Sec : 19 Twp : 25S Rng : 27E Section Type : NORMAL

1 39.42 Federal owned	C 40.00 Federal owned	B 40.00 Federal owned	A 40.00 Federal owned
2 39.47 Federal owned A	F 40.00 Federal owned	G 40.00 Federal owned	H 40.00 Federal owned
3 39.53 Federal owned	K 40.00 Federal owned	J 40.00 Federal owned	I 40.00 Federal owned
4 39.58 Federal owned	N 40.00 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned

318.89

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 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
	MARINE 19 FEDERAL	1

OGRID No.	Operator Name	Elevation
	LATIGO PETROLEUM, INC.	3238'

Surface Location

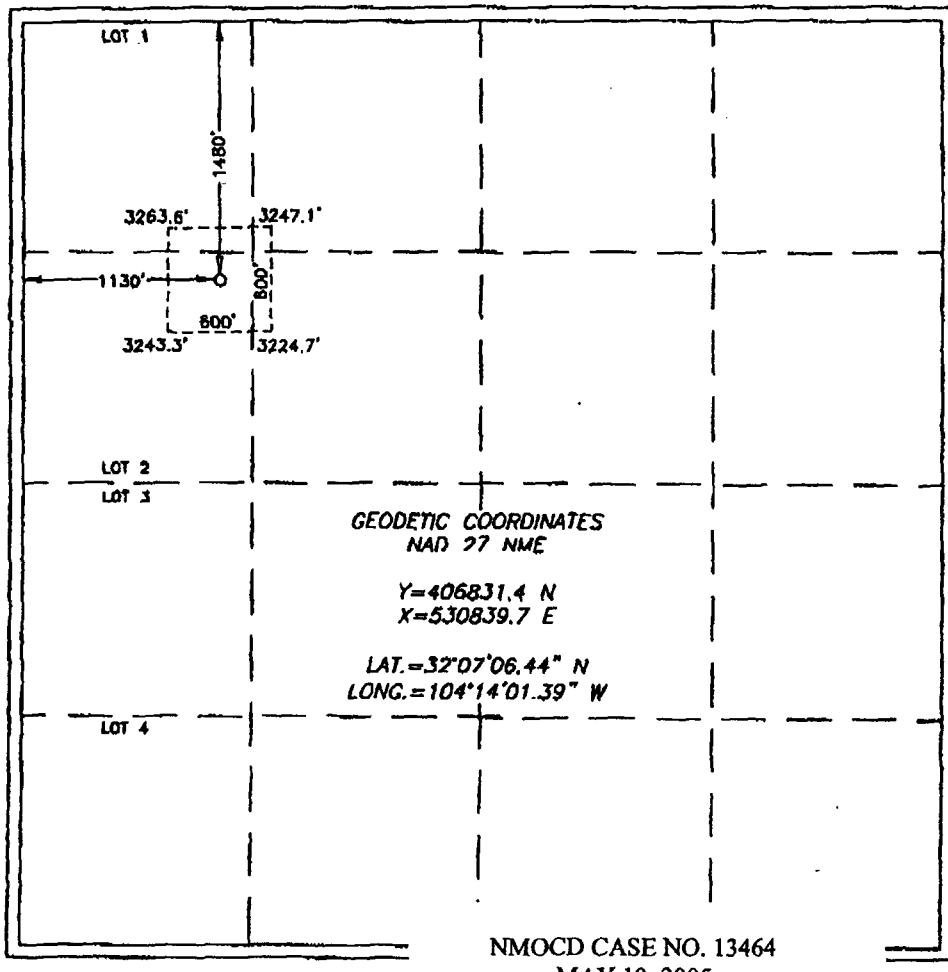
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	19	25-S	27-E		1480	NORTH	1130	WEST	EDDY

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



OPERATOR CERTIFICATION

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

Signature

Printed Name

Title

Date

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.

JAUNARY 25, 2005

Date Surveyed

Signature & Seal of Professional Surveyor

RONALD J. EIDSON 3239 — GARY EIDSON 12641

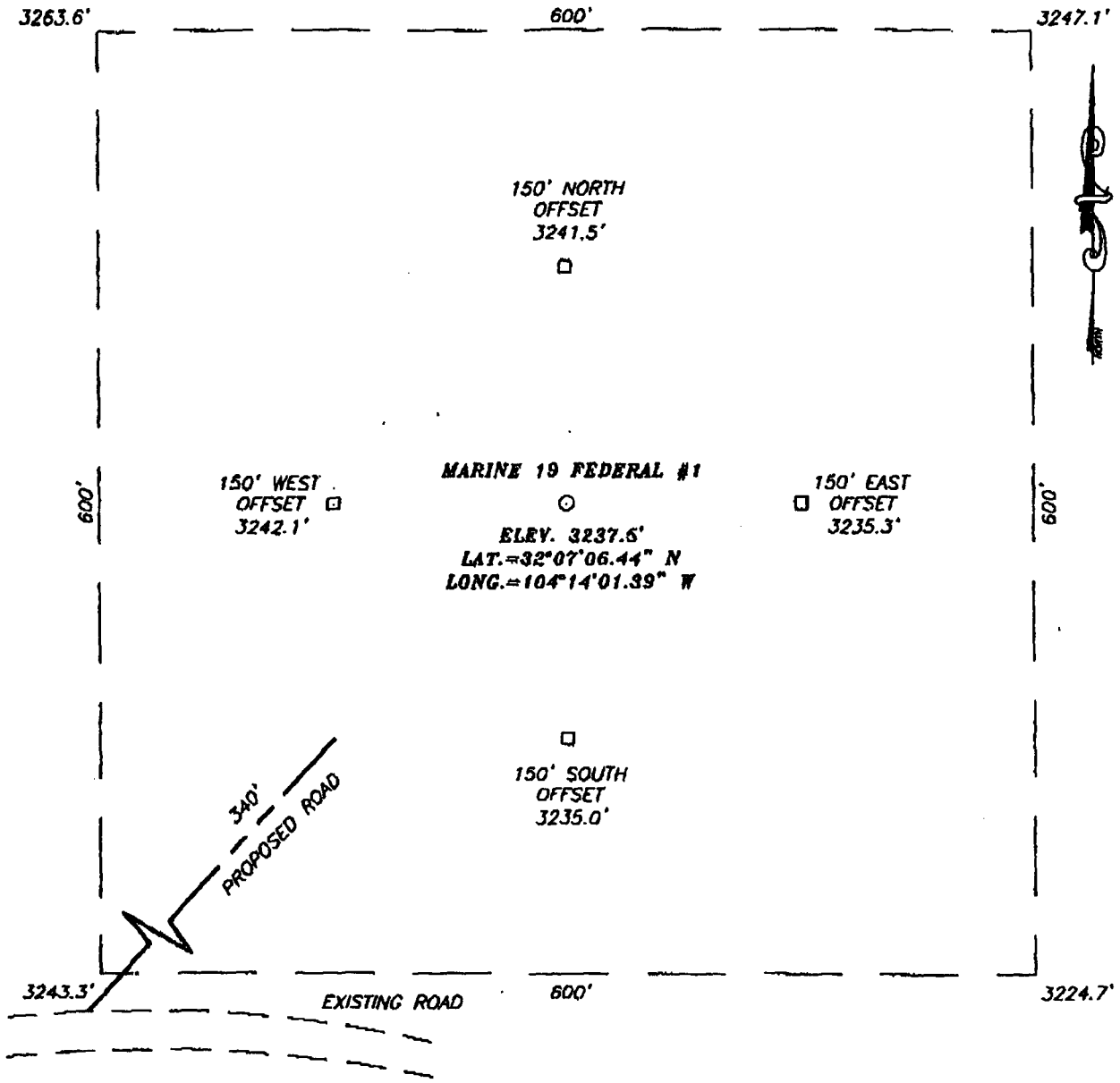
05.11.0115

Certificate No.

