ATS-07-351

Form 3160-3
(April 2004)

OCD-ARTESIA

Month - Year
MAY 16 2007
OCD - ARTESIA, NM

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HIGH CAVEKARST

APPLICATION FOR PERMIT TO DRILL OR REENTER

655

1a. Type of work: [XX] DRILL [ ] REENTER	Lease Serial No. LC-050158
	6. If Indian, Allotee or Tribe Name ----------
	7 If Unit or CA Agreement, Name and No. ----------
1b. Type of Well: [XX] Oil Well [ ] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone	8. Lease Name and Well No. MIDNIGHT MATADOR # 9
2. Name of Operator FAIRWAY RESOURCES OPERATING, LLC. (MATT EAGLESTON817-416-1946)	9. API Well No. 30-015-35713
3a. Address 538 SILICON DRIVE SUITE 101 SOUTHLAKE, TEXAS 76092	3b. Phone No. *(include area code)* 817-416-1946
	10. Field and Pool, or Exploratory RED LAKE-QUEEN, GRBG,SAN A.
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface 330' FNL & 1500' FWL SECTION 35 T17S-R27E EDDY CO. At proposed prod. zone SAME	11. Sec., T. R. M. or Blk. and Survey or Area SECTION 35 T17S-R27E
14 Distance in miles and direction from nearest town or post office* Approximately 10 miles Southeast of Artesia, New Mexico	12. County or Parish EDDY CO. / 13. State NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 40	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 560'±	19. Proposed Depth 2500'	20. BLM/BIA Bond No. on file NMB-000386
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3554' GL.	22. Approximate date work will start* WHEN APPROCED	23. Estimated duration 8 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 Joe T. Janica	Name *(Printed/Typed)* Joe T. Janica	Date 04/03/07
Title Agent		
Approved by *(Signature)* /s/ James Stovall	Name *(Printed/Typed)*	Date MAY 14 2007
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

olicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to

APPROVAL FOR 1 YEAR

make it a crime for any person knowingly and willfully to make to any department or agency of the United ntations as to any matter within its jurisdiction.

Additional instructions on page 2

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

NSL-5645

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

OIL CONSERVATION DIVISION

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

Form C-102
Revised October 12, 2005

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	51300	RED LAKE-QUEEN, GRAYBURG, SAN ANDRES

Property Code	Property Name	Well Number
30284996	MIDNIGHT MATADOR	9

OGRID No.	Operator Name	Elevation
241598	FAIRWAY RESOURCES	3554'

