10'

SEC. 12 TWP. 17-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1830' FSL & 1980' FWL

ELEVATION 3970'

OPERATOR HUDSON OIL COMPANY OF TEXAS

LEASE KNOCKABOUT FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MALJAMAR, N.M.

— Existing Road
— Proposed Access Road

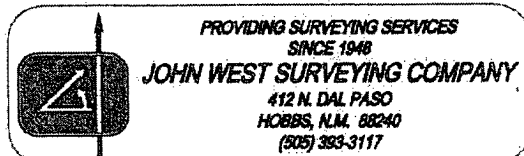


EXHIBIT TWO

- A. The area around the well site is grassland and the top soil is sandy. The vegetation is native scrub grasses with abundant oakbrush, sagebrush, yucca, and prickly pear.
- B. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

8. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.

9. OPERATOR'S REPRESENTATIVE:

A. Through A.P.D. Approval:

Dean Chumbley, Authorized Agent
Hudson Oil Company of Texas
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5988


B. Through Drilling Operations

Sheryl Baker, Drilling Supervisor
Hudson Oil Company of Texas
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5489

10. CERTIFICATION:

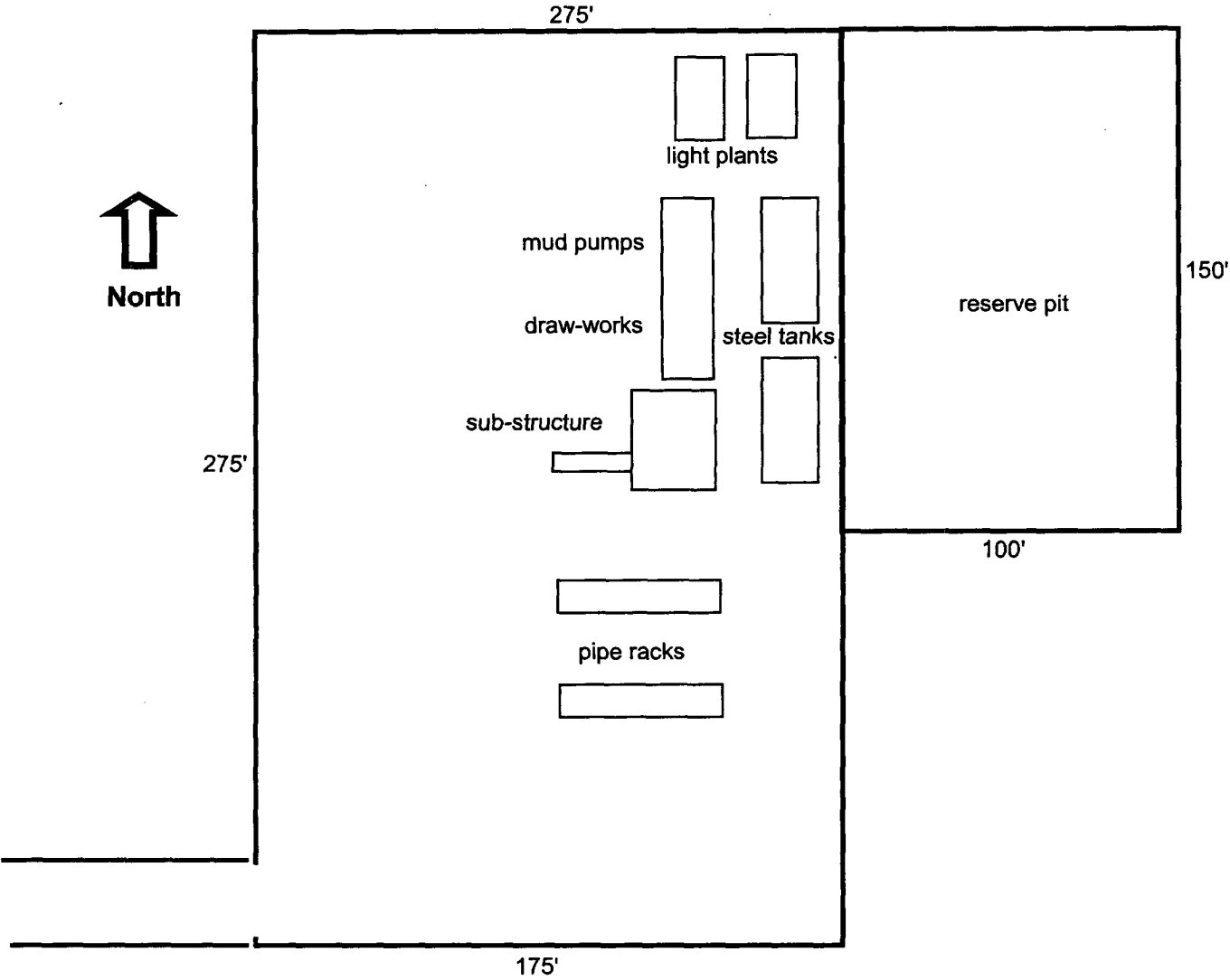
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Hudson Oil Company of Texas and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

17-6-2004
Date


Dean Chumbley
Authorized Agent

**Knockabout Federal #1
1830' FSL & 1980' FWL, Unit K
Section 12, T17S, R31E
Eddy County, New Mexico**

Well Site Lay-Out Plat



Knockabout Federal #1
1830' FSL & 1980' FWL
Unit K, Sec 12-T17S-R31E
Eddy County, New Mexico

EXHIBIT THREE

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Date: July 1, 2004

Lease #: 029415B
Knockabout Federal

Legal Description: S/2 Sec. 12-T17S-R31E
Eddy County, New Mexico

Formation(s): Morrow

Bond Coverage: Statewide

BLM Bond File #: 0679936

HUDSON OIL COMPANY OF TEXAS

By: 

Printed Name: E. RANDALL HUDSON III

Title: V.P.