N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(April 2004)

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

5. Lease Serial No.: **NM 07306**

6. If Indian, Allotee or Tribe Name: **N/A**

7. If Unit or CA Agreement, Name and No.: **N/A**

1a. Type of work: [✓] DRILL [ ] REENTER

1b. Type of Well: [ ] Oil Well [✓] Gas Well [ ] Other [✓] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: **Aztec 35 Federal #1**

2. Name of Operator: **Cabal Energy Corporation**

9. API Well No.: 30-005-63714

3a. Address: **415 W. Wall Ste 1700, Midland, Texas 79701**

3b. Phone No. *(include area code)*: **432-682-0440**

10. Field and Pool, or Exploratory: **Pecos Slope Abo**

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface: **660' FNL & 660' FEL**
At proposed prod. zone: A

11. Sec., T. R. M. or Blk. and Survey or Area: **Sec 35, T 10S, R 25E**

14. Distance in miles and direction from nearest town or post office*: **7 miles East of Roswell, New Mexico**

12. County or Parish: **Chaves**

13. State: **NM**

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any): **660'**

16. No. of acres in lease: **960**

17. Spacing Unit dedicated to this well: ~~320~~ 160

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.: **2,640'**

19. Proposed Depth: **5,000**

20. BLM/BIA Bond No. on file: **NM 2860**

21. Elevations (Show whether DF, KDB, RT, GL, etc.): **3,715'**

22. Approximate date work will start*: **12/05/2004**

23. Estimated duration: **20 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.
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: Randell K Ford — Name *(Printed/Typed)*: **Randell K. Ford** — Date: **11/12/2004**

Title: **President**

Approved by *(Signature)*: Acting — Name *(Printed/Typed)*: (ORIG. SGD.) ARMANDO A. LOPEZ — Date: NOV 30 2004

Title: Assistant Field Manager, — Office: ROSWELL FIELD 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.
Conditions of approval, if any, are attached.

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.

**(Instructions on page 2)*

RECEIVED
DEC .. 1 2004
OCD-ARTESIA

APPROVED FOR 1 YEAR

CEMENT TO COVER ALL OIL, GAS AND WATER BEARING ZONES i.e.; Glorieta
CCD

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
June 1, 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: Cabal Energy Corporation Telephone: 432-682-0440 e-mail address: _Randell@rkford.com

Address: 415 W. Wall St. Ste 1700 Midland, Texas 79701

Facility or well name: Aztec 35 Federal # 1 API #: U/L or Qtr/Qtr A Sec 35 T 10S R 25E

County: Chaves Latitude 33°24'26.10" N Longitude 104°21'55.44"W NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

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

RECEIVED
OCT 22 2004
OCD-ARTESIA

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if your are burying in place) onsite ☐ 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.

Additional Comments:

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: October 21, 2004

Printed Name/Title Bobbi Molina – Consultant Signature Bobbi Molina

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

Approval:

Printed Name/Title Field Rep II Signature Date: OCT 25 2004

State of New Mexico
Energy, Minerals and Natural Resources Department

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

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name

Property Code	Property Name	Well Number
	AZTEC "35" FEDERAL	1

OGRID No.	Operator Name	Elevation
194930	CABAL ENERGY CORPORATION	3715'