Surface Location

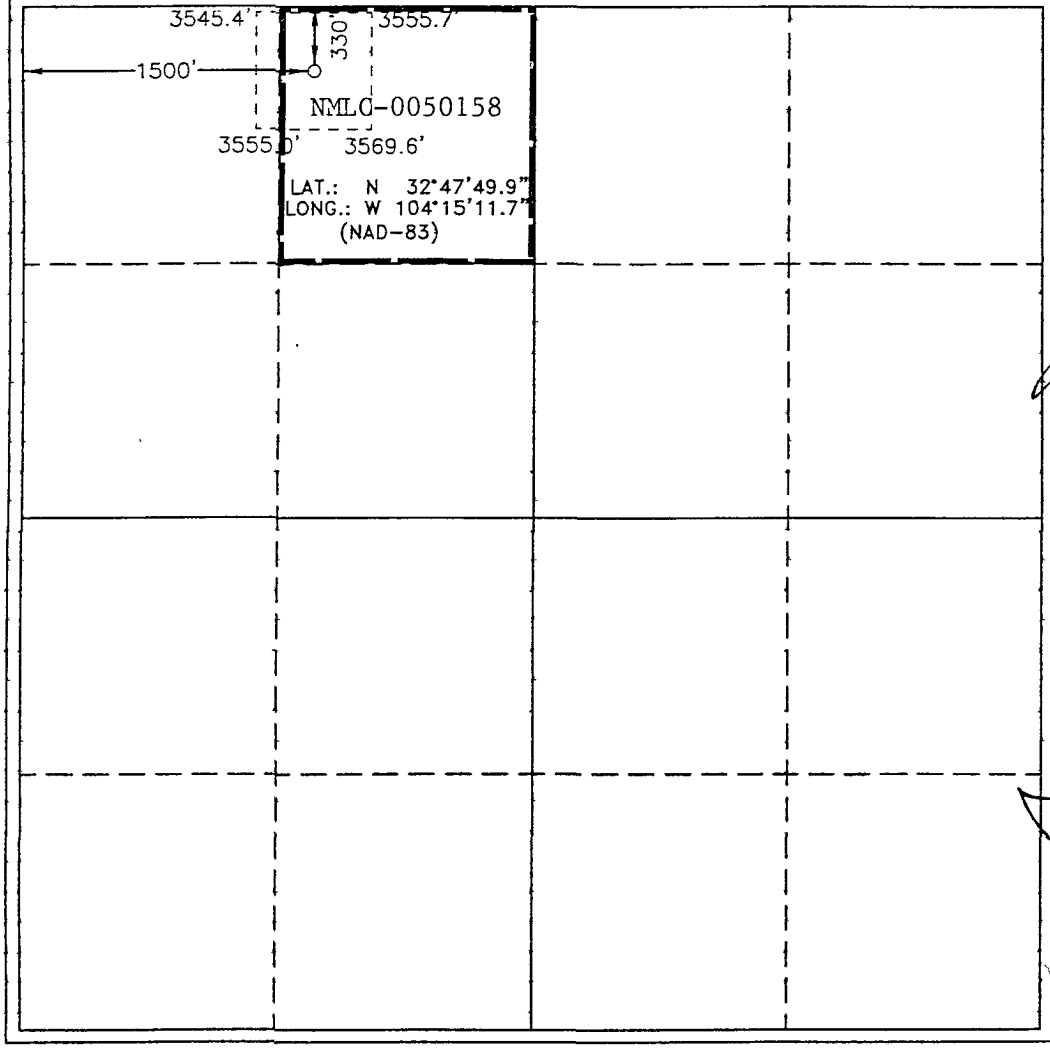
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	35	17 S	27 E		330	NORTH	1500	WEST	EDDY

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.
40			

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.

Joe T. Janica

Signature Date

04/03/07

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 supervison and that the same is true and correct to the best of my belief.

MARCH 13, 2007

Date Surveyed

Signature & Seal of Professional Surveyor

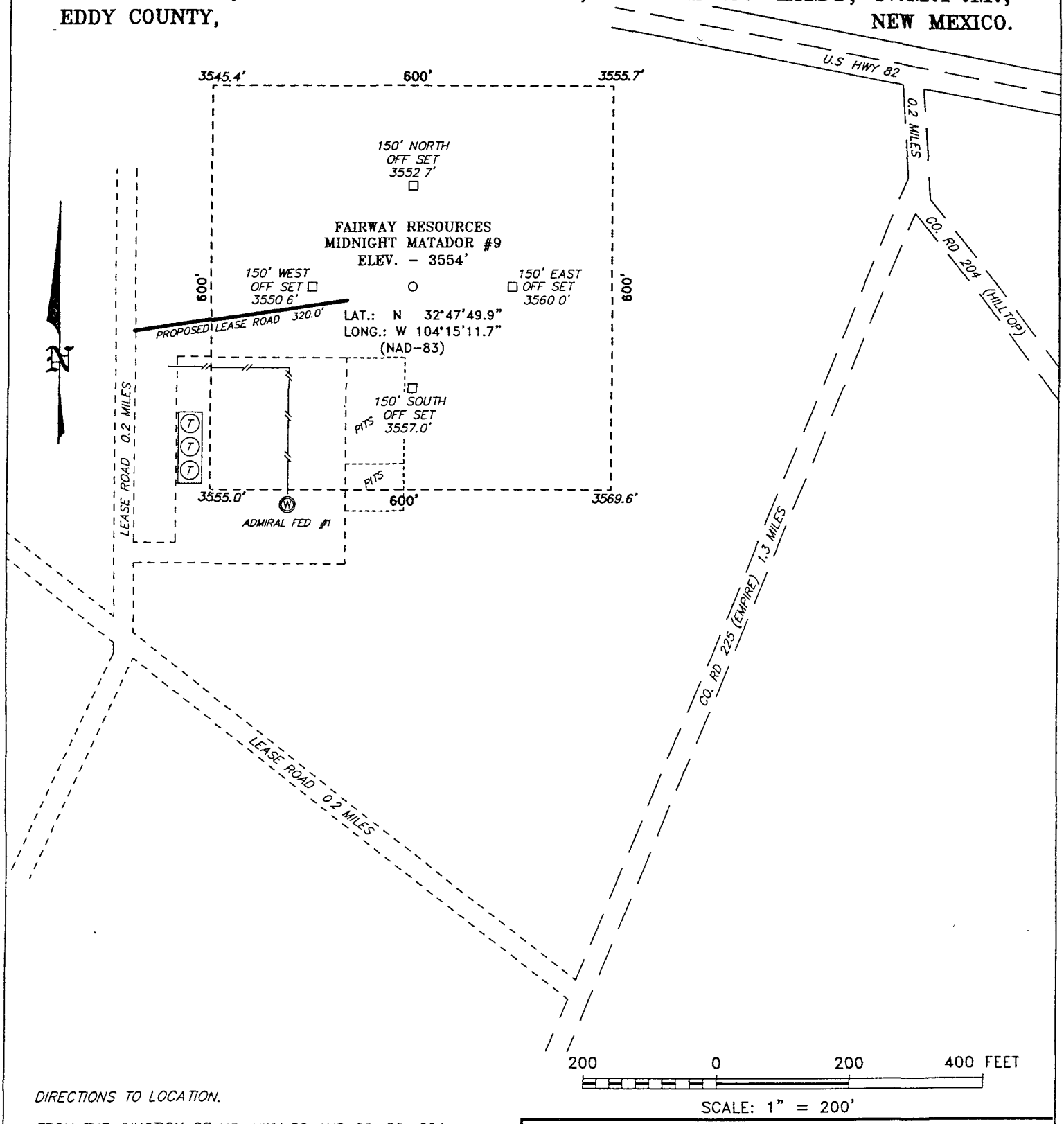
NEW MEXICO

W.O. No. 17389

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

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 (HILLTOP), PROCEED SOUTH ON CO RD 204 FOR 0.2 MILES TO CO RD. 225 (EMPIRE), ON CO. RD. 225 GO SOUTHWEST 1.3 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTHWEST 0.2 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTH 0.2 MILES TO PROPOSED LEASE ROAD.

FAIRWAY RESOURCES

REF: MIDNIGHT MATADOR #9 / Well Pad Topo

THE MIDNIGHT MATADOR No. 9 LOCATED 330' FROM THE NORTH LINE AND 1500' FROM THE WEST LINE OF SECTION 35, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 17889	Drawn By: J. M. SMALL		
Date: 03-15-2007	Disk: 17889W	Survey Date: 03-13-2007	Sheet 1 of 1 Sheets

Midnight Matador #9

Location	330' FNL & 1500'FWL Section 35-T17S-R27E
Federal Lease #	LC-050158
Proration Unit	40 acres, NE/4 NW/4
Depth of Well	2,500'
Field	Red Lake QN-GB-SA (we will be completing in the San Andres)

Hole/Casing	12 ¼" hole	7 7/8" hole
	0 – 350'	350' – 2,500'
	8 5/8" 24# & 32# J-55	5 ½" 15# & 15.5# J-55

MH 4/10/07

Cementing	Surface - Cmt to surface with 225 sx class C with 4% gel containing 2% CaCl and ½#/sx Flocele Production - Cmt with 325 sx 35-65 Pozmix containing ¼#/sx Flocele plus 100 sx class C containing 2% CaCl
Formation Eval.	No open hole logs, cased hole GR-CNL from TD to surface casing No cores or DSTs No mud logger

Mud

Depth	Fluid Type	Weight	Vis	WL
0 – 350'	fresh wtr	8.5	30-40	nc
350' – 2,500'	cut brine	8.8-9.5	28-32	nc

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" 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 will is provided for your information.