NMOCD CASE NO. 13464
MAY 19, 2005
LATIGO PETROLEUM, INC.
EXHIBIT NO. 1

SECTION 19, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF EDDY CO. ROAD 720 (BLACK RIVER ROAD) AND EDDY CO. ROAD 742 (JOHN C. FOREHAND). GO SOUTH ON FOREHAND ROAD APPROX. 8.4 MILES. TURN LEFT (EAST) FOR 0.3 MILES TO A DRY HOLE MARKER AND PROPOSED ROAD SURVEY ON THE NORTH SIDE OF ROAD. FOLLOW ROAD SURVEY NORTHEAST 340' FEET TO THIS LOCATION.

100 0 100 200 Feet

Scale: 1"=100'

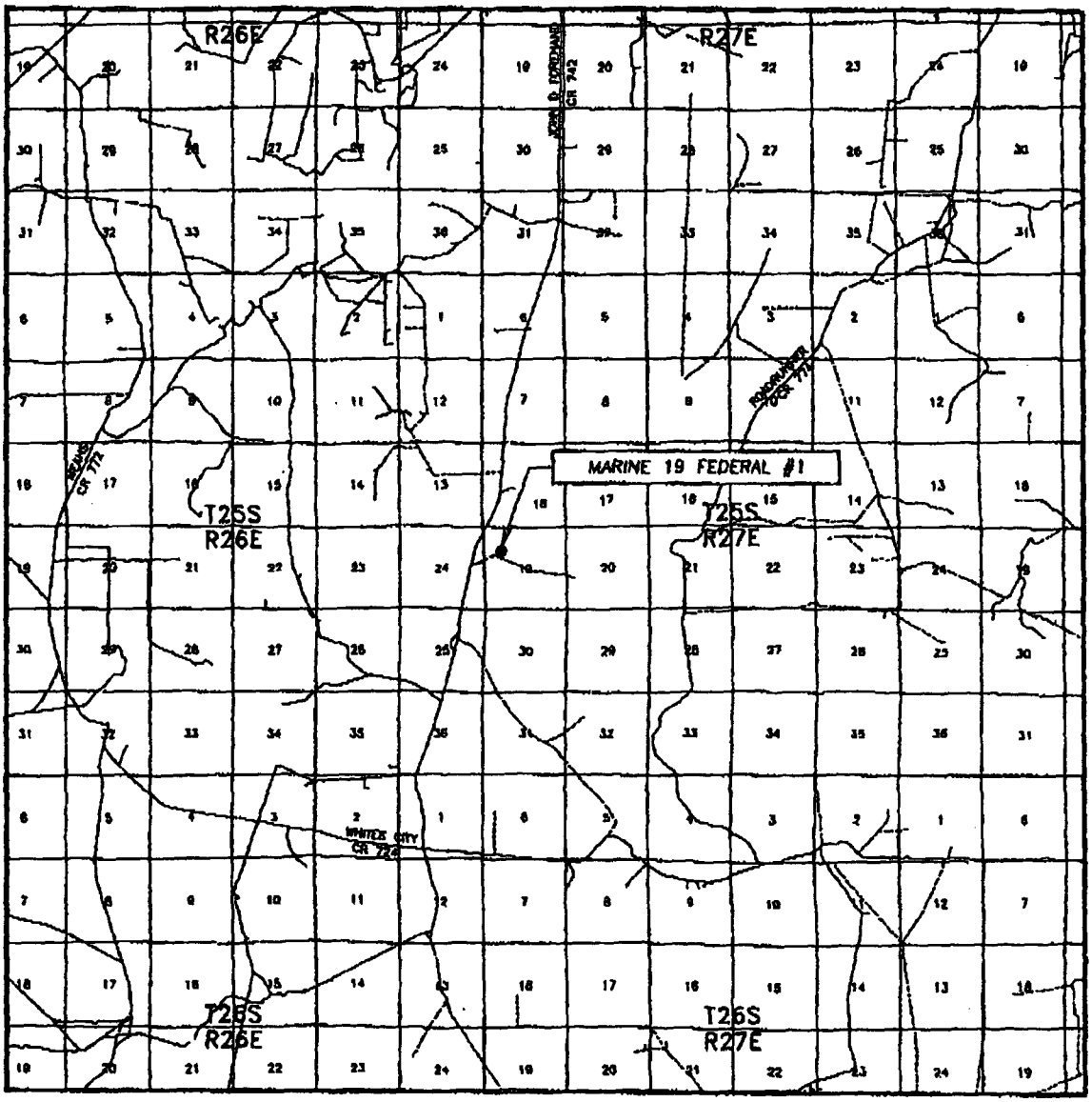
PROVIDING SURVEYING SERVICES SINCE 1948
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

LATIGO PETROLEUM, INC.

MARINE 19 FEDERAL #1 WELL
LOCATED 1480 FEET FROM THE NORTH LINE
AND 1130 FEET FROM THE WEST LINE OF SECTION 19,
TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 01/25/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.0115	Dr By: DEL		Rev 1: N/A
Date: 01/27/05	Disk: CD#5	05110115	Scale: 1"=100'

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 25-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1480' FNL & 1130' FWL

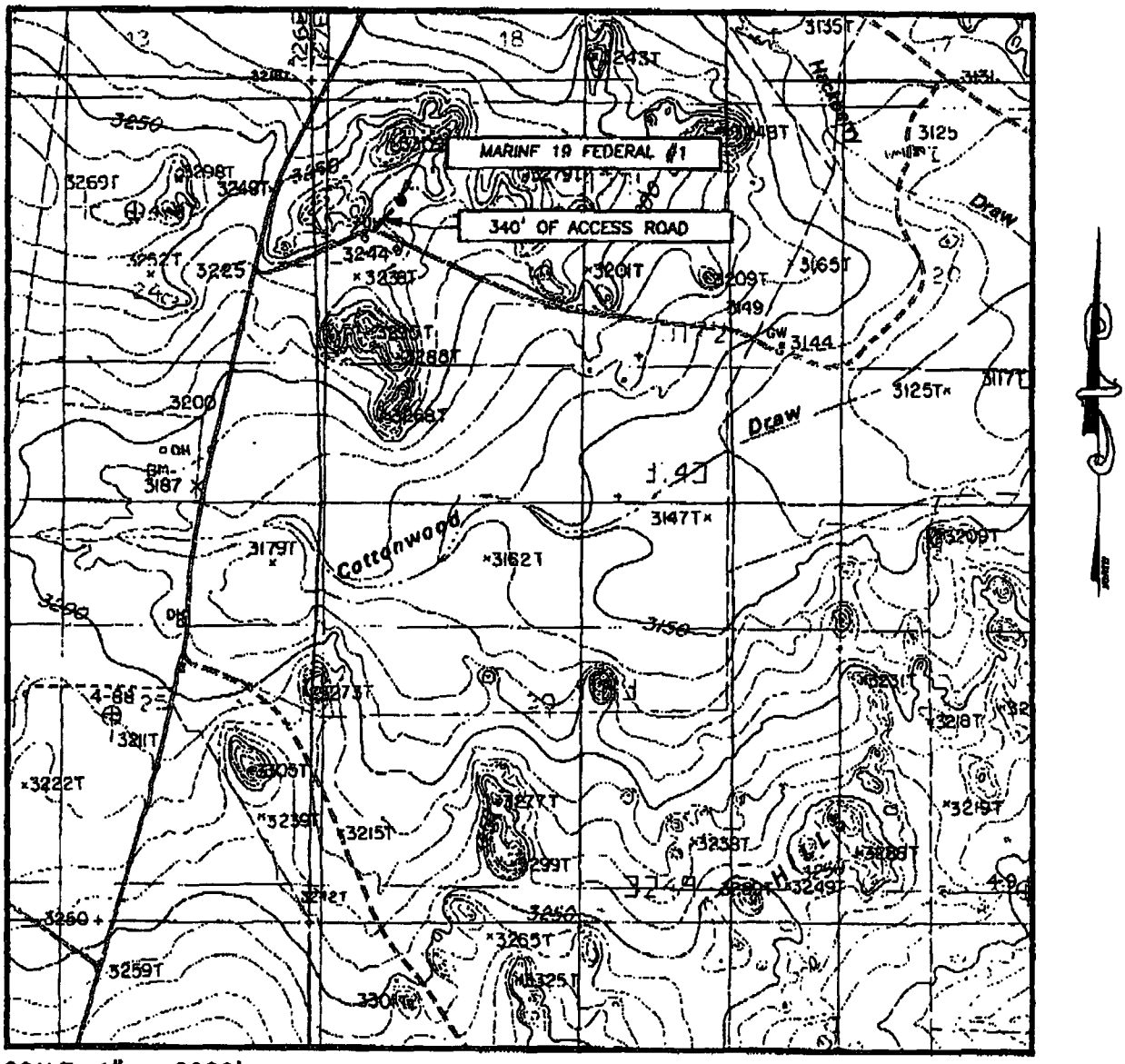
ELEVATION 3238'

OPERATOR LATIGO PETROLEUM, INC.

LEASE MARINE 19 FEDERAL

PROVIDING SURVEYING SERVICES SINCE 1948
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
COTTONWOOD HILLS, N.M. – 10'

SEC. 19 TWP. 25-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1480' FNL & 1130' FWL

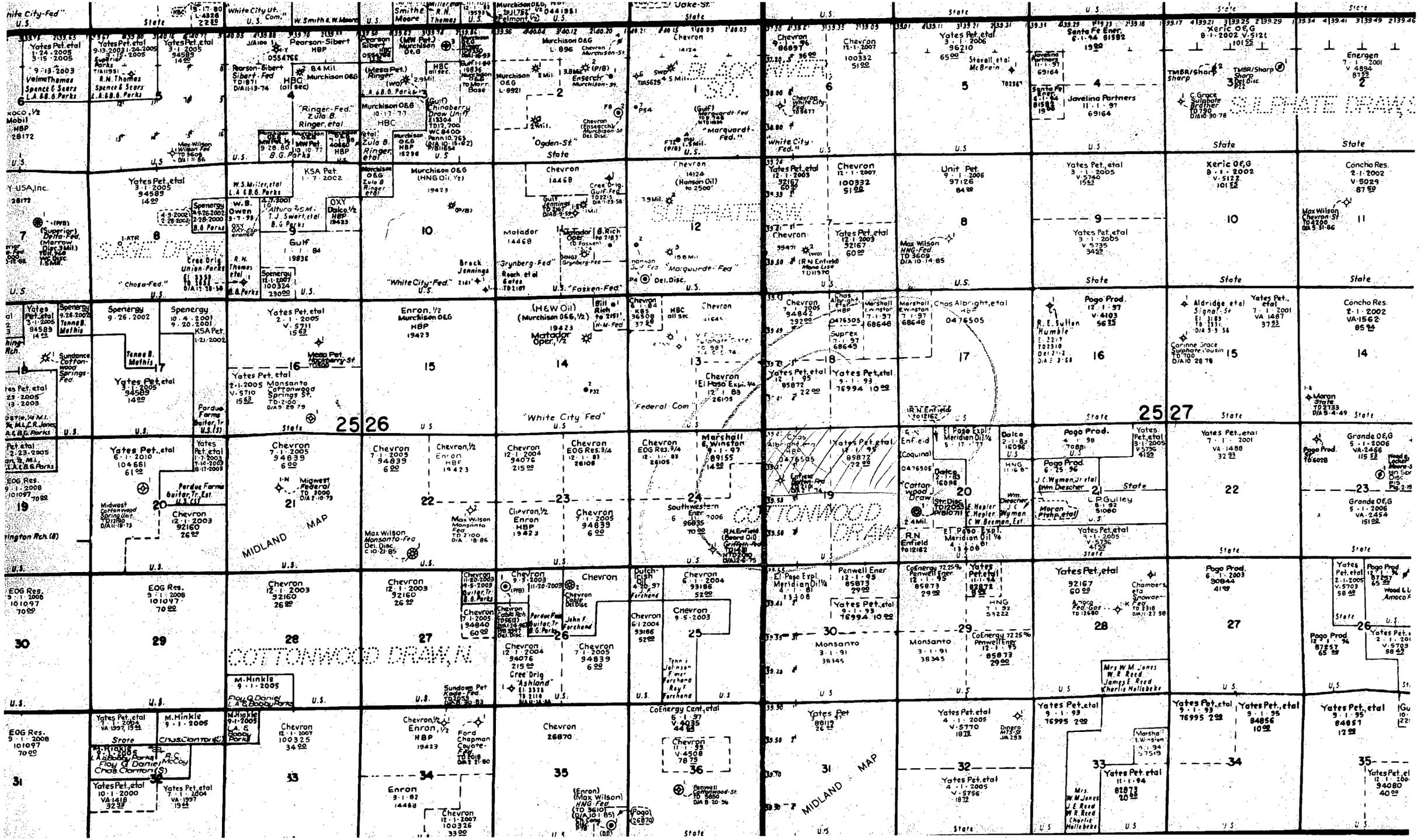
ELEVATION 3238'

OPERATOR LATIGO PETROLEUM, INC.

LEASE MARINE 19 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
COTTONWOOD HILLS, N.M.

