

48
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

5. LEASE DESIGNATION AND SERIAL NO.
LC-050158

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

D. TYPE OF WELL

OIL
WELL ☒GAS
WELL ☐OTHER ☐SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

FAIRWAY RESOURCES OPERATING, LLC. (MATT EAGLETON (817-416-1946)

3. ADDRESS AND TELEPHONE NO.

538 SILICON DRIVE SUITE 101 SOUTHLAKE, TEXAS 76092

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

At surface

FNL & 370' FEL SECTION 35 T17S-R27E EDDY CO. NM

At proposed prod. zone SAME

ROSWELL CONTROLLED WATER BASIN

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

Approximately 15 miles Southeast of Artesia New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

370'

16. NO. OF ACRES IN LEASE

640

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.

175'±

19. PROPOSED DEPTH

2500'

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3606' GR.

22. APPROX. DATE WORK WILL START*

WHEN APPROVED

23.

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"	24#	350'	350 Sx. Circulate cement
7 7/8"	J-55 5 1/2"	15.5#	2500'	500 Sx. Circulate cement

1. Drill 12 1/4" hole with fresh water to 350'. Run and set 350' of 8 5/8" 24# J-55 ST&C casing. Cement with 350 Sx. of Class "C" cement + 4% Gel, + 1/2# Flocele/Sx., + 2% CaCl. Circulate cement to surface.

2. Drill 7 7/8" hole with cut brine to 2500'. Run and set 2500' of 5 1/2" 15.5# J-55 ST&C casing. cement with 100 Sx. of Class "C" cement + 1/2# Flocele/Sx. +2% CaCl, followed by 400 Sx. of Class "H" cement + .8% FL-62, + .2% CE32, + .2% SMS. Circulate cement to surface.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

\$25,000 BOND # NMB-000386

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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.

24.

SIGNED

TITLE

Agent

DATE 09/29/06

(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 su
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

/s/ James Stovall

ACTING FIELD MANAGER

DATE

DEC 01 2006

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

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	Pool Code 513000	Pool Name RED LAKE-QUEEN, GRAYBURG, SAN ANDRES
Property Code	Property Name MIDNIGHT MATADOR	Well Number 5
OGRID No. 241589 241592	Operator Name FAIRWAY RESOURCES OPERATING, L.L.C.	Elevation 3601'

Surface Location

UL or lot No. H	Section 35	Township 17 S	Range 27 E	Lot Idn	Feet from the 2100	North/South line NORTH	Feet from the 385	East/West line EAST	County 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 40	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

	OPERATOR CERTIFICATION 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. Signature _____ Date 11/20/06 Joe T. Janica Printed Name _____ Agent	
	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 supervision, and that the same is true and correct to the best of my belief. NOVEMBER 16, 2006 Date Surveyed _____ Signature & Seal of _____ Professional Surveyor Certificate No. Gary L. Jones 7977 BASIN SURVEYS	

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

OPERATOR NAME: FAIRWAY RESOURCES OPERATING, LLC.

ADDRESS: 538 SILICON DRIVE
SUITE 101

CITY, STATE, & ZIP: SOUTHLAKE, TEXAS 76092

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

Lease No: LC-050158

Well name: MIDNIGHT MATADOR # 5

Legal Description of land: SE/4 of NE/4 SECTION 35 T17S-R27E EDDY CO. NM

Bond coverage: \$ 25,000

B.L.M. Bond File No : NMB-000386

RECEIVED
BUREAU OF LAND MANAGEMENT
CARSON CITY OFFICE
2006 OCT 2 PM 1:52

Authorized Signature

Joe T. Janica

Joe T. Janica
Title: Agent for FAIRWAY RESOURCES
OPERATING, LLC

Date: 09/29/06

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator
FAIRWAY RESOURCES OPERATING, LLC. (MATT EAGLESTON)

3a. Address 538 SILICON DRIVE
SUITE 101 SOUTHLAKE, TEXAS 79062
3b. Phone No. (include area code) (817-416-1946)

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
2100' FNL & 335' FEL SECTION 35 T17S-R27E EDDY CO. NM

5. Lease Serial No.
LC-050158

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

MIDNIGHT MATADOR # 5

9. API Well No.

10. Field and Pool, or Exploratory Area

RED LAKE QUEEN-GRBG-SAN ANDRES

11. County or Parish, State

EDDY CO. NEW MEXICO

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other <u>Move location</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1. Fairway Resources Operating , LLC. requests the approval to move the location of their MIDNIGHT MATADOR # 5 WELL. From: 2300' FNL & 370' FEL SECTION 35 T17S-R27E EDDY CO. To: 2100' FNL & 335' FEL SECTION 35 T17S-R27E EDDY CO.
2. The reason for this request is based on the suggestion of The BLM Surface Protection Specialist to move the location to a location that would be better suited for the topography of the area.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Joe T. Janica

Title Agent

Signature

Date 10/09/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ James Stovall

ACTING

ACTING

FIELD MANAGER

Date

DEC 11 2006

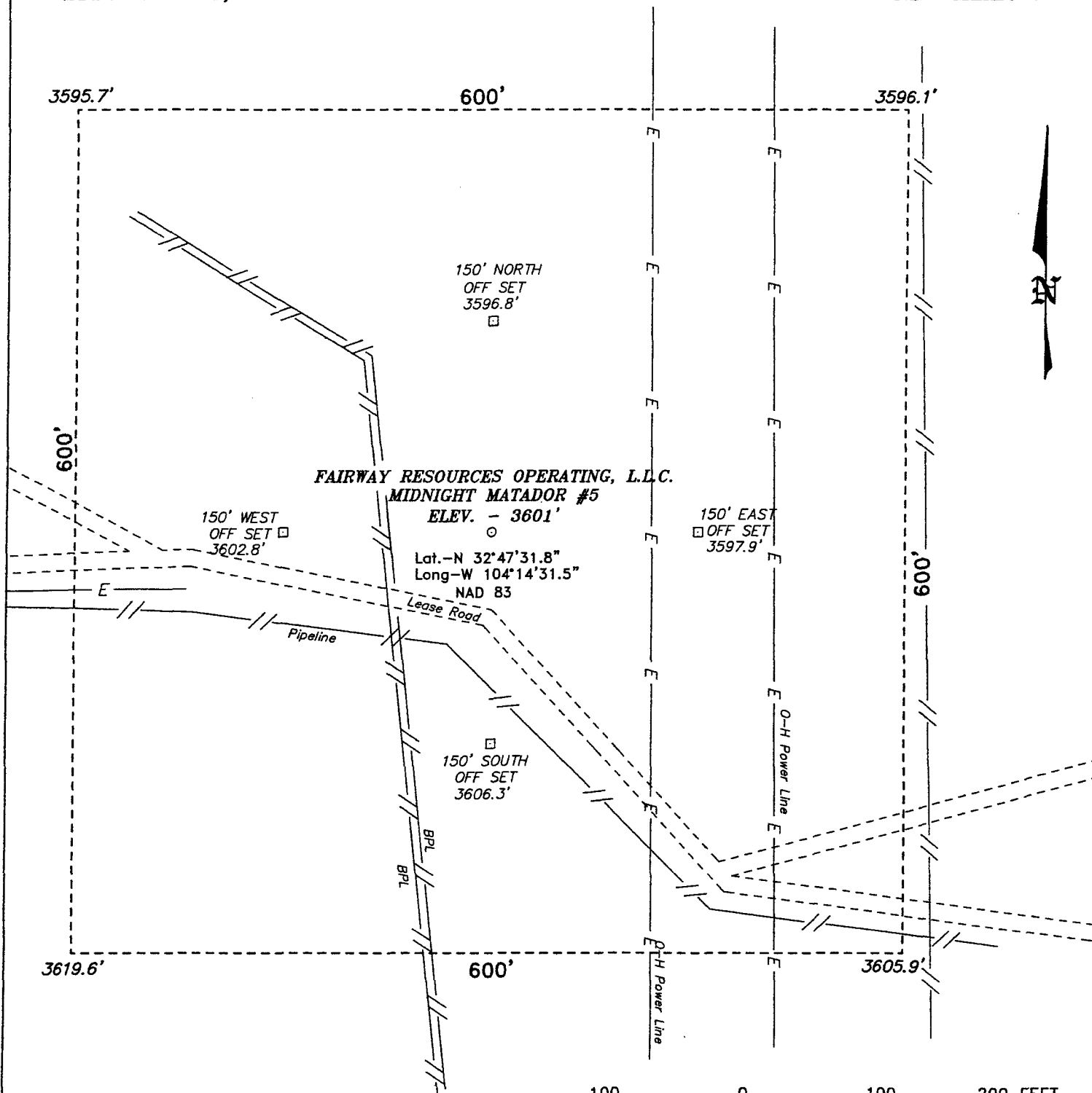
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office CARLSBAD FIELD OFFICE

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 reverse)

SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF US HWY 82 AND CO. RD. 204, GO SOUTHEAST ON CO. RD. 204 FOR 0.3 MILE TO CO. RD. 225; THENCE SOUTHWESTERLY ON CO. RD. 225 FOR 1.0 MILE TO LEASE ROAD; THENCE EASTERLY ON LEASE ROAD FOR 0.3 MILE TO A POINT ON THE PROPOSED LOCATION.

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

W.O. Number: 17430 Drawn By: K. GOAD

Date: 11-17-2006 Disk: KJG CD#7 - 17430A.DWG

FAIRWAY RESOURCES OPERATING, L.L.C.

REF: MIDNIGHT MATADOR No. 5 / Well Pad Topo

THE MIDNIGHT MATADOR No. 5 LOCATED 2100' FROM
THE NORTH LINE AND 385' FROM THE EAST LINE OF
SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 11-16-2006

Sheet 1 of 1 Sheets

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
 MIDNIGHT MATADOR # 5
 UNIT "H" SECTION 35
 T17S-R27E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above well is provided for your information.

1. LOCATION: 2300' FNL & 370' FEL SECTION 35 T17S-R27E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3606' GR.
3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits.
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. PROPOSED DRILLING DEPTH: 2500'
6. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Queen	1000'
Grayburg	1300'
San Andres	1900'
7. POSSIBLE MINERAL BEARING FORMATION:

Queen	Oil	San Andres	Oil
Grayburg	Oil		
8. CASING PROGRAM:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
12½"	0-350	8 5/8"	24#	8-R	ST&C	J-55
7 7/8"	0-2500'	5½"	15.5	8-R	ST&C	J-55

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.

MIDNIGHT MATADOR # 5

UNIT "H"

SECTION 35

T17S-R27E

EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

8 5/8"	Surface	Set 350' of 8 5/8" 24# J-55 ST&C casing. Cement with 350 Sx. of Class "C" cement + 4% Gel, + 1/2# Flocele/Sx. + 2% CaCl, circulate cement to surface.
5 1/2"	Production	Set 2500' of 5 1/2" 15.5# J-55 ST&C casing. Cement with 100 Sx. of Class "C" cement + 1/2# Flocele/Sx. follow with 400 Sx. of Class "H" cement + .8% FL-62, + .2% CD-32, + .2% SMS, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a sketch of a 2000 PSI rated B.O.P. consisting of an annular preventor. This B.O.P. will be nipped up on the 8 5/8" casing, and remain on the hole till the TD is reached. This is a rig with a low sub-structure, pressures are not expected to exceed 1500 PSI. Exhibit "E=1" shows a choke manifold rated at 3000 PSI, it also shows a hydraulically operated closing unit which may-be used, the choke manifold has manually operated chokes should unexpected pressures be encountered while drilling of this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
0-350'	8.4-8.7	29-40	NC	Fresh water use paper to control seepage
350-2500'	8.9-9.5	28-32	NC	Cut brine use paper to control seepage, and 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 viscosity and/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. No open hole logs will be run.
- B. Cased hole logs : Gamma Ray, Neutron logs will be run from TD Back to the 8 5/8" casing shoe.
- C. No DST's will be run
- D. No cores or or mud logger will be cut or used.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 1500± PSI, and Estimated BHT 140°±.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 7 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Qn Grbg San S. formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialied as an oil well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