1. LOCATION: 330' FNL & 1500' FWL SECTION 35 T17S-R27E EDDY CO. NM

2. ELEVATION ABOVE SEA LEVEL: 3554' GL.

3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternery 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 GELOOGICAL 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
12¼"	0-350'	8 5/8"	24 & 32#	8-R	ST&C	J-55
7 7/8"	0-2500'	5½"	~~15~~ & 15.5#	8-R	ST&C	J-55

mwk
4/10/07

APPLICATION TO DRILL

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" SECTION 35
T17S-R27E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

8 5/8"	Surface	Set 350' of 8 5/8" 24# & 32# J-55 ST&C casing. Cement with 225 Sx. of Class "C" cement + 4% Gel, + ¼LB flocele/Sx. + 2% CaCl. Circulate cement to surface
5½"	Production	Set 2500' of 5½" ~~15#~~ & 15.5# J-55 ST&C casing. Cement with 325 Sx. of Class "C" 35/65 POZ + ¼# Flocele/Sx, tail in with 100 Sx. of Class "C" cement + 2% CaCl. 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 nippled 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 hydraualically 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.

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 H^2S in this area. If H^2S 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 potentialed as an oil well.

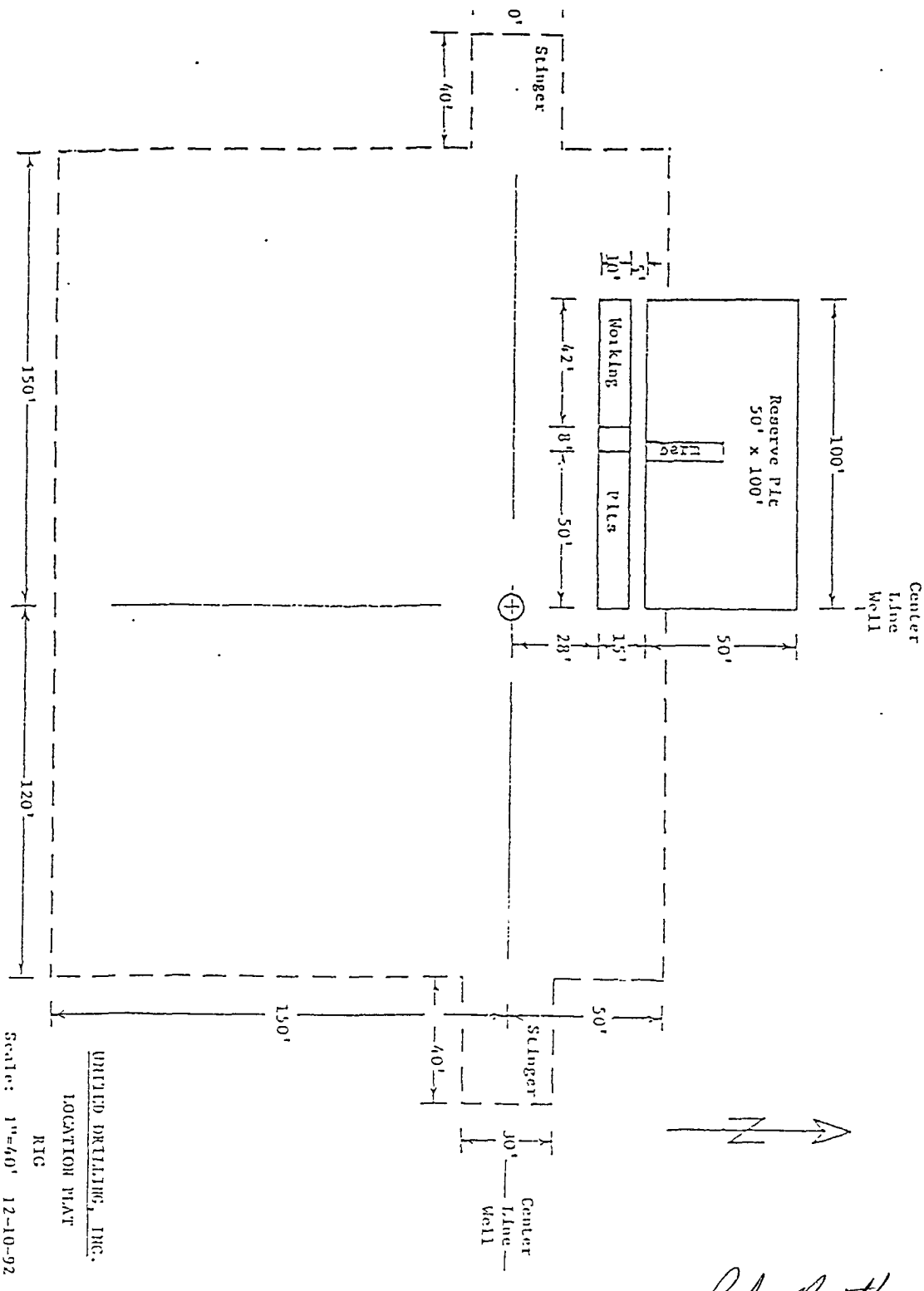


EXHIBIT "D"
RIG LAY OUT PLAT

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" SECTION 35
T17S-R27E EDDY CO. NM