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


25 26
25 27
MIDLAND MAP
MIDLAND MAP
SAGE DRAW
BLACK RIVER
SULPHATE DRAW
SULPHATE SW
COTTONWOOD DRAW
COTTONWOOD DRAW, N.
"White City Fed"
"White City-Fed." U.S.
"Federal Com"
"Chosa-Fed."
"Ogden-St." State
"Ringer-Fed." Zula B. Ringer, etal
"Marquardt-Fed."
"Grynberg-Fed"
U.S. "Fasken-Fed"
Yates Pet.,etal 1·24·2005 3·15·2005
Velma Thomas
Spence & Sears L.A.&B.G. Parks
R.N. Thomas
Pearson-Sibert HBP
Murchison O&G L-896
Murchison O&G (HNG Oil, ½) 19423
Chevron 14124 (Hanson Oil) to 2500'
Chevron 14468
Matador 14468
Gulf 1·1·84 19836
KSA Pet. 1·7·2002
Y-USA, Inc.
Spenergy 9·26·2002
Spenergy 10·4·2001 9·20·2001
Yates Pet.,etal 3·1·2005 94589 14.00
Yates Pet.,etal 2·1·2005 V-5711 15.63
Enron, ½ Murchison O&G HBP 19423
(H&W Oil) (Murchison O&G, ½) 19423 Matador Oper., ½
Chevron El Paso Expl. ¾ 12·1·83 26105
Chevron 7·1·2005 94839 6.00
Chevron 12·1·2003 92160 26.00
Chevron 12·1·2004 94076 215.00
Chevron EOG Res. ¾ 12·1·83 26105
Marshall & Winston 9·1·97 89155 14.00
Southwestern Ener. 2006 96835
Chevron 26870
Enron 3·1·82 14468
EOG Res. 9·1·2008 101097 70.00
M. Hinkle 9·1·2005
Yates Pet.,etal 6·1·2010 104661 61.00
Midwest Cottonwood Spring Unit
Max Wilson Monsanto-Fed
Chevron 12·1·2007 100325 34.00
Chevron 12·1·2007 100326 33.00
CoEnergy Cant.,etal 6·1·97 V-4035 44.00
Chevron 11·1·99 V-4508 78.75
Chevron 9·5·2003
Chevron 12·1·2007 100332 51.00
Yates Pet.,etal 12·1·2003 92167 60.00
Unit Pet. 9·1·2006 97126 84.00
Yates Pet.,etal 3·1·2006 96210 65.00
Santa Fe Ener. 6·1·94 61582 19.00
Javelina Partners 11·1·97 69164
Xeric O&G 8·1·2002 V-5122 101.55
Energen 7·1·2001 V-4894 87.59
Concho Res. 2·1·2002 V-5029 87.59
Concho Res. 2·1·2002 VA-1562 85.94
Yates Pet.,etal 3·1·2005 V-5740 15.63
Yates Pet.,etal 3·1·2005 V-5735 34.22
Max Wilson HNG-Fed TD 3609
Chas Albright, etal 0476505
Suprex 7·1·97 68649
Yates Pet.,etal 12·1·95 85872 22.00
Yates Pet.,etal 9·1·93 76994 10.00
R.E. Sullan Humble
Pogo Prod. 12·1·97 V-4103 56.25
Aldridge etal Signal-St.
Yates Pet., etal 7·1·2001 VA-1487 37.93
Moran State
Pogo Prod. 4·1·98 70881
Pogo Prod. 6·25·96
L.P. Gulley
Yates Pet., etal 7·1·2001 VA-1488 32.93
Grande O&G 5·1·2006 VA-2466 115.22
Grande O&G 5·1·2006 VA-2454 151.00
Penwell Ener. 12·1·95 85873 29.00
Monsanto 3·1·91 38345
CoEnergy 72.25% Penwell Ener. 12·1·95 85873 29.00
Yates Pet.,etal 92167 60.00
Pogo Prod. 6·1·2003 90844 41.00
Pogo Prod. 87857 65.00
Yates Pet 88119 26.00
Yates Pet.,etal 4·1·2005 V-5770 18.75
Yates Pet.,etal 4·1·2005 V-5756 18.75
Yates Pet.,etal 9·1·93 76995 2.00
Yates Pet.,etal 9·1·95 84856 10.00
Yates Pet.,etal 9·1·95 84851 12.00
Yates Pet.,etal 11·1·94 82873 20.00
Yates Pet.,etal 12·1·2006 94080 40.00
Mrs. W.M. Jones W.R. Reed James E. Reed Charlie Hollebeke
Floy G. Daniel L.A. & Bobby Parks
Chas. Clanton (S)
Yates Pet.,etal 10·1·2000 VA-1418 32.92
Yates Pet.,etal 7·1·2004 VA-1397 19.44
U.S.
State

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

RECEIVED
MAR 0 1 2005
OCD-ARTESIA

1. a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER [ ] SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: LATIGO PETROLEUM, INC. (JOE CLEMENT 432-684-4293)

3. ADDRESS AND TELEPHONE NO.: 415 WEST WALL STREET SUITE 1900 MIDLAND, TEXAS 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1330' FNL & 1330' FWL SECTION 19 T25S-R27E EDDY CO. NM
At proposed prod. zone: SAME Per SO dated 2/4/05

5. LEASE DESIGNATION AND SERIAL NO.: NM-109756

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: ----------

7. UNIT AGREEMENT NAME: ----------

8. FARM OR LEASE NAME, WELL NO.: MARINE "19" FEDERAL # 1

9. API WELL NO.: 30-015-33981

10. FIELD AND POOL, OR WILDCAT: COTTONWOOD DRAW UNDES MORROW

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: SECTION 19 T25S-R27E

12. COUNTY OR PARISH: EDDY CO. 13. STATE: NEW MEXICO

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: Approximately 15 miles Southwest ot Malaga New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 1330'

16. NO. OF ACRES IN LEASE: 960

17. NO. OF ACRES ASSIGNED TO THIS WELL: 320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: NA

19. PROPOSED DEPTH: 12,100'

20. ROTARY OR CABLE TOOLS: ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3240' 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
25"	20"	NA	40'	Cement to surface w/Redi-mix
17½"	H-40 13 3/8"	48	400'	400 Sx. Circulate cement.
12¼"	J-55 9 5/8"	40 & 36	2100'	750 Sx. " "
8½"	N-80,P-110 7"	26	8800'	1000 Sx. " "
6 1/8"	P-110 4½"	11.5	12,100 to 8500'	400 Sx. cement to liner top.

WITNESS

CARLSBAD CONTROLLED WATER BASIN

1. Drill 25" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 17½" hole to 400'. Run and set 400' of 13 3/8" 48# H-40 ST&C casing. Cement with 400 Sx. of Class "C" cement + ¼# Flocele/Sx, + 2% CaCl, circulate cement to sirface.
3. Drill 12¼" hole to 2100'. Run and set 2100' of 9 5/8" 36 & 40# J-55 ST&C casing. Cement with 750 Sx. of Class "C" cement + additives, circulate cement to surface.
4. Drill 8½" hole to 8800'. Run and set 8800' of 7" 26# N-80 & P110 LT&C casing. Cement with 1000 Sx. of Class "C" cement + additives, circulate cement to srface.
5. Drill 6 1/8" hole to 12,100'. Run and set a3600' 4½" 11.6# P100 LT&C liner from TD back to 8500' Cement with 400 Sx. of Class "H" Premium Plus cement + additives.