Surface Location

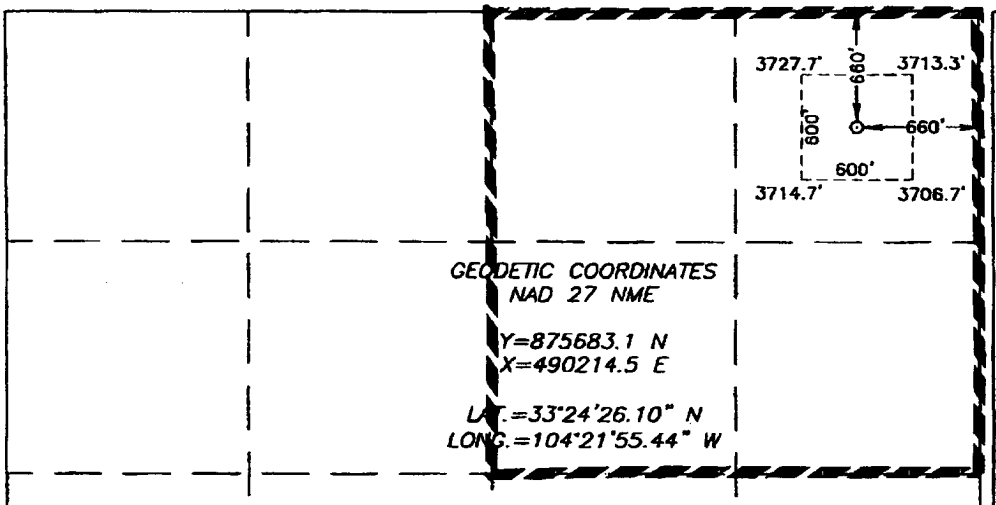
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	35	10-S	25-E		660	NORTH	660	EAST	CHAVES

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.
160			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Lindsay Truesdell

Printed Name: Lindsay Truesdell

Title: Consultant

Date: December 6, 2004

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

SEPTEMBER 17, 2004

Date Surveyed: LA

Signature & Seal of Professional Surveyor: Gary L. Jones 9/23/04

04.11.1222

Certificate No. GARY L. JONES 12641

DRILLING PROGRAM

Cabal Energy Corporation
Aztec 35 Federal # 1
Section 35, T-10-S, R-25-E
Chaves County, New Mexico

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Orders #1 and #2, and all other applicable federal and state regulations.

1. ESTIMATED TOPS OF GEOLOGIC MARKERS:

		KB GL = 3,715' Estimated = 3,724'
San Andres	+701' MD	(+3,023')
San Andres Porosity	+1,242' MD	(+2,482')
Glorietta	+2,338' MD	(+1,386')
Glorietta Sand	+2,508' MD	(+1,216')
Yeso	+2,694' MD	(+7,030')
Abo Clastic	4,087' MD	(-363')
Zu Upper Abo Sd	4,216' MD	(-492')
Zu Massive Abo Sd	4,344' MD	(-620')
Lower Abo Sd #2	4,444' MD	(-720')
Lower Abo Sd #1	4,494' MD	(-770')
Total Depth	11,800'	

2. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:

Fresh Water	Above 200'
Gas	ABO

3. Pressure control equipment: The blow out preventer equipment (BOP) shown in Exhibit #1 will consist of a 3000 psi double ram type preventer for drilling the intermediate hole. The blowout preventer stack for the production hole will consist of at least a double-ram blowout preventer and annular preventer rated to 3000 psi working pressure. All BOPs and accessory equipment will be tested according to Onshore Order #2 before drilling out.

4. PROPOSED CASING PROGRAM:

Hole Size	Interval	Casing Size	Weight	Grade, Joint
12-1/4"	0 – 850'	8-5/8"	24#	K-55 ST&C
7-7/8"	0 – 5,000	5-1/2"	15.5#	J-55 ST&C

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability. Changes will be relayed to BLM prior to running.

5. PROPOSED CEMENTING PROGRAM

14" conductor	cemented with ready mix to surface
8-5/8" surface	300 sxs Premium Plus cement, 2% calcium chloride
5-1/2" production	150 sxs Light Cement
	150 sxs Super "H" cement .5% Halad, .4% CFR-3,
	3# per sx Gilsonite

6. PROPOSED MUD SYSTEM:

DEPTH	DESCRIPTION	MUD WEIGHT	VISCOSITY	WATER LOSS
0 – 850'	fresh water	8.6 – 8.8 ppg	28 – 30	NC
850 – 5,000'	brine/mud	10.0 – 10.2 ppg	28 – 34	12 cc

7. TESTING, LOGGING AND CORING PROGRAM:

Samples	From 850'
DST's	N/A
Logging	Dual Lateral, Gamma Ray, Caliper, Density Neutron,
	PE Factor
Coring	Possible sidewall core: San Andres, Glorietta, Yeso, Abo Sd

8. ABNORMAL PRESSURES, TEMPERATURES AND Hydrogen Sulfide:

None anticipated. Maximum bottom hole pressure should not exceed 1,800psi. Although we do not anticipate encountering H_2S in amounts significant enough to require an H_2S contingency plan in accordance with Rule 118 of the OCD, we have prepared an H_2S drilling plan, which follows.

ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence on December 5, 2004. Drilling should be completed within 20 days followed by completion operations.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

Cabal Energy Corporation
Aztec 35 Federal #1

I. HYDROGEN SULFIDE TRAINING

A. All regularly assigned personnel, contracted or employed by Cabal Energy Corporation, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:

1. The hazards and characteristics of hydrogen sulfide (H_2S).

2. The proper use and maintenance of personal protective equipment and life support systems.

3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.

4. The proper techniques for first aid and rescue procedures.

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

1. The effects of H_2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

3. The contents and requirements of the H_2S Drilling Operations Plan.

C. There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations 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. H_2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H_2S 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 H_2S.

A. Well Control Equipment.

1. Flare line with continuous pilot.

2. Choke manifold with a minimum of one remote choke.

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

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

B. Protective Equipment for Essential Personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H_2S Detection and Monitoring Equipment:

1. Two portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 20 ppm are reached.

2. One portable SO_2 monitor positioned near flare line.

D. Visual Warning Systems

1. Wind direction indicators are shown on well site diagram.

2. 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 form the immediate location. Bilingual signs will be used when appropriate.

E. Mud Program

1. The Mud Program has been designed to minimize the volume of H_2S circulated to the surface. Proper mud weights, safe drilling practices and the use of H_2S scavengers will minimize hazards when penetrating H_2S bearing zones.

2. A mud-gas separator will be utilized as needed.

F. Metallurgy:

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H_2S service.

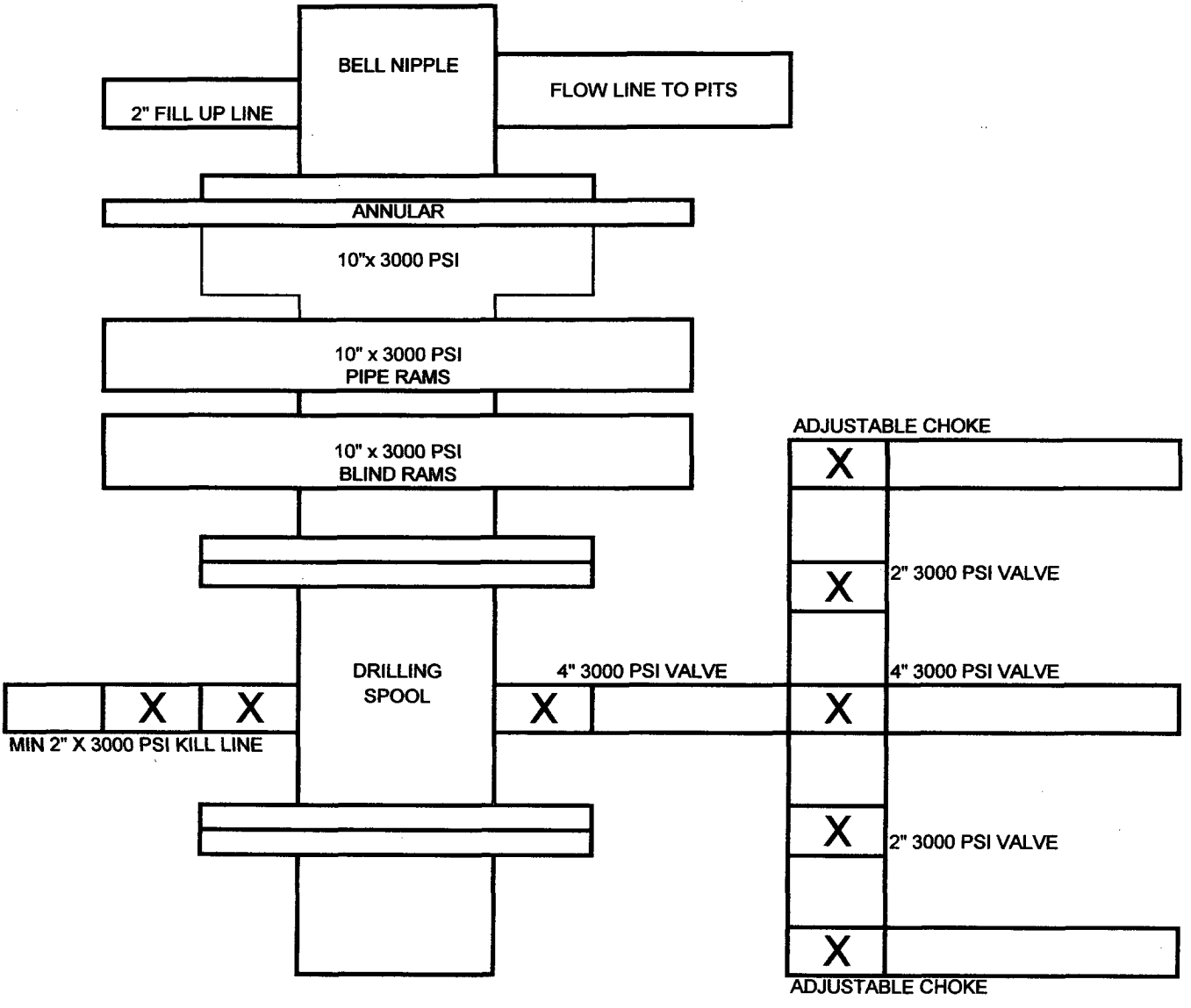
G. Communication:

Cellular telephone communications in company vehicles, rig floor and mud logging trailer.

H. Well Testing:

Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing and an H_2S environment will be conducted during the daylight hours.

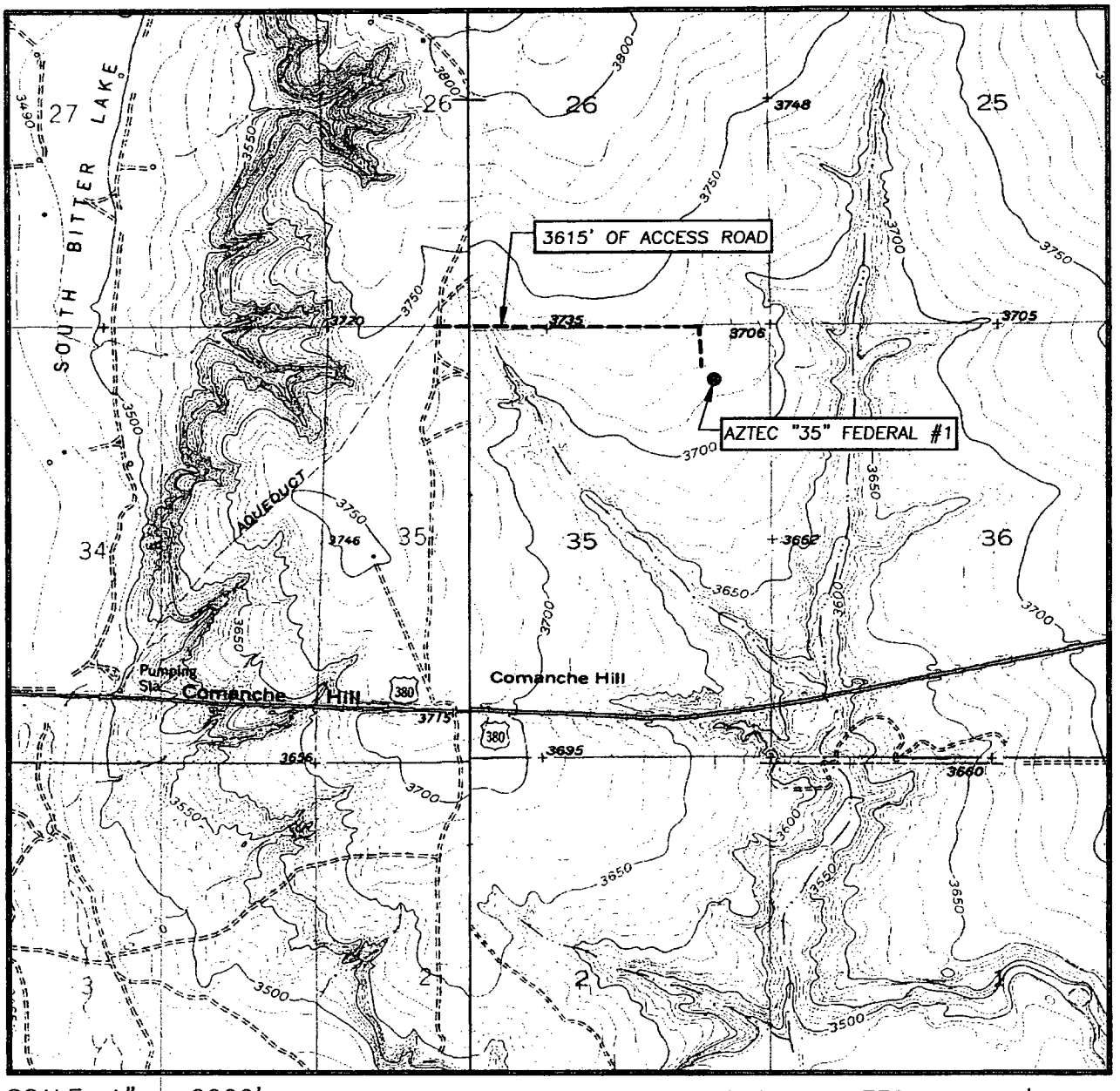
BOP SCHEMATIC FOR
7-7/8" HOLE



Cabal Energy Corporation
Aztec 35 Federal #1
Chaves County, New Mexico

Exhibit 1

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
BITTER LAKE, N.M.
COMANCHE SPRING, N.M.

SEC. 35 TWP. 10-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FNL & 660' FEL

ELEVATION 3715'

OPERATOR CABAL ENERGY CORPORATION

LEASE AZTEC "35" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
BITTER LAKE, COMANCHE SPRING, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

Exhibit B

Scale 1" = 100'

DRILLING RIG LAYOUT
Cabal Energy Corporation
Aztec 35 Federal #1

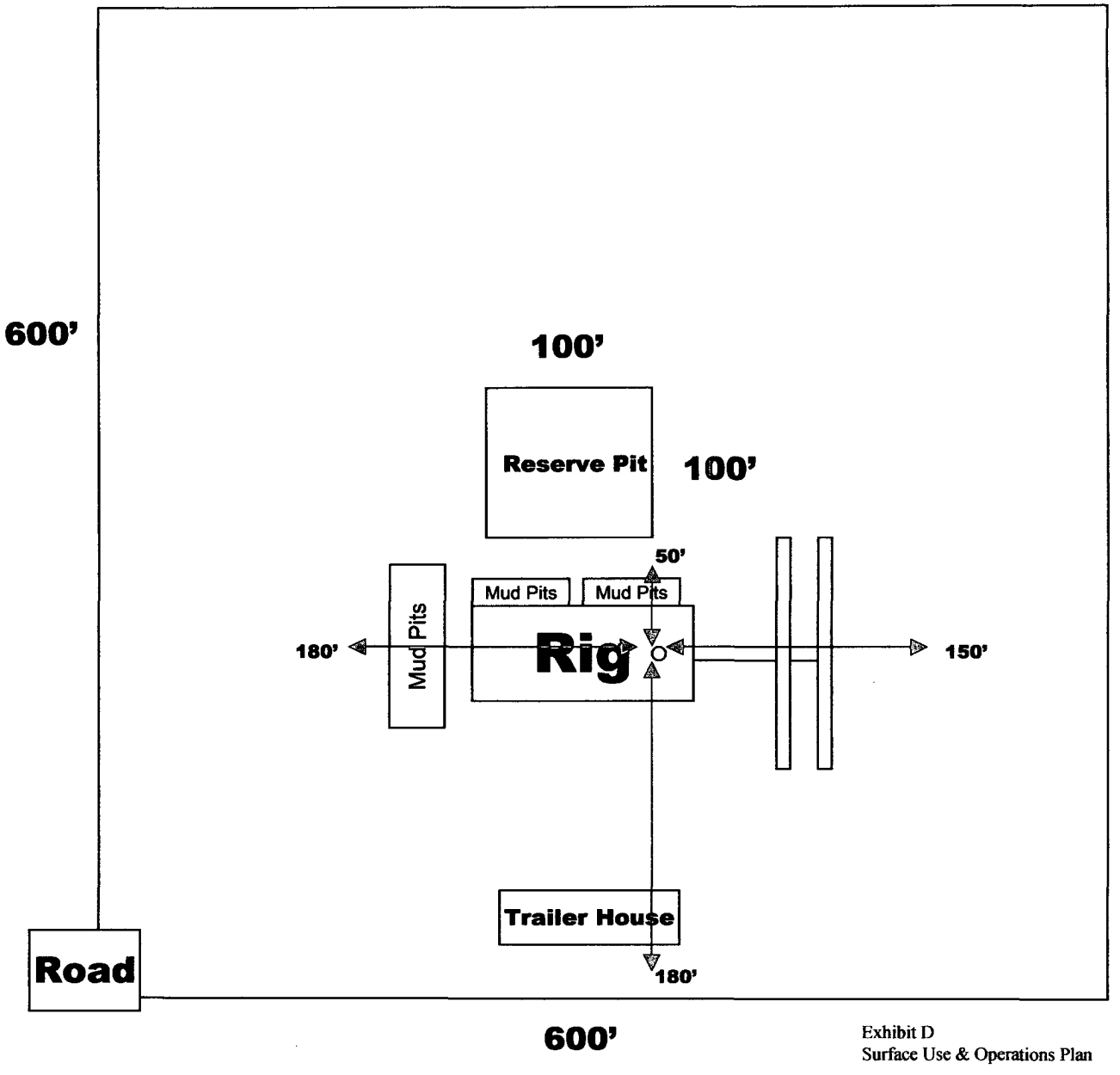


Exhibit D
Surface Use & Operations Plan

United States Department of the Interior
Bureau of Land Management
Roswell Field Office
2909 Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name:	Cabal Energy Corporation
Street or Box:	415 W. Wall St. Ste 1700
City, State:	Midland, Texas
Zip Code:	79701

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

Lease No: NM 07306

Legal Description of Land:

960 Acres

Section 26: S/2 SW/4 and NW/4 SW/4
Section 27: S/2 NE/4, NW/4 NE/4 and E/2 SE/4
Section 34: E/2 E/2
Section 35: E/2 and W/2 W/2

Township 10 South, Range 25 East, Chaves, New Mexico

Bond Coverage:

Statewide Oil and Gas Surety Bond, Cabal Energy Corporation (Principal)

BLM Bond File No.: NM 2860

Randell K. Ford
President
November 12, 2004