2M

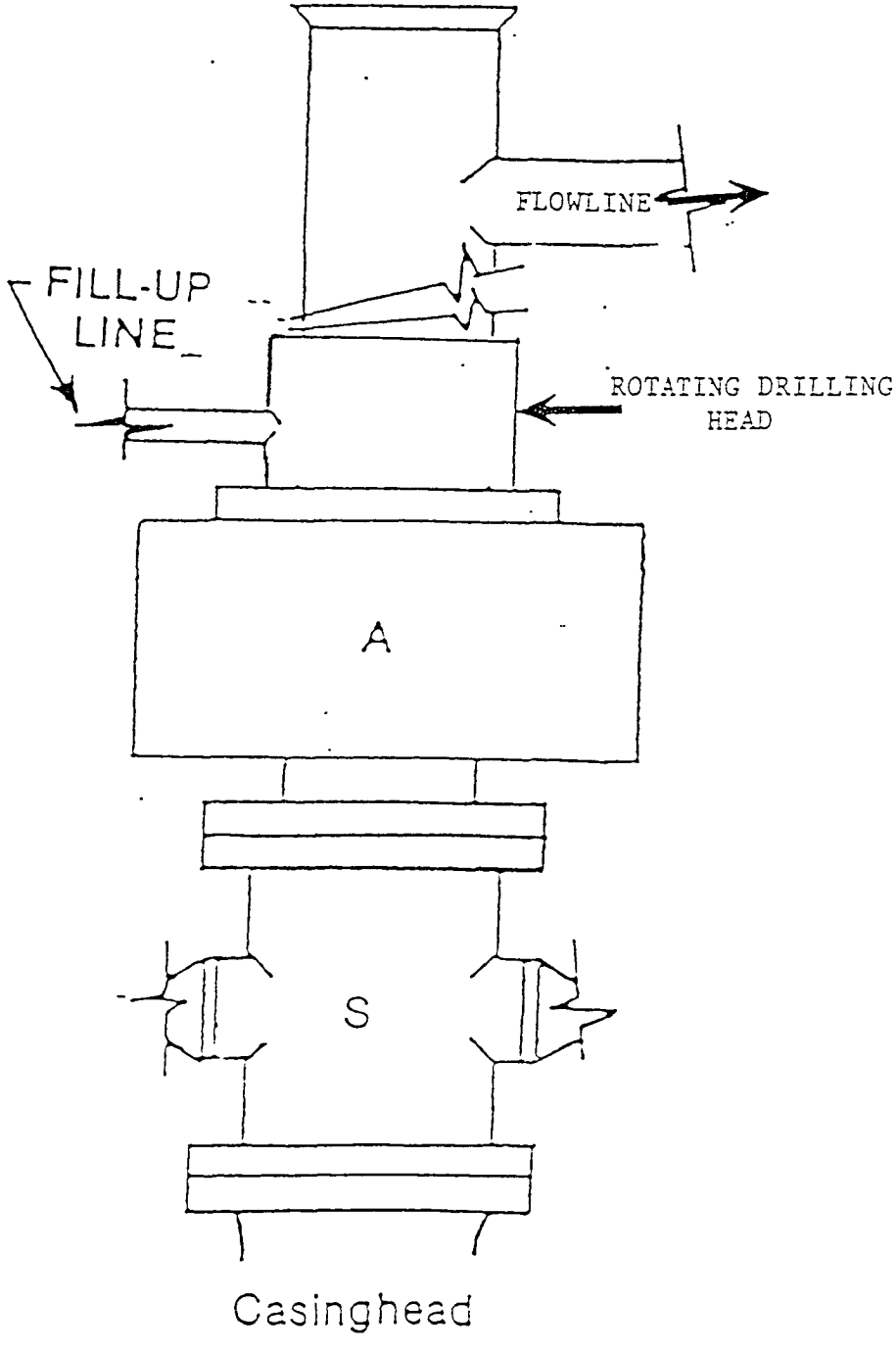


EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" SECTION 35
T17S-R27E EDDY CO. NM

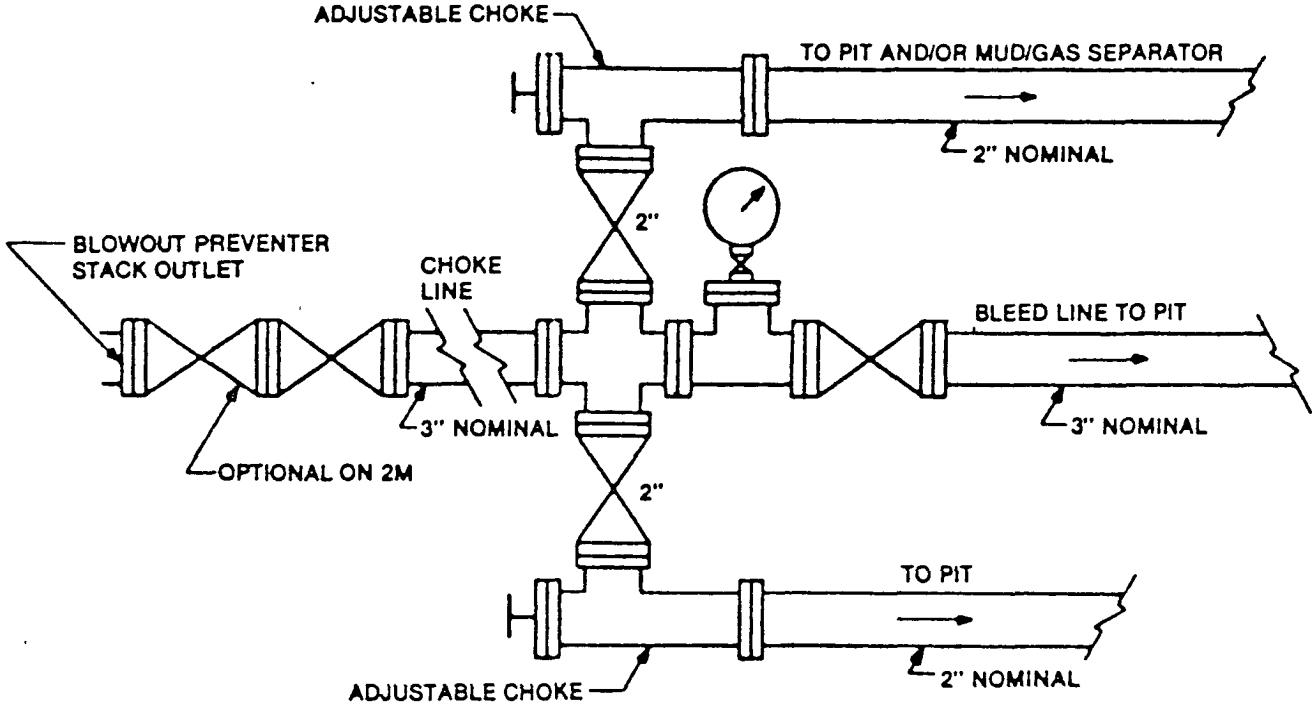


EXHIBIT "E-1"
CHOKE MANIFOLD

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" SECTION 35
T17S-R27E EDDY CO. NM

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S 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, H_2S 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.

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 seperator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" 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 .7 miles, turn Right on to CR-225, follow CR-225 1.3 miles, turn Right on lease road go .2 miles, turn Northwest go .2 miles to location on the Right (East) 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 ditched 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"

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 roads , flowlines and powerlines.