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: Joe T Janica TITLE: Agent DATE: 01/25/05

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

(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 subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY: /s/ Joe G. Lara TITLE: ACTING FIELD MANAGER DATE: FEB 2 4 2005

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Expires November 30, 2000

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

5. Lease Serial No. NM-109756
6. If Indian, Allottee or Tribe Name ----------
7. If Unit or CA/Agreement, Name and/or No. ----------
8. Well Name and No. MARINE "19" FEDERAL # 1
9. API Well No.
10. Field and Pool, or Exploratory Area COTTONWOOD DRAW UNDES MORROW
11. County or Parish, State EDDY CO. NEW MEXICO

1. Type of Well
☐ Oil Well ☐ Gas Well ☐ Other
2. Name of Operator LATIGO PETROLEUM, INC. (JOE CLEMENT 432-684-4293)
3a. Address 415 WEST WALL STREET SUITE 1900 MIDLAND, TEXAS 79701
3b. Phone No. *(include area code)* 432-684-4293
4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
1130' FWL & 1480' FNL SECTION 19 T25S-R27E EDDY CO. NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Move location
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ 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 recomplete 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 recompletion 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. LATIGO PETROLEUM, INC. Requests the approval to move the location of their MARINE "19" FEDERAL # 1

FROM: 1330' FNL & 1330' FWL SECTION 19 T25S-R27E

TO: 1480' FNL & 1130' FWL SECTION 19 T25S-R27E

2. The reason for this move is to comply with the request of the BUREAU OF LAND MANAGEMENT DUE TO topography.

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)* Joe T. Janica — Title Agent
Signature Joe T Janica — Date 02/04/05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /s/ Joe G. Lara — Title ACTING FIELD MANAGER — Date FEB 2 4 2005

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.

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 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
		UNDES. COTTONWOOD DRAW-MORROW

Property Code	Property Name	Well Number
	MARINE 19 FEDERAL	1

OGRID No.	Operator Name	Elevation
227001	LATIGO PETROLEUM, INC.	3238'

Surface Location

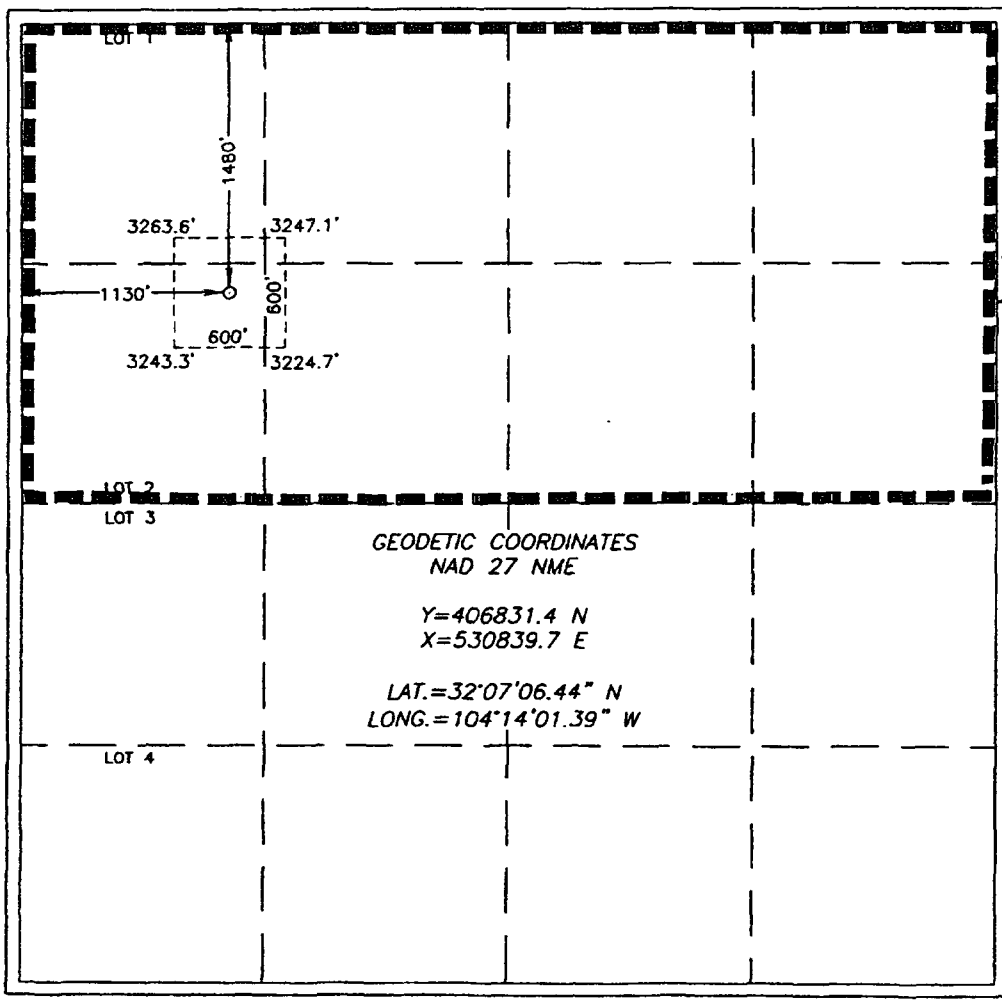
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	19	25-S	27-E		1480	NORTH	1130	WEST	EDDY

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.
320			

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

Joe T. Janica
Printed Name

Agent
Title

02/04/05
Date

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.

