



June 24, 2011

HAND-DELIVERED

Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2011 JUN 24 P 1:45
RECEIVED OOD

Re: Application of Cabal Energy Corporation for Administrative Approval of an Unorthodox Well Location for its Madera 19 Fed Well #2H, to be horizontally drilled from an unorthodox surface location 10 feet from the South line and 660 feet from the West line (Unit M) to a standard bottom hole location 330 feet from the North line and 660 feet from the West line (Unit D) of Section 19, Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

Dear Ms. Bailey:

Pursuant to the provisions of Oil Conservation Division General Rule 19.15.15.13 NMAC, Cabal Energy Corporation hereby seeks administrative approval of an unorthodox oil well location for its Madera 19 Fed Well #2H to be drilled as a horizontal well at a point 10 feet from the South Line and 660 feet from the West line (Unit M) and then in a northerly direction in the Delaware formation to a standard bottom hole location 330 feet from the North line and 660 feet from the West line (Unit D) of Section 19, Township 26 South, Range 35 East, N.M.P.M., Lea County, New Mexico. This well will evaluate the Upper Brushy Canyon Sand interval in the Delaware formation which is the principal objective in the well. A 160-acre non-standard spacing and proration unit/project area comprised of the W/2 W/2 of Section 19 will be dedicated to the well in the Delaware formation.

This well is governed by the General Rules and Regulations of the Oil Conservation Division which provide for oil wells to be located on spacing units consisting of approximately 40 contiguous surface acres with wells located no closer than 330 feet to a boundary of the unit. This well location is unorthodox in the Delaware formation because it is 10 feet from the South line of Section 19 – or 320 feet closer to the project area boundary than permitted by the applicable rules.

This unorthodox oil well surface location is needed to enable Cabal Energy Corporation to maximize the horizontal portion of the wellbore in the Delaware formation. The horizontal portion of the wellbore in the Delaware formation will be within the well's producing area.

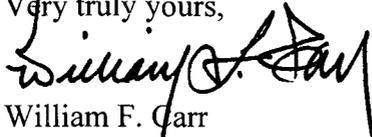
June 24, 2011

Attached hereto as **Exhibit A** is a plat showing the location of the subject spacing unit, the proposed unorthodox well location and offsetting wells.

Exhibit B is a list of affected persons as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC. A copy of this application, including all attachments, has been mailed to each of these offset operators/affected persons by certified mail-return receipt requested in accordance with Rule 19.15.4.12 A (2)(a). Each owner has been advised that if it has an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

Your attention to this application is appreciated.