5. LOCATION & TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the location 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 the drill site, if additional material is required it will be obtained from a local source and transported over the location access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE:

A. All trash, junk and other waste material will be contained in trash cages or trash bins in order to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary land fill.

B. Sewage from living quatersw will be drained into holding tanks and will be cleaned out periodically. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of well.

C. 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 the pits will be broken out to speed drying. Water produced during completion will be stored in tanks and disposed of in State approved disposal site. Oil and condensate produced during completion will be put in storage tanks and sold.

D. Drill cuttings will be disposed of in resebev pits or if necessary will be taken to a State approved landfarm and disposed of properly.

E. Any remaining salts or mud additives will be collected by the supplier and to stock, this includes all broken bags.

8. ANCILLARY FACILITIES:

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

9. WELL SITE LAYOUT:

A. Exhibit "D" shows the proposed well site layout.

B. This Exhibit shows the location of reserve pit, sump pits, and living facilities.

C. Mud pits in the active circulating system will be steel pits and the reserve pits will be unlined unless subsurface conditions encontered during pit construction indicate that a plastic liner is required to contain lateral migration.

D. If needed the reserve pits will be lined with polyethelene. The pit liner will be no less than12 mils thick and the liner will be extended at least 3 feet over the top of the dikes and secured in place to keep edge of liner in place.

E. The reserve pit will be fenced on three sides and fenced with four strands of barbed wire during drilling and completionphases. The 4th side will be fenced after drilling operations are complete and the drilling rig has moved out.If the well is a producer the mud pits will remain fenced in until the mud has dried up enough to break out the pits and reclaimed according to BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE:

Rehabilitation of the location and reserve pits will be allowed to dry properly, fluids may be moved and disposed of in accordance with article 7-E 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 furture erosion. In case of the well completed as a producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured top soil from the spoil pile will be placed over the disturbed area to the extent possible so that revegetation procedures can be accomplished to comply with the BLM specifications.

If the well is a dry hole the pad and road area will be contoured to match the existing terrain. Top soil will be spread to the extent possible and revegetation will be carried out according to the BLM specifications.

Should the well be a producer the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

FAIRWAY RESOURCES OPERATING, LLC.
MIDNIGHT MATADOR # 9
UNIT "C" SECTION 35
T17S-R27E EDDY CO. NM

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 REPRESENTIVES:

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 fimiliar with the conditions which currently exist, that the statements made in this plan are to the best of my knlwledge, 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 Joe T. Janica

DATE : 04/03/07

TITLE : Agent

Conditions of Approval
Cave and Karst

EA#: NM-520-07-0655

Fairway Resources Operating, LLC

Lease #: LC-055561

Midnight Matador A No.2

Midnight Matador A No.3

Midnight Matador A No.5

Lease #: LC-050158

Midnight Matador A No.9

Midnight Matador A No.10

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. Use depth to the deepest expected fresh water as listed in the geologist report.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater then 75 percent occur simultaneously while drilling in any cave-

bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Abandonment Cementing:
Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Record Keeping:
The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: **Fairway Resources Operating, LLC**
Well Name & No. **9-Midnight Matador**
Location: **0330 FNL, 1500 FWL, Section 35, T-17-S,R-27-E**
Lease: **LC-050158**

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:

1. Spudding well
2. Setting and/or Cementing of all casing strings
3. BOPE tests

- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822

B. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the Yates formation. **H2S has been reported in Sections 20, 22,25,33, 34, and 35 measuring 20 ppm in STVs from wells completed in the Yates, Seven Rivers, Atoka, and Morrow. Plan attached to APD.**

C. 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.

D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The **8-5/8** inch surface casing shall be set at **350** **feet** and cemented to the surface.

1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
4. If cement falls back, remedial action will be done prior to drilling out that string.

Possible lost circulation in the Grayburg and San Andres formations.
Potential for high cave/karst.

B. The minimum required fill of cement behind the **5-1/2** inch production casing is **cement shall circulate to surface.** If cement does not circulate see A.1 thru 4.

C. If hardband drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53.

B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** PSI.

C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

Engineer on call phone: 505-706-2779

WWI 041007