JAUNARY 25, 2005
Date Surveyed DEL

Signature & Seal of Professional Surveyor

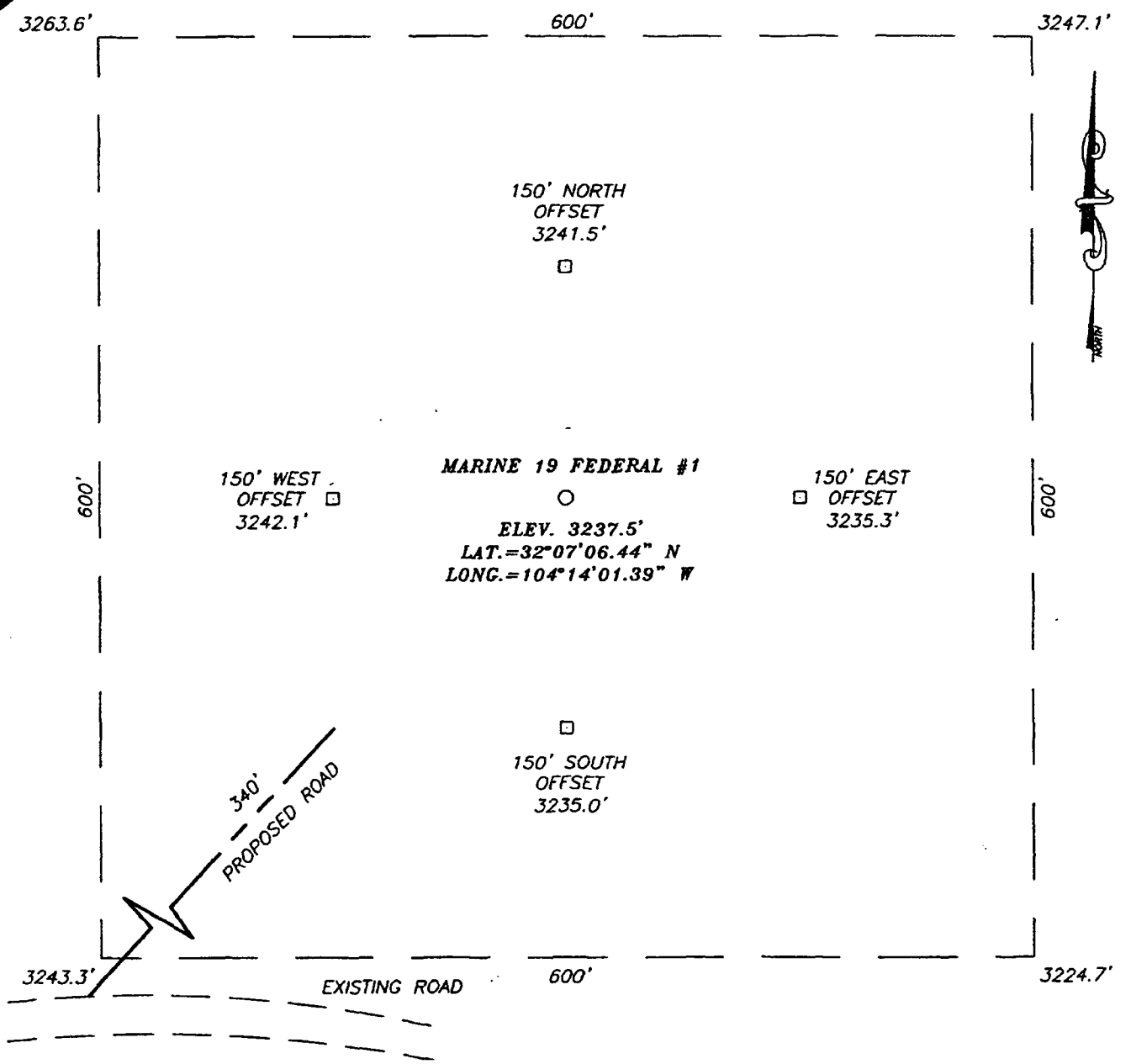
RONALD J. EIDSON
NEW MEXICO
3239
REGISTERED PROFESSIONAL SURVEYOR

05.11.0115

Certificate No. RONALD EIDSON 3239
GARY EIDSON 12641

EXHIBIT "A"

ION 19, TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF EDDY CO. ROAD 720 (BLACK RIVER ROAD) AND EDDY CO. ROAD 742 (JOHN C. FOREHAND). GO SOUTH ON FOREHAND ROAD APPROX. 8.4 MILES. TURN LEFT (EAST) FOR 0.3 MILES TO A DRY HOLE MARKER AND PROPOSED ROAD SURVEY ON THE NORTH SIDE OF ROAD. FOLLOW ROAD SURVEY NORTHEAST 340' FEET TO THIS LOCATION.

100 0 100 200 Feet

Scale: 1"=100'

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

LATIGO PETROLEUM, INC.

MARINE 19 FEDERAL #1 WELL
LOCATED 1480 FEET FROM THE NORTH LINE
AND 1130 FEET FROM THE WEST LINE OF SECTION 19,
TOWNSHIP 25 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 01/25/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.0115	Dr By: DEL	Rev 1: N/A	
Date: 01/27/05	Disk: CD#5	05110115	Scale: 1"=100'

APPLICATION TO DRILL

LATIGO PETROLEUM, INC.
MARINE "19" FEDERAL # 1
UNIT "F" SECTION 19
T25S-R27E EDDY CO. NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1. Location: 1330' FNL & 1330' FWL SECTION 19 T25S-R27E EDDY CO. NM

2. Elevation above sea level: 3240' GR.

3. Geologic name of surface formation: Quateranity

4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.

5. Proposed drilling depth: 12,100'

6. Estimated tops of geological markers:

Delaware	1880'	Strawn	10490'
Bone Spring	5340'	Atoka	10810'
Wolfcamp	5800'	Morrow Lime	10920'
Penn Shale	10190'	Morrow Clastics	11280'

7. Possible mineral bearing formation:

Strawn	Gas
Morrow	Gas

8. Casing program:

Hole size	Interval	OD casing	Weight	Thread	Collar	Grade
25"	0-40'	20"	NA	NA	NA	Conductor
17½"	0-400'	13 3/8"	48	8-R	ST&C	H-40
12¼"	0-2100'	9 5/8"	36 & 40	8-R	ST&C	J-55
8½"	0-8800'	7"	26	8-R	LT&C	P-110
* 6 1/8"	8500-12,100'	4½"	11.6	8-R	LT&C	P-110

*Liner from 8500' to TD.

APPLICATION TO DRILL

LATIGO PETROLEUM, INC.
MARINE "19" FEDERAL # 1
UNIT "F" SECTION 19
T25S-R27E EDDY CO. NM

9. CEMENTING AND CASING SETTING DEPTHS:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Set 400' of 13 3/8" 48# H-40 ST&C casing. Cement with 400 Sx. of Class "C" cement + additives, circulate cement to surface.
9 5/8"	Intermediate	Set 2100' of 9 5/8" 36 & 40# J-55 ST&C casing. Cement with 750 Sx. of Class "C" cement + additives, circulate cement to surface.
7"	2nd Intermediate	Set 8800' of 7" 26# P-110 LT&C casing. Cement with 1000 Sx. of Class "C" cement + additives, estimate top of cement 1800' from surface.
4½"	Prod. Liner	Set 3600' of 4½" 11.6# P-110 Liner from TD (12,100') back to 8500'. Cement with 400 Sx. of Class "H" Premium Plus cement + additives, cement to top of liner.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 1500 Series 5000 PSI working pressure B.O.P. consisting of an annular bag type preventor, middle blind rams and bottom pipe rams. The B.O.P. will be nippled up on the 13 3/8" casing and tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period and the blind rams will be operated when drill pipe is out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 2" 5000 PSI choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-400'	8.4-8.7	29-34	NC	Fresh water Spud Mud add paper to control seepage.
400-2100'	10.0-10.2	29-34	NC	Brine water use paper to control seepage use higih viscosity sweeps to clean hole.
2100-8800'	10.0-10.3	29-40	NC	Same as above.
8800-12,100'	9.8-10.1	32-40	* 10 cc or less	Cut Brine use Gel to control viscosity, Dris-Pac to control water loss.

* Water loss may have to be controled in order to run logs and casing as well to protect formation from damage.

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.

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

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

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

5. Lease Serial No.
NM-109756

6. If Indian, Allottee or Tribe Name

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

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

RECEIVED
AUG 2 4 2005
OCD-ARTESIA

8. Well Name and No.
Marine "19" Federal #1

2. Name of Operator
Latigo Petroleum, Inc.

9. API Well No.
30-015-33981

3a. Address
550 W. Texas, Suite 700 Midland TX 79701

3b. Phone No. (include area code)
(432)684-4293

10. Field and Pool, or Exploratory Area
Cottonwood Draw Undes Morrow

4. Location of Well (*Footage, Sec., T., R., M., or Survey Description*)
1480' FNL & 1130' FWL
Sec 19 T25S-R27E
Eddy County, NM

11. County or Parish, State
Eddy

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☐ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/ Resume)	☐ Water Shut-Off
	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☒ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other 13-3/8" Casing
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
☐ Final Abandonment Notice	☐ Convert to Injection	☐ Plug Back	☐ 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 recomplete horizontally, give subsurface locations 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 recompletion 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.)

08/03/05 - Spud 17-1/2" Hole.

08/04/05 - RIH w/9 jts of 13-3/8" 48# H40 ST&C. Set @ 450' (KB). Centralizers @ 45', 223', 319' & 438'. Cemented w/100 sxs RFC (10-2-A) + 0.25 pps D29 + 5 pps D24 (wt - 14.2 ppg, yield 1.60 cu ft) & tailed w/415 sxs Class C Neat + 2% S001 + 0.25 pps D29 (wt - 14.8 ppg, yield 1.32 cu ft).

ACCEPTED FOR RECORD
AUG 2 2 2005
LES BABYAK
PETROLEUM ENGINEER

RECEIVED
CARLSBAD FIELD OFFICE
05 AUG 10 PM 12 15

14. I hereby certify that the foregoing is true and correct
Name (*Printed/Typed*)
Sabra Woody

Title
Engineering Technician

Signature
Sabra Woody

Date
08/05/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
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	

Title 18 U.S.C. Section 1001, makes 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*)

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

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

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

5. Lease Serial No.
NM-109756

6. If Indian, Allottee or Tribe Name

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

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

RECEIVED
AUG 24 2005
OCD-ARTESIA

8. Well Name and No.
Marine "19" Federal #1

2. Name of Operator
Latigo Petroleum, Inc.

9. API Well No.
30-015-33981

3a. Address
550 W. Texas, Suite 700 Midland TX 79701

3b. Phone No. *(include area code)*
(432)684-4293

10. Field and Pool, or Exploratory Area
Cottonwood Draw Undes Morrow

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
1480' FNL & 1130' FWL
Sec 19 T25S-R27E
Eddy County, NM

11. County or Parish, State
Eddy
NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☐ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/ Resume)	☐ Water Shut-Off
☒ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other 9-5/8" Casing
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ 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 recomplete horizontally, give subsurface locations 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 recompletion 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.)

08/10/05 - Ran 50 jts 9-5/8" J-55 36# LT&C csg. Set @ 2132'. Centralizers @ 2132', 2004, 1919, 1752, 1589, 1420, 1254, 1086, 921, 755, 588, 419, 253 & 86'.

08/11/05 - Cmt'd w/841 sxs 50/50 Poz C + additives (wt - 11.8 ppg, yield 2.54 cu ft). Tailed w/250 sxs Cl C (wt - 14.8 ppg, yield 1.33 cu ft).

ACCEPTED FOR RECORD
AUG 22 2005
LES BABYAK
PETROLEUM ENGINEER

CARLSBAD FIELD OFFICE
2005 AUG 15 PM 1 13
RECEIVED

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Sabra Woody

Title
Engineering Technician

Signature
Sabra Woody

Date
08/12/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
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	

Title 18 U.S.C. Section 1001, makes 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)

OCD-FYI

Form 3160-5
(August 1999)

OPERATOR'S COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

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

5. Lease Serial No.
NM-109756

6. If Indian, Allottee or Tribe Name

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

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

8. Well Name and No.
Marine "19" Federal #1

2. Name of Operator
Latigo Petroleum, Inc.

9. API Well No.
30-015-33981

3a. Address
550 W. Texas, Suite 700 Midland TX 79701

3b. Phone No. *(include area code)*
(432)684-4293

10. Field and Pool, or Exploratory Area
Cottonwood Draw Undes Morrow

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
1480' FNL & 1130' FWL
Sec 19 T25S-R27E
Eddy County, NM

11. County or Parish, State
Eddy
NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☐ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/ Resume)	☐ Water Shut-Off
☒ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other 7" Casing
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ 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 recomplete horizontally, give subsurface locations 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 recompletion 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.)

08/26/05 - Ran 60 jts 7" N-80 26# LT&C csg & 140 jts 7" J-55 26# LT&C csg. Set @ 8808' KB. Ran a total of 22 centralizers @ center of 1st jt, jt #3, 5, 8, 11, 14, 17, 20, 23, 26, 29, 32, 35, 38, 41, 44, 47, 68, 71, 72, 75, 78 & 153.

08/27/05 - Cmt'd as follows: Lead w/685 sxs 50/50 Poz H + additives (wt - 11.9 ppg, yield 2.50 cu ft). Tailed w/480 sxs Cl H + additives (wt - 14.2 ppg, yield 1.49 cu ft). Temperature survey indicated top of cement @ 1104' GL.

RECEIVED
SEP 14 2005
OCD-ARTESIA

ACCEPTED FOR RECORD
SEP - 7 2005
ACS
ALEXIS C. SWOBODA
PETROLEUM ENGINEER

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Sabra Woody

Title
Engineering Technician

Signature

Date
08/29/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
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	

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(Instructions on reverse)

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

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

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SUBMIT IN TRIPLICATE - Other instructions on reverse side

RECEIVED
SEP 28 2005
OCD-ARTESIA

5. Lease Serial No.
NM-109756

6. If Indian, Allottee or Tribe Name

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

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

8. Well Name and No.
Marine "19" Federal #1

2. Name of Operator
Latigo Petroleum, Inc.

9. API Well No.
30-015-33981

3a. Address
550 W. Texas, Suite 700 Midland TX 79701

3b. Phone No. *(include area code)*
(432)684-4293

10. Field and Pool, or Exploratory Area
Cottonwood Draw Undes Morrow

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
1480' FNL & 1130' FWL
Sec 19 T25S-R27E
Eddy County, NM

11. County or Parish, State
Eddy
NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/ Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other _____
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☒ Plug Back	☐ 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 recomplete horizontally, give subsurface locations 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 recompletion 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.)

This well was dry at TD 12,028'. Received verbal approval from Armando Lopez to plug back as follows:

200' plug @ 11,370 - 11,570' (Top of Morrow Clastics - 11,470')
200' plug @ 10,090 - 10,290' (Top of Penn Shale - 10,190')
200' plug @ 8,710 - 8,910' (7" Shoe Plug at 8,810')

Will attempt completion in Bone Springs at 7750 - 7826'.

APPROVED
SEP 26 2005
LES BABYAK
PETROLEUM ENGINEER

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Sabra Woody

Title
Engineering Technician

Signature

Date
09/19/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
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	

Title 18 U.S.C. Section 1001, makes 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)

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 13464
ORDER NO. R-12373

APPLICATION OF LATIGO PETROLEUM, INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing at 8:15 a.m. at Santa Fe, New Mexico on May 19, 2005 before Examiner William V. Jones.

NOW, on this 23rd day of June, 2005, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Oil Conservation Division has jurisdiction of this case and of the subject matter.

(2) The applicant, Latigo Petroleum, Inc. ("applicant"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 19, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico, in the following manner:

> the N/2 forming a standard 318.89-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to the Undesignated Cottonwood Draw-Strawn Gas (75280) Pool and the Undesignated WC Cottonwood Draw-Morrow Gas (97377) Pool.

(3) The above-described unit ("the Unit") is to be dedicated to the applicant's Marine Federal 19 Well No. 1 (API No. 30-015-33981), to be drilled at a standard well location in the SW/4 NW/4 (Lot 2) of Section 19. This well will be drilled to an approximate depth of 12,100 feet.

(4) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(5) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill to a common source of supply within the SW/4 NW/4 of Section 19.

(6) No other parties entered an appearance in this case or otherwise opposed this application.

(7) The applicant presented testimony from a Landman as follows:

(a) Chesapeake Exploration LP holds a 50 percent working interest and is party to be pooled in this case. Chesapeake has signed an AFE but not the proposed operating agreement.

(b) The applicant is not attempting to pool anything other than Pools spaced on 320 acres, even though pool sizes in this area range from 640 acres to 40 acres.

(8) There are interest owners in the proposed Unit that have not agreed to pool their interests.

(9) The applicant should be designated the operator of the proposed well and of the Unit.

(10) Any pooled working interest owner who does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(11) Reasonable charges for supervision (combined fixed rates) should be fixed at $6,000 per month while drilling and $650 per month while producing, provided that these rates should be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*"

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Latigo Petroleum, Inc. ("applicant"), all uncommitted mineral interests, whatever they may be, in the oil and gas from the surface to the base of the Morrow formation underlying the N/2 of Section 19, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled, as follows:

> the N/2 forming a standard 318.89-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include, but are not necessarily limited to, the Undesignated Cottonwood Draw-Strawn Gas (75280) Pool and the Undesignated WC Cottonwood Draw-Morrow Gas (97377) Pool.

The above-described unit ("the Unit") is to be dedicated to the applicant's Marine Federal 19 Well No. 1 (API No. 30-015-33981), to be drilled at a standard well location in the SW/4 NW/4 (Lot 2) of Section 19.

(2) The operator of the Unit shall commence drilling operations on the proposed well on or before September 30, 2005 and shall thereafter continue drilling the well with due diligence to test the Morrow formation at an approximate depth of 12,100 feet.

(3) In the event the operator does not commence drilling operations on the proposed well on or before September 30, 2005, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

(4) Should the proposed well not be drilled and completed within 120 days after commencement thereof, Ordering Paragraph (1) shall be of no further effect, and the unit created by this Order shall terminate unless the operator appears before the Division Director and obtains an extension of time to complete the well for good cause demonstrated by satisfactory evidence.

(5) Upon final plugging and abandonment of the Marine Federal 19 Well No. 1, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(6) Latigo Petroleum, Inc. (OGRD 227001) is hereby designated the operator of the proposed well and of the Unit.

(7) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(8) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(9) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of the proposed well. If no objection to the actual well costs is received by the Division, and the Division has not objected within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(10) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(11) The operator is hereby authorized to withhold the following costs and charges from production:

(a) the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(12) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(13) Reasonable charges for supervision (combined fixed rates) are hereby fixed at $6,000 per month while drilling and $650 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3. of the COPAS form titled "*Accounting Procedure-Joint Operations.*" The operator is authorized to withhold from production the proportionate share of both the supervision charges and the actual expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(14) Except as provided in Ordering Paragraphs (11) and (13) above, all proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(15) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(16) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(17) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director

CASE 13408: ***Continued from May 5, 2005, Examiner Hearing***
Application of Latigo Petroleum, Inc. for an exception to Division Rule 104.D(3), Lea County, New Mexico. Applicant seeks an exception to Division Rule 104.D(3) in order to simultaneously dedicate production from the Bough-San Andres Gas Pool (Pool Code 72680) within an existing standard 160-acre gas spacing unit comprising the SW/4 of Section 13, Township 9 South, Range 35 East, from the following two wells: (i) the Federal A 13 Well No. 2 (API No. 30-025-02651), located at an orthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 13; and (ii) the Federal A Well No. 5, located at an orthodox gas well location 810 feet from the South line and 1980 feet from the West line (Unit N) of Section 13. The unit is located approximately 3 miles northwest of Crossroads, New Mexico.

CASE 13464: **Continued from May 5, 2005, Examiner Hearing**
Application of Latigo Petroleum, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1, 2, NE/4, and E/2 NW/4 of Section 19, Township 25 South, Range 27 East, to form a standard 318.89-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Cottonwood Draw-Strawn Gas Pool and Undesignated Cottonwood Draw-Morrow Gas Pool. The unit is to be dedicated to the Marine "19" Federal Well No. 1, to be located at an orthodox gas well location in the SW/4 NW/4 of Section 19. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 6 miles south-southeast of Black River Village, New Mexico.

CASE 13492: ***Application of Mewbourne Oil Company for cancellation of two drilling permits and approval of a drilling permit, Lea County, New Mexico.*** Applicant seeks an order canceling two drilling permits issued to Chesapeake Operating, Inc. covering (1) the S/2 of Section 4, Township 21 South, Range 35 East, and (ii) Lots 9-16 of Section 4, and requiring the Division's Hobbs District office to approve a drilling permit filed by applicant covering Lots 9, 10, 15, 16, and the SE/4 of Section 4, to form a standard 320-acre gas spacing and proration unit in the South Osudo-Morrow Gas Pool. The unit is located approximately 6-1/2 miles west of Oil Center, New Mexico.

CASE 13493: ***Application of Chesapeake Permian, L.P. for compulsory pooling, Lea County, New Mexico.*** Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Irregular Section 4, Township 21 South, Range 35 East, forming a standard 320-acre gas spacing and proration unit for any production from any and all formations/pools developed on 320-acre gas spacing within that vertical extent, including but not limited to the South Osudo Morrow Pool. This unit is to be dedicated to its KF 4 State Well No. 1 (API #30-025-37129) that is being drilled at a standard well location in Unit X of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Chesapeake Operating, Inc. as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 6 miles west from Oil Center, New Mexico.

CASE 13494: ***Application of Texland Petroleum, L.P. for a Compliance Order, including fines, against Latigo Petroleum, Inc. ("Latigo") including an order to void and revoke Administrative Order DHC-3086, and to require Latigo to immediately shut-in its Conoco State Well No. 3 (API No. 30-025-35961) located in Unit J of Section 33, T18S, R38E, Lea County New Mexico*** until such time as: (i) a standard 160-acre gas spacing unit consisting of the SE/4 of this section, is dedicated to this well in the Tubb formation, Hobbs-Tubb Gas Pool, (ii) the interest of all owners in the standard 80-acre oil spacing and proration unit, consisting of the N/2 SE/4 of this section, is dedicated to this well in the Drinkard formation of the Hobbs-Drinkard Pool, (iii) the production proceeds from this well in the Tubb and Drinkard formations are reallocated and paid to the owners in these spacing units from the date of first production, and (iv) paid the fines for violations of the Gas and Gas Act. Section 70-2-31 NMSA 1978. The well is located approximately 7 miles West of Hobbs, New Mexico

Marine Federal c: RC

LATIGO LAND DEPT.
RECEIVED
JAN 07 2004

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

IN REPLY REFER TO:
NMNM-107368
3160 (513)

JAN 07 2005

Latigo Petroleum, Inc.
Fasken Center Tower II
550 W. Texas, Suite 700
Midland, Texas 79701
Attn: Ricky Cox

Gentlemen:

Your letter dated December 14, 2004, requests a communitization agreement covering the N½ of Section 19, T. 25 S., R. 27 E., NMPM, Eddy County, New Mexico based on geology. Your isopach map of the Morrow E sand submitted with your letter to this office, depicts a northeast-southwest trend with the bulk of the deposit occurring in the N½ ,sec. 19. This is in agreement with the trend of the Morrow fields in the White City Penn field located 1½ miles to the northwest. Therefore this office agrees with your request to consolidate O&G leases NMNM-109756 and NMNM-107368 under a communitization agreement for the N½ of sec. 19, T. 25 S., R. 27 E., NMPM.

If you have any questions please call John S. Simtz at (505) 627-0288 or the Division of Land and Minerals at (505) 627-0272.

Sincerely,

Larry D. Bray
Assistant Field Manager,
Lands and Minerals

NMOCD CASE NO. 13464
MAY 19, 2005
LATIGO PETROLEUM, INC.
EXHIBIT NO. 3