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 blooie 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.
 - C. There should be a windsock at entrance to location.
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 telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
9. If H_2S 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_2S scavengers if necessary.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of a County 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 U.S. Hi-way 82 and CR-204, go Southeast on CR.-204 .3 miles, turn Right on to CR-225, follow 225 1 mile , turn Left (East) follow lease road .3 miles to location on the North side of road.
 - C. Exhibit "C" is a topographic map ahowing existing roads and the proposed additional roads. Flowlines and powerlines if they are not near to the location.
2. PLANNED ACCESS ROADS: No new roads will be required.
 - A. The access road will be crowned and dirched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less than 5.00%.
 - C. Turn outs will be constructed where necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Topography.
3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells - One .75 Mi North of location.
 - B. Disposal wells - None known
 - C. Drilling wells - None Known
 - D. Producing wells - As shown on Exhibit "A-1"
 - E. Abandoned wells - As shown on Exhibit "A-1"

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Exhibit "C" shows proposed routes of roads, flowlines and powerlines.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped to location in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction material will be obtained from the excavation of drill site, if additional material is needed it will be obtained from a local source and transported over the access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.
- D. Waste water from living quarters will be drained into holes with a minimum of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for further drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approved disposal site. Later pits will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

8. ANCILLARY FACILITIES:

- A. No camps or air strips will be constructed on location.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

9. WELL SITE LAYOUT

- A. Exhibit "D" shows the proposed well site layout.
- B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
- C. Mud pits in the active circulating system will be steel pits & the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with polyethelene. The pit liner will be 6 mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit 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 reserve pit 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 reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit 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 contoured 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.

11. OTHER INFORMATION:

- A. The topography consists of shallow drainage patterns with a dip toward the Southwest into the Pecos River. Soils consist of sandy loam with abundant caliche nodules. Vegetation consists of native grasses, cactus, scattered mesquite trees and snakeweed.
- B. The surface and minerals are owned by The U.S. Department of Interior and is administered by The Bureau of Land Management. The surface is used to graze livestock and for the production of oil and gas.
- C. An archaeological survey will be conducted on the roads and the location and the results will be filed in The Carlsbad Field Office of The Bureau of Land Management.
- D. There are no dwellings near to this location.

12. OPERATOR'S REPRESENTATIVES:

BEFORE CONSTRUCTION:

TIERRA EXPLORATION, INC
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-391-8503
CELL PHONE 505-390-1598

DURING AND AFTER CONSTRUCTION:

FAIRWAY RESOURCES OPERATING, LLC.
538 SILICON DRIVE SUITE 101
SOUTHLAKE, TEXAS 76092
MATT EAGLESTON 817-416-1949

13. CERTIFICATION: I hereby certify that I or persons under my supervision have inspected the proposed drill site and access route, that I am familiar with the conditions which currently exist, that the statements made in this plan are to the best of my knowledge, are true and correct, and that the work associated with the operations proposed herein will be performed by FAIRWAY RESOURCES OPERATING, LLC., it's contractors/subcontractors is in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of the U.S.C. 1001 for the filing of a false report.

NAME : Joe T. Janica

DATE : 09/29/06

TITLE : Agent

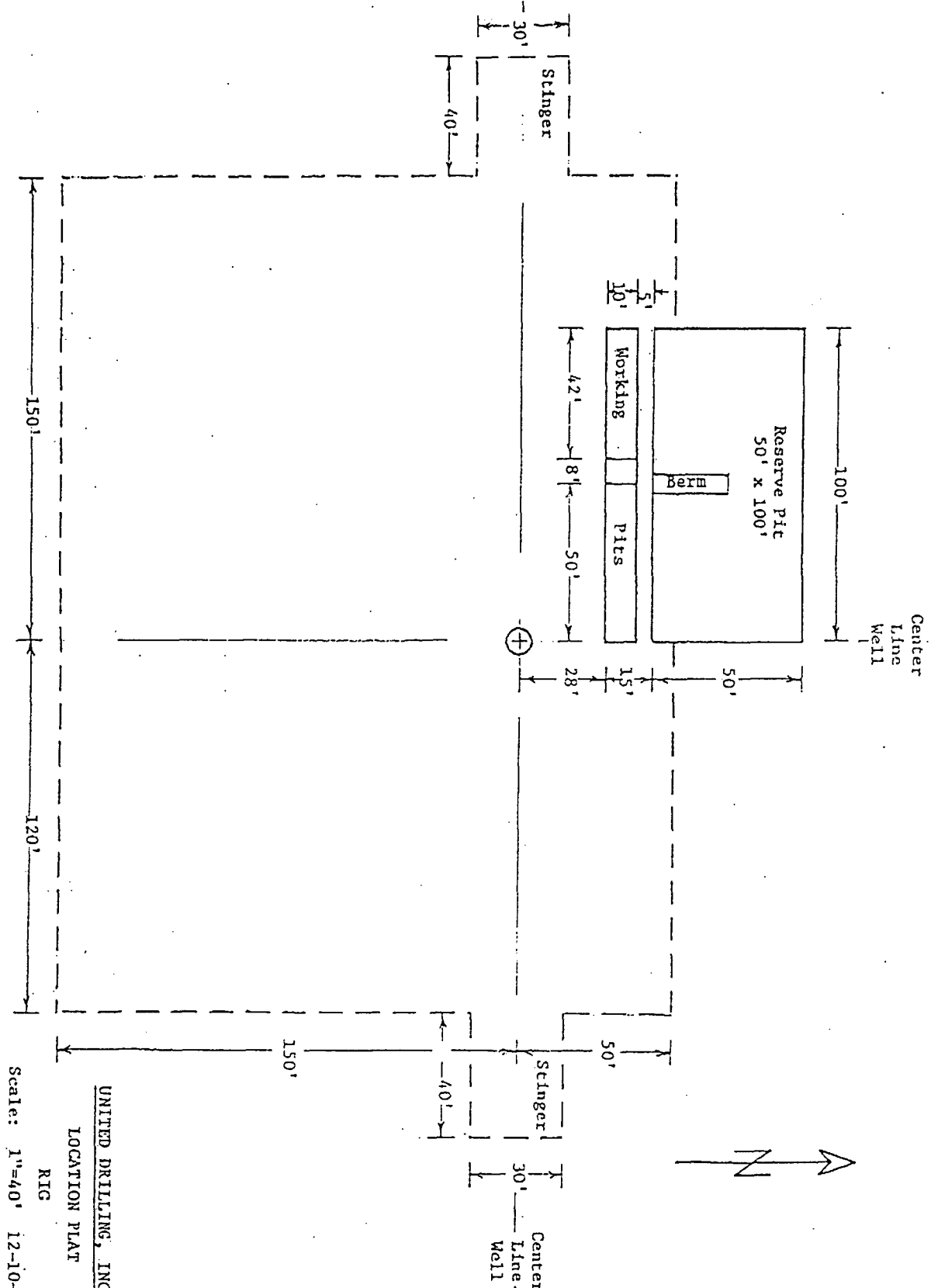
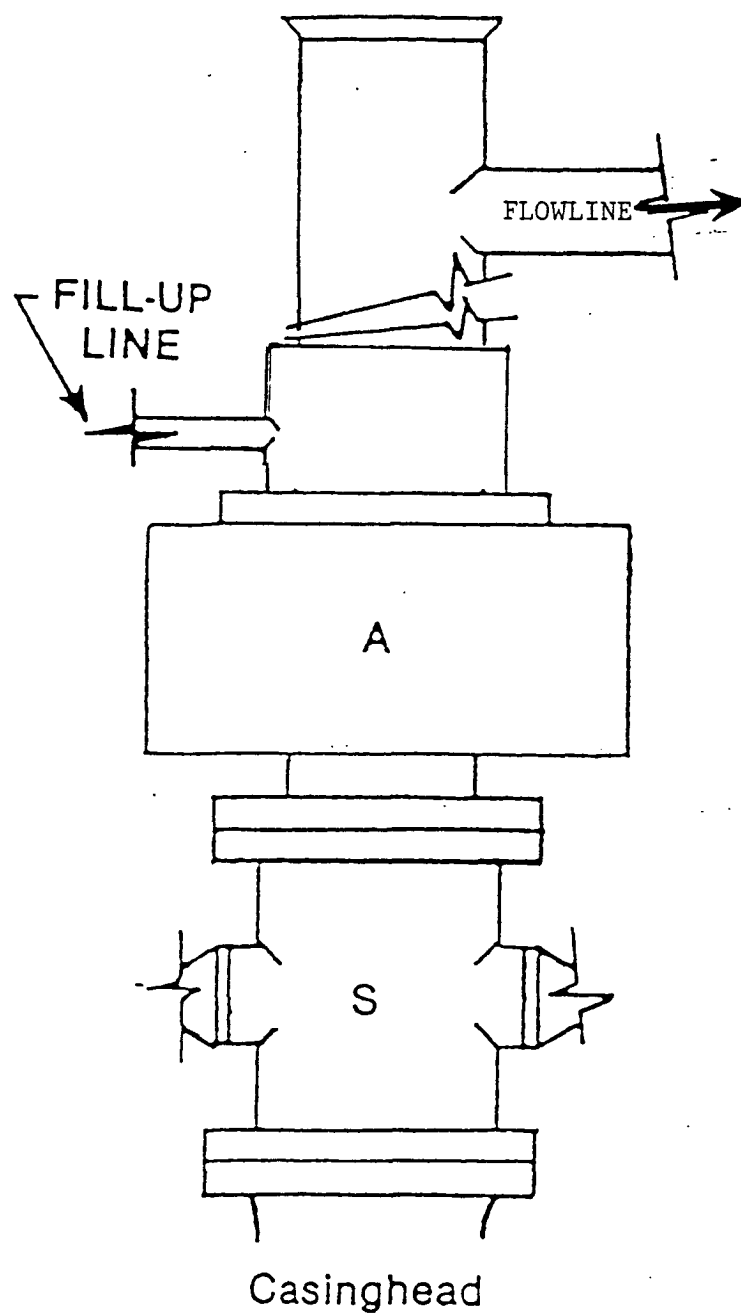


EXHIBIT "D"
RIG LAY OUT PLAT

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM



RECOMMENDED IADC CLASS 2 B.O.P. STACK
2000 PSI WORKING PRESSURE

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON
FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

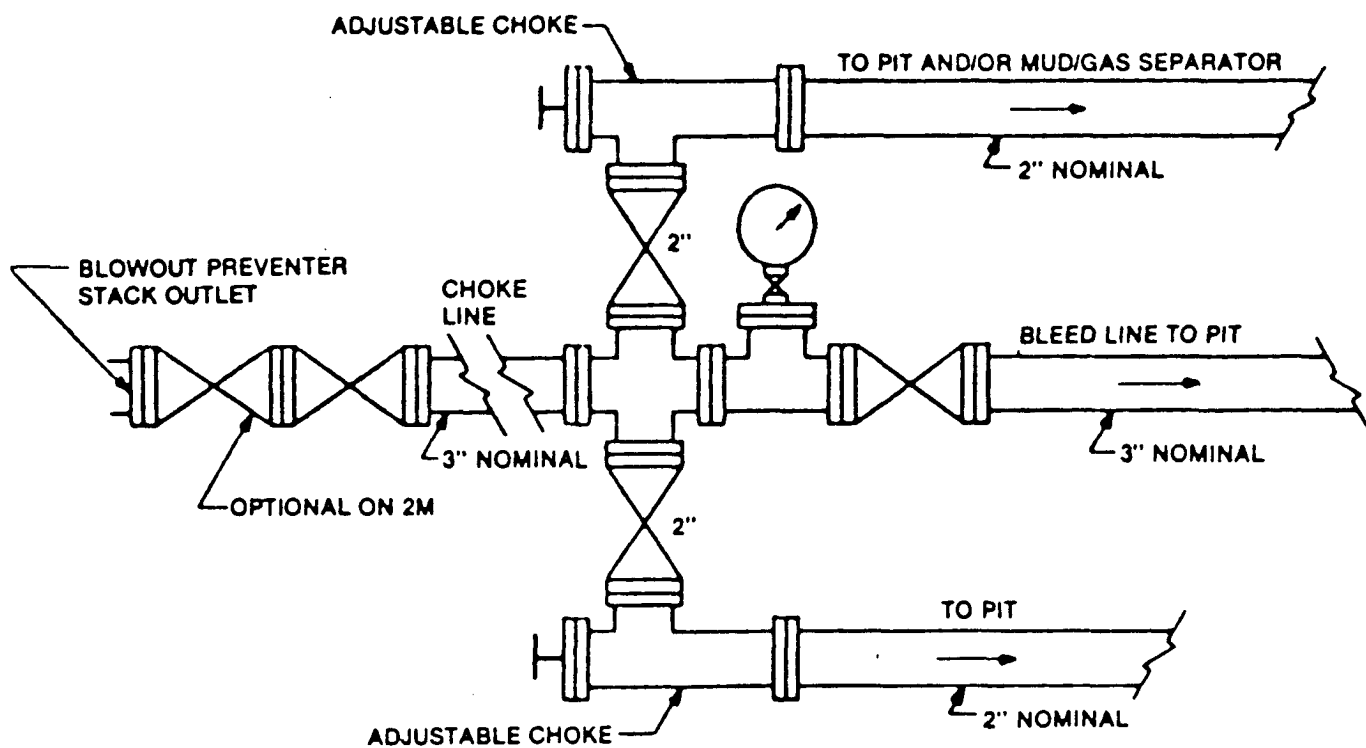


EXHIBIT "E-1"
CHOKE MANIFOLD

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 5
UNIT "H" SECTION 35
T17S-R27E EDDY CO. NM

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Fairway Resources Operating, LLC. Well Name & #: Midnight Matador Fed. #5
Location 2100 F N L & 385 F E L; Sec. 35, T. 17 S., R. 27 E.
Lease #: LC-050158 County: Eddy State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
() San Simon Swale (stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(x) The BLM will monitor construction of this drill site. Notify the (x) Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(x) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

(x) Other. **V-Door North (Reserve pits to the West) or V-Door West (Reserve pits to the South). Avoid building under H-Brace power line to the east.**

III. WELL COMPLETION REQUIREMENTS

() A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled.

() A. Seed Mixture 1 (Loamy Sites)

Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

() B. Seed Mixture 2 (Sandy Sites)

Sand Dropseed (*Sporobolus crptandrus*) 1.0
Sand Lovegrass (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

() C. Seed Mixture 3 (Shallow Sites)

Side oats Grama (*Bouteloua curtipendula*) 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

(x) D. Seed Mixture 4 (Gypsum Sites)

Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

() OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

() Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic.

Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be re-contoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. **Midnight Matador # 5**
Operator's Name: **Fairway Resources Operating, LLC**
Location: **2100' FNL, 385' FEL, SEC 35, T17S, R27E, Eddy County, NM**
Lease: **LC-050158**

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 5/8 inch 5 1/2 inch

C. BOP tests

2. A Hydrogen Sulfide (H₂S) 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 5/8 inch surface casing shall be @ APPROXIMATELY 350 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 5/8 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.

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

F Wright 11/27/06