Very truly yours,



William F. Carr
Attorney for Cabal Energy Corporation

cc: New Mexico Oil Conservation Division – Hobbs

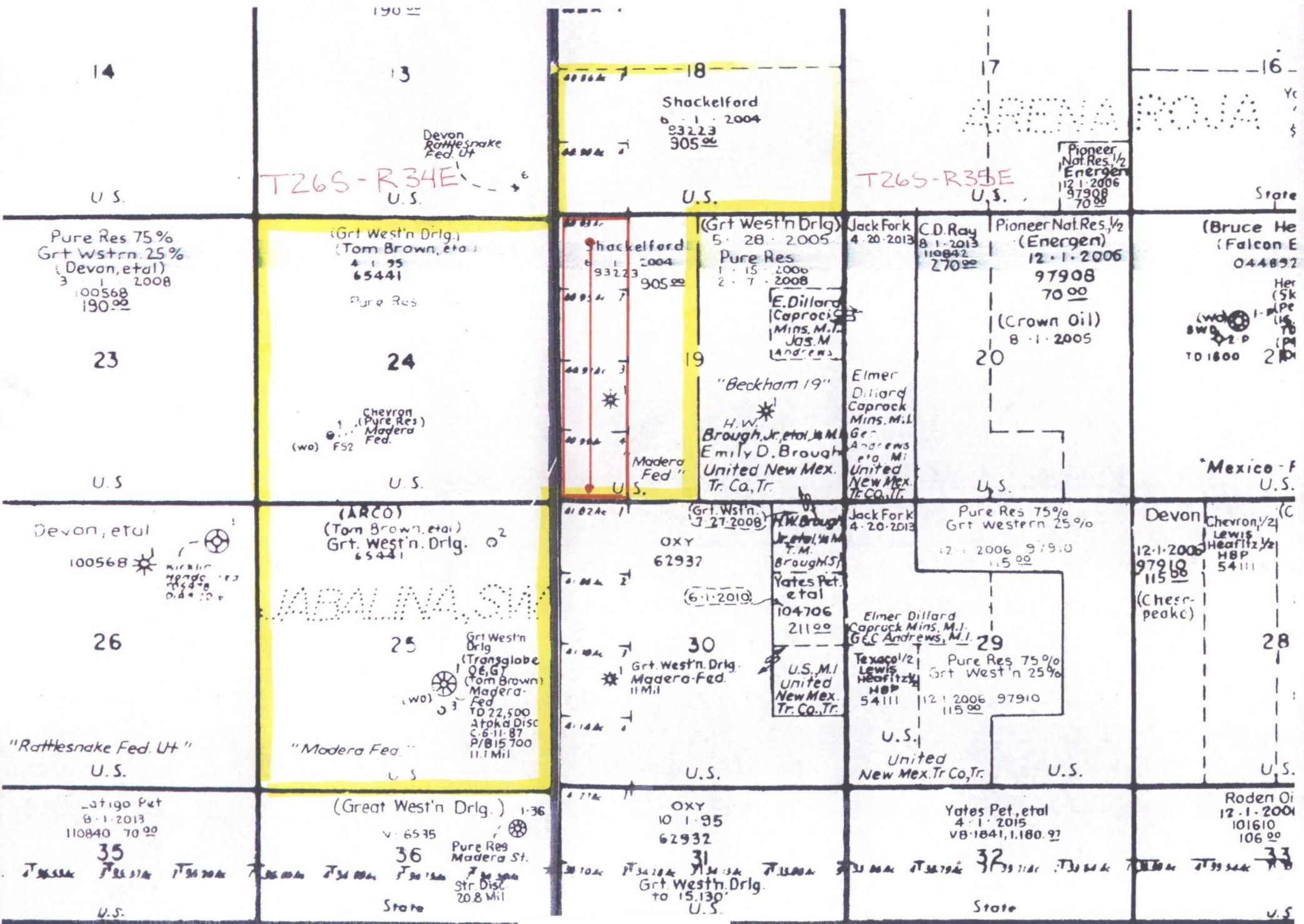


EXHIBIT A

EXHIBIT B

Application of Cabal Energy Corporation
for Administrative Approval of an Unorthodox Well Location
for its Madera 19 Fed Well #2H,
Section 19, Township 26 South, Range 35 East, N.M.P.M.,
Lea County, New Mexico.

NOTICE LIST

Section 13: All

Township 26 South, Range 34 East, NMPM

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102

Chesapeake Operating, Inc.
Post Office Box 18496
Oklahoma City, Oklahoma 73154-0496

Section 24: E/2 E/2

Township 26 South, Range 34 East, NMPM

Black Rock Capital LLC
415 West Wall Street, Suite 1700
Midland, TX 79701
Ownership is identical to the ownership under
the proposed spacing unit / project area

Section 25: All

Township 26 South, Range 34 East, NMPM

Black Rock Capital LLC
415 West Wall Street, Suite 1700
Midland, TX 79701

Great Western Drilling Company
700 West Louisiana
Midland, TX 79701

Cimarex Energy Company
600 North Marienfeld, Suite 600
Midland, TX 79701

Standard Energy
900 609 West Hastings Street
BC V6B 4W4

Newkumet Exploration Inc.
P.O. Box 11330
Midland, TX 79702

H.E. Davis Family Partnership
P.O. Box 3065
Odessa, TX 79760

John McCormack
1303 Campbell
Houston, TX 77055

Pevehouse Inc.
3300 N. A. Street, Bldg. 1-201
Midland, TX 79705

Section 18: All
Township 26 South, Range 35 East, NMPM

Black Rock Capital LLC
415 West Wall Street, Suite 1700
Midland, TX 79701

Ownership is identical to the ownership under
the proposed spacing unit / project area

Section 19: W/2 W/2
Township 26 South, Range 35 East, NMPM

Black Rock Capital LLC
415 West Wall Street, Suite 1700
Midland, TX 79701

Ownership is identical to the ownership under
the proposed spacing unit / project area

Section 19: E/2, E/2 W/2
Township 26 South, Range 35 East, NMPM

Chevron USA Inc.
15 Smith Road
Midland, TX 79705

Section 30: All
Township 26 South, Range 35 East, NMPM

Occidental Permian Ltd.
5 Greenway Plaza East, Suite 110
Houston, TX 77046

July __, 2011

Cabal Energy Corporation
P.O. Box 2208
Santa Fe, NM 87504-2208
Attention: William F. Carr

Administrative Order NSL-_____

Dear Mr. Carr:

Reference is made to the following: **(i)** your application dated June 24, 2011, on behalf of the operator, Cabal Energy Corporation (“Cabal”); and **(ii)** the records of the New Mexico Oil Conservation Division (“Division”) in Santa Fe: all concerning Cabal’s request for approval of a non-standard gas well location to be applicable to the Delaware formation, which is governed by Oil Conservation Division General Rule 19.15.15.9 NMAC.

The W/2 W/2 of Section 19, Township 26 South, Range 35 East, NMPM, Lea County, New Mexico is dedicated to this well to form a non-standard 160-acre oil spacing and proration unit. This application has been duly filed under the provisions of Rule 19.15.15.9 NMAC.

By the authority granted me under the provisions of Rule 19.15.15.9 NMAC of the general rules of the Oil Conservation Division, the following described unorthodox gas well location within this 160-acre unit is hereby approved:

Madera 19 Federal No. 2H
Surface Location: 10’ FSL & 660’ FWL (Unit M)
Bottom hole Location: 2450 ‘ FSL & 330’ FWL (Unit D)
Section 19, Township 26 South, Range 35 East, NMPM
Lea County, New Mexico.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Jami Bailey
Director

